



PENGURUSAN AIR SELANGOR SDN. BHD.
[Company No.: 201401006213 (1082296-U)]

**TERMS OF REFERENCE OF
BOARD NOMINATION & REMUNERATION COMMITTEE
(BNRC)**

(Approved by the Board of Directors on 3 October 2022)

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1.0 PURPOSE

1.1 The primary function of the Board Nomination & Remuneration Committee (“BNRC” or “the Committee”) is to assist the Board of Directors (“the Board”) in overseeing matters related to the nomination and appointment of new Directors and the Chief Executive Officer, Board’s and Board Committees’ annual evaluation, succession planning and remuneration policy and framework for Directors, Chief Executive Officer and Senior Management.

1.2 The BNRC’s objectives are as follows:

1.2.1 Nomination Function

- a) To assist the Board in the assessment, nomination and appointment of new Directors to the Board and Board Committees.
- b) To review the size, composition and diversity of the Board and Board Committees to reflect the required mix of skills, knowledge, experience and other requisite qualities of Directors as well as undertake annual assessment of the effectiveness of the Board, its Board Committees and each individual Director.
- c) To ensure that the Board, Chief Executive Officer and Senior Management succession planning are managed effectively.
- d) To facilitate and review the Board induction and training programmes.

1.2.2 Remuneration Function

- a) To set the policies and procedures on the remuneration framework, including reviewing and recommending the remuneration policies and procedures which is used to determine the remuneration packages of Directors, Chief Executive Officer, including that of the Senior Management positions of the Company.
- b) To review and recommend to the Board the remuneration of, Non-Executive Directors, Chief Executive Officer and Senior Management.

2.0 COMPOSITION

2.1 Members of the BNRC shall be appointed by the Board. The BNRC shall consist of not less than three (3) members, comprising exclusively of Non-Executive Directors, all of whom shall be Independent Non-Executive Directors.

2.2 No alternate Director shall be appointed as a member of the BNRC.

2.3 The appointment of a BNRC member terminates when the member ceases to be a Director, or as determined by the Board.

- 2.4 The BNRC members may relinquish their membership in the BNRC with prior written notice to the Company Secretary. In the event of any vacancy arising in the BNRC resulting in the number of members of the BNRC falling below three (3), the vacancy shall be filled as soon as possible, but not later than three (3) months from any arising vacancy.

3.0 CHAIRMAN

- 3.1 The Chairman of the BNRC shall be a Senior Independent Non-Executive Director or an Independent Non-Executive Director appointed by the Board.
- 3.2 The Chairman of the Board shall not be a member of the BNRC.
- 3.3 The Chairman of the BNRC shall provide the Board with a report of the BNRC meetings at the next Board meeting after the conclusion of each BNRC meeting.
- 3.4 The Chairman of the BNRC shall:
- (a) Lead the succession planning and appointment of Directors, and oversee the development of a diverse pipeline for Board and Senior Management succession, including the Chief Executive Officer; and
 - (b) Lead the annual review of Board effectiveness, ensuring that the performance of each individual Director and Chairman of the Board are independently assessed.

4.0 AUTHORITY

- 4.1 The BNRC is authorised by the Board and at the expense of the Company to perform the following:
- a) Secure the necessary resources in order to perform its duties as set out in its terms of reference;
 - b) Have direct communication channels and unrestricted access to Senior Management including the Company's information, records, reports, properties, and personnel;
 - c) Obtain the assistance of management and Company officers, where necessary;
 - d) Obtain external legal or other independent professional advice as necessary and to invite external parties with relevant expertise to attend BNRC's meetings (if required) and to brief the BNRC. Prior to the selection of such an advisor, the Committee shall carry out an independent assessment of such an advisor; and

- e) Request other Directors, members of Board Committees / Management to participate in the BNRC meetings, as necessary, to carry out the BNRC's responsibilities, provided that no Director shall be entitled to vote at such meetings or be counted as part of the quorum for any meeting of the BNRC.

4.2 The BNRC shall make recommendations to the Board for consideration and approval, but it has no executive power to implement such recommendations on behalf of the Board.

5.0 FUNCTIONS AND DUTIES

5.1 Nomination Function

5.1.1 Assessment of Board Composition

- (a) Establish 'Board Composition Policy' which promotes boardroom diversity including gender diversity and ensure that women candidates are sought in recruitment exercise, as well as the measures that has been set for implementing the gender diversity policy. A copy of the 'Board Composition Policy' is attached as per **Appendix I**.
- (b) Periodically review the appropriate structure, size, tenure and balance and composition of the Board and Board Committees, including the required mix of skills, experience, diversity, independence, knowledge, and other qualities, including core competencies which Non-Executive Directors shall bring to the Board to ensure that these are in line with the Company's requirements.

5.1.2 Appointments and Re-appointments

- (a) Identify, evaluate and recommend to the Board any new Board appointments, whether to executive or non-executive positions, to fill Board vacancies, as and when these arise.
- (b) Establish a 'Fit and Proper' policy for the appointment and re-election of Directors of the Company and its subsidiaries to ensure a formal and transparent process in the election and re-election of Directors. The Fit and Proper Policy will set the criteria used in the assessment undertaken by the BNRC to address Board quality and integrity in the appointment and re-election of Directors. A copy of the 'Fit and Proper' policy is attached as per **Appendix II**.

The ultimate decision on the appointment of Directors to the Board is the responsibility of the Board as a whole, after due consideration of the recommendations of the BNRC.

- (c) Recommend appointments of members and Chairman to the Board Committees from among the Board of Directors. Recommendations to the Board on the membership of any Board Committees is done in consultation with the Chair of those Committees. In respect of the Board Audit Committee (“BAC”), to assess and ensure that the BAC members are financially literate and possess a wide range of necessary skills to discharge its duties.
- (d) In identifying and recommending suitable persons for appointment as Directors, the BNRC shall rely on sources from existing Board members, management, major shareholders, independent search firms and other independent sources. If the selection of candidates is based on recommendations made by existing Directors, management or major shareholders, the Committee should explain why these source(s) suffice and other sources were not used.
- (e) Ensure that every Director, excluding the Chief Executive Officer, shall be subject to retirement at least once every three (3) years. The Chief Executive Officer shall not, while holding that office, be subject to retirement by rotation. A retiring Director shall be eligible for re-election. The tenure of an Independent Non-Executive Director shall be limited to nine (9) years without further extension.
- (f) Recommend to the Board whether to approve the continuation in office of Non-Executive Directors and to recommend to shareholders their election or re-election at the Annual General Meeting (AGM), having due regard to their performance and ability, and why their contribution is important to the Company’s long-term sustainable success. Annual re-election of a Director should be contingent on satisfactory evaluation of the Director’s performance and the ability to continue to contribute to the Board in terms of knowledge, skills and experience required.
- (g) Consider the need to designate a Senior Independent Non-Executive Director from among the Independent Non-Executive Directors, and if deemed appropriate, recommend to the Board for approval. In considering the candidate for the position of a Senior Independent Non-Executive Director, the BNRC shall assess the required knowledge and other qualities necessary for the effective discharge of his/her responsibilities.
- (h) Ensure that a formal letter of appointment to Non-Executive Directors upon appointment to the Board, sets out clearly the expected time commitment, Board Committee involvement, involvement outside Board meetings and the protocol for accepting new Directorships.
- (i) Appointment of Chief Executive Officer and Senior Management positions:
 - i. Review and recommend to the Board the appointment, evaluation, renewal of service contract, acceptance of resignation and removal of the Chief Executive Officer;

- ii. Review and if deemed appropriate, endorse for Board's approval, the recommendations of the Chief Executive Officer on the appointment, evaluation, promotion, renewal of service contract, acceptance of resignation and removal of Senior Management positions of the Company; and
- iii. The appointments of Chief Executive Officer and Senior Management positions are based on objective criteria, merit and with due regard for diversity in skills, experience and professional competencies. The Senior Management positions are set out in the schedule of direct reports to the Chief Executive Officer as per **Appendix III**.

5.1.3 Training and Development

- (a) Annually evaluate and determine the appropriate training needs of the Directors and ensure they have access to appropriate continuous development programmes and to disclose details in the annual report as appropriate. The subject matter of training must be one that aids the Director in the discharge of his/her duties as a Director.
- (b) Ensure the orientation and education programmes are provided for new Directors.

5.1.4 Board Annual Performance Assessment (Board Effectiveness Evaluation)

- (a) Assist the Board to assess on an annual basis, the effectiveness of the Board as a whole, effectiveness of each Board Committee, as well as the skills and contribution of each individual Director and the independence of the Independent Directors. All assessments and evaluations carried out by the BNRC in the discharge of all its functions shall be properly documented.
- (b) Develop, maintain and review the criteria for evaluating the performance of the Board, Board Committees and each individual Director's performance.

The criteria used in the annual assessment should include the following:-

- Will and ability to critically challenge and ask the right questions;
 - Character and integrity in dealing with potential conflict of interest situations;
 - Commitment to serve the Company, due diligence and integrity;
 - Confidence to stand up for a point of view;
 - Contribution and performance, calibre and personality; and
 - Integration of the Company's material sustainability risks and opportunities in the development and implementation of Company's strategies and business plans, and risk management.
- (c) Ensure that appropriate actions are taken based on the results of the annual assessments to continuously enhance the Board's overall performance and identify opportunities for improvement.

- (d) Conduct an annual Board evaluation either internally or via other independent sources. The Board evaluation is to be periodically facilitated by an external and independent party once every three (3) years to facilitate objective and candid Board evaluation of the Board's strengths and areas for improvement, and to gain additional insights from other evaluations.
- (e) To review the results of the evaluation under paragraph (d) and recommend to the Board the initiatives / improvements moving forward, to enhance the effectiveness of the Board.
- (f) The BNRC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in this Terms of Reference and report the findings to the Board.

5.1.5 Annual Review of the BAC

- (a) Annually review the term of office and performance of the BAC and each of its members to determine whether the BAC and its members have carried out their duties in accordance with their Terms of Reference.
- (b) The BNRC shall seek the views of the Chairman of the BAC in its assessment of the performance of members of the BAC, other than that of the BAC Chairman. The Board shall assess the performance of the BAC Chairman.

5.1.6 Succession Planning

- (a) The Chief Executive Officer shall assist the BNRC in ensuring that an appropriate succession planning framework, talent management and human capital development programme is in place for the position of the Chief Executive Officer and Senior Management positions.
- (b) The BNRC shall be apprised of the progress of the programme on a regular basis, and at least once a year.
- (c) The BNRC oversees overall succession planning for the Non-Executive Directors, Chief Executive Officer and Senior Management positions.

5.2 Remuneration Function

- (a) The BNRC set, review, advise and recommend to the Board a remuneration policy and framework of Non-Executive Directors, Chief Executive Officer and Senior Management of the Company which should be aligned with the business strategy and long-term objectives of the Company, taking into account the demand and complexity of the Company's business, and performance of the Company.

The level of remuneration should be sufficient to attract and retain Non-Executive Directors, Chief Executive Officer and Senior Management of the appropriate calibre, experience and quality needed to manage the Company successfully.

- (b) To review and recommend to the Board, the setting of Corporate Key Performance Indicators (KPI) which are measured against the Company's established business objectives, and to evaluate and review the final score of the Corporate KPIs.
- (c) In determining the appropriate level of remuneration for Non-Executive Directors, Chief Executive Officer and Senior Management, the Board should also take into consideration the Company's performance in managing material sustainability risks and opportunities.
- (d) The BNRC may obtain independent professional advice and any other information necessary in determining the framework.

A. The Board Remuneration

- (i) To review and recommend the remuneration package of Non-Executive Directors to ensure that the fees and meeting allowance payable, and other benefits are reflective of the experience and expertise, and time demanded of Non-Executive Directors to discharge their duties and responsibilities.
- (ii) The fees of the Non-Executive Directors and benefits payable to the Non-Executive Directors shall be approved at a general meeting.

B. Chief Executive Officer and Senior Management Remuneration

- (i) To review and recommend to the Board, the Chief Executive Officer's terms and conditions of employment/service, remuneration package, benefits and entitlements (including bonus and salary increment).
- (ii) To review and recommend to the Board, the performance of the Chief Executive Officer based on the achievement of the Corporate KPI and determine appropriate compensation based on the overall performance score.
- (iii) To review and if deemed appropriate, endorse for the Board's approval, the Senior Management's terms and conditions of employment/service, remuneration package, benefits and entitlements (including bonus and salary increment) as recommended by the Chief Executive Officer.

- (e) Review and recommend to the Board the annual bonus and salary increment framework for the Company, as recommended by the Chief Executive Officer, including the total quantum of payment.
- (f) The determination of the remuneration packages of the Non-Executive Directors, Chief Executive Officer and Senior Management shall be a matter of the Board as a whole.

6.0 MEETINGS

6.1 Frequency

- (a) The BNRC shall meet once a year or more frequent as deemed necessary to fulfil its responsibilities.
- (b) Other Directors, members of Board Committees / Management may attend meetings upon invitation of the BNRC.

6.2 Notice and Agenda

- (a) The Company Secretary shall issue and circulate the notice of the BNRC meetings to the BNRC members and all those who are required to attend the meeting, confirming the venue, time, and date at least seven (7) working days or at a shorter notice period agreed to by the members before each meeting.
- (b) The agenda for each meeting including relevant documents and information requested by the BNRC shall be circulated at least five (5) working days before each meeting to the BNRC members and all those who are required to attend the meeting.
- (c) The BNRC meeting agendas shall be set by the Chairman with input from the BNRC members and assisted by the Company Secretary. Where necessary, the Agenda shall include input from management or other persons deemed appropriate to participate in this process.
- (d) Upon the request of a member of the BNRC, the Company Secretary shall, at any time call for a meeting of the BNRC. Each member of the BNRC shall receive notice of such meeting orally in person or in writing or by telephone or by facsimile or electronic transmission or by such other means as the members may from time to time determine. Any notice given orally, in person or by telephone shall be confirmed in writing.

6.3 Quorum

- (a) The quorum for a meeting of the BNRC shall be at least two (2) members. In the absence of the Chairman, the members present shall elect a Chairman from amongst themselves to Chair the meeting.

6.4 Meeting Mode

- (a) A meeting of the BNRC shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, online video conferencing, or any other appropriate means as determined by the BNRC and a member who participates in such meeting shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- (b) The BNRC may from time to time and if deemed appropriate, consider and approve and / or recommend relevant matters via a Circular Resolution in writing, in lieu of formally convening a meeting.
- (c) The Circular Resolution signed or approved by letter or electronic mail or other forms of electronic communication or electronic signature (e-signature) by the **majority** of the BNRC members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting of the BNRC duly called and constituted subject to 6.5(b) below. Any such resolution may consist of several documents in the like form, each signed by one (1) or more Committee members.

6.5 Voting

- (a) All resolutions of the BNRC shall be adopted by a **simple majority** vote, each member having one vote. In case of equality of votes, the Chairman of the BNRC shall have a second or casting vote.
- (b) BNRC member is required to disclose and abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

6.6 Meeting Minutes

- (a) The minutes of the meeting shall be action-oriented and record the deliberations and decisions of the BNRC. Minutes shall include compiled Board instructions as Matters Arising for discussion at each BNRC meeting to ensure proper follow-through.
- (b) Minutes shall be distributed to BNRC members and shall be approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.

6.7 Secretary

- (a) The Secretary to the BNRC shall be the Company Secretary or a person recommended by the Company Secretary and approved by the Board.
- (b) The Secretary shall organise and provide assistance at the BNRC meetings and have the following key responsibilities:

- Draw up meeting agenda in consultation with the Chairman of BNRC. The agenda shall be sent to all Members of the BNRC and any other persons who may be required to attend the meeting;
- Assist the Chairman in planning the BNRC's activities in accordance with its Terms of Reference;
- Ensure meetings are arranged and held accordingly;
- Ensure proceedings of meetings are recorded and the minutes circulated in a timely manner and approved by the BNRC before disseminating them to the Board;
- Ensure structured communication channels between the Board and the BNRC;
- Safeguarding and control the access / distribution of the minutes of meeting; and
- Ensure BNRC's recommendations presented to the Board are supported by papers that explain the rationale for the BNRC's recommendations.

7.0 OTHER MATTERS

- 7.1 The Board may delegate authority and responsibilities to the BNRC as the Board deems appropriate and, periodically review such delegations, if any.
- 7.2 The BNRC consider and examine all such other matters as the BNRC considers appropriate or as directed by the Board.

8.0 DISCLOSURE REQUIREMENTS

- 8.1 The BNRC shall assist the Board in making certain disclosures concerning the activities of the Committee to be included in the Annual Report.
- 8.2 The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this disclosure of Interest shall be submitted to the Chairman of the BNRC, as and when required, with a copy to the Company Secretary.

9.0 ANNUAL PERFORMANCE ASSESSMENT

- 9.1 The BNRC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in the terms of reference and report the findings to the Board.
- 9.2 The Board shall review the composition, performance and effectiveness of the BNRC and each of its members annually to ensure that the BNRC has the right composition and relevant skills and expertise to effectively fulfil their roles.

10.0 REVIEW OF THE TERMS OF REFERENCE

- 10.1 The BNRC shall recommend any changes to its terms of reference in such manner as the BNRC deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Main Market Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Company that may affect the BNRC's role.

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PENGURUSAN AIR SELANGOR SDN. BHD.
[Company No.: 201401006213 (1082296-U)]

BOARD COMPOSITION POLICY

(Approved by the Board of Directors on 3 October 2022)

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1.0 PURPOSE

- 1.1 The success of a Board in fulfilling its oversight responsibility depends on its size, composition and leadership qualities.
- 1.2 The number of Board members of the Company is prescribed by its Constitution, reflecting the size and type of business, industry and the operating environment. The composition of the Board should reflect a sufficient mix of individuals with relevant knowledge, skill set, competence, industry experience and an independent element, essential to shape the Company's strategic direction, safeguard its interests, and ensure its sustainable financial performance.
- 1.3 The objective of the Policy is to promulgate the approach of the Board of Directors of Pengurusan Air Selangor Sdn Bhd ("Air Selangor" or "the Company") in constituting the composition of its Board, being a key component in influencing how the Board functions and the dynamics between its members.

2.0 SCOPE OF APPLICATION

- 2.1 A well-constituted and an optimal Board shall comprise a cohesive group of members with the right mix of professional diversity (ie: skill set, knowledge, competence, industry experience) and social diversity (ie: gender, age, race/ethnicity diversity) and independent elements (*Paragraph 15.08A (3)(a) of Bursa Securities Listing Requirements*).

3.0 POLICY STATEMENT

- 3.1 Air Selangor remains committed to ensure that the composition of the Board constitutes the right balance and diversity in terms of skills and professional background, relevant knowledge, international and industry experience, independence, gender, age, ethnicity, and environmental social & governance (ESG) competence, and other soft attributes required as Company Directors. These attributes are essential to steer the Company through contemporary challenges and opportunities, and towards achieving its long-term strategy and goals.
- 3.2 Air Selangor embraces diversity in the Board demographics and believes increasing Board diversity will give the Company a competitive advantage as Directors hailing from diverse backgrounds bring a spectrum of diverse perspectives, thought and experiences to the Board's deliberations, which leads to more considered decision making process and enhanced business performance.
- 3.3 Air Selangor acknowledges that having a diverse Board is an important driver towards enhancing Board effectiveness at this averts 'group-think' in the deliberation and decision-making process.
- 3.4 The Board through the Board Nomination and Remuneration Committee (BNRC) shall factor in the various diversity elements into the equation in assessing suitable candidates for new appointments or for re-election to strengthen the Board composition, that meets the objectives and strategic goals of the Company. Selection of candidates shall be made based on merit against objective criteria and will not be a "checking the box" initiative and "tokenism".

- 3.5 The Board should be 'future-ready' for trends and events that will shape the 'next normal'.

The BNRC shall review the size and composition of the Board and Board Committees, on a periodic basis, to ensure an appropriate balance of skills, experience and diversity, as well as the need to bring new skills and perspectives to the Boardroom (*Practice 5.1 of the MCCG*).

The BNRC shall identify any opportunities for improvement to enhance Directors' skills through appropriate continuing education, developmental and upskilling programmes (subject to budget) as to keep them abreast of industry issues, market development and trend, and enable them to sustain their active participation in board deliberations. The subject matter of training must be one that aids the Director in the effective discharge of their duties as a Director (*Paragraph 15.08 MMLR*).

4.0 MEASURABLE OBJECTIVES

- 4.1 The Board, through BNRC, shall take into consideration the following factors to ensure sufficient diversity in its board composition
- (i) Skills, knowledge, experience and expertise (*Principle A-Board Leadership and effectiveness*)

Having board members with a broad range of expertise, experience and knowledge can help the board respond more quickly to changes, share different experiences and expertise towards sound decision making. The BNRC will review the desired skill sets/competence to ensure alignment with the objective and strategic direction of the Company and emerging challenges faced by the Company.

- (ii) Gender Diversity (*Practice 5.9 MCCG*)

Gender diverse boards with a mixed representation of male and female directors can bring different perspectives and approaches to stewardship and risk-reward orientation to the table, which in turn enhance the quality of board decisions.

The Board shall maintain at least three (3) women Directors on Board in order to maintain a minimum 30% women as members of the Board.

- (iii) Independence Diversity (*Practice 5.2 MCCG*)

Independent Directors bring external expertise and an unbiased view to boardroom discussions, acting as a balancing element between different shareholder representatives, managing conflicts of interest affecting board members and safeguarding the interests of minority shareholders.

There shall be a strong element of independence where more than half of the board is composed of Independent Directors who act as such in name and in substance.

Long tenures of Independent Directors and familiarity may erode the Board's objectivity. The Board has adopted a policy that limits the tenure of its Independent Directors to a cumulative term limit of nine (9) years without further extension (*Step Up Practice 5.4 MCCG*).

- (iv) Age and ethnicity diversity (*Bursa Securities directive dated 22 July 2014 read in conjunction with Paragraph 15.08A of MMLR*)

Age diversity

Representation of varied age groups can bring holistic perspectives to the Boardroom and can broaden debates, reduce the risk of group-think and allow businesses to stay relevant in the market.

The Company does not prescribe any age limit for its Directors as the Board of Directors of the Company hail from reputable background with vast experience accumulated through their years of service in the public sector and corporate world.

The Company will ensure an appropriate age diversity in the Board, creating a balance between maturity and experience, with an injection of energy to reinvigorate the Company.

Cultural ethnicity

Cultural backgrounds and values shape individuals' behaviours, and a culturally diverse board benefit from broader range of experiences, reduced risk of cultural prejudices and sensitivity to stakeholders from different cultural backgrounds.

The Company does not set any specific target for ethnic diversity in the Boardroom but will ensure composition of the Board include Directors of diverse ethnic background creating a breadth of perspective among Directors.

- 4.2 In identifying, considering, and recommending suitably qualified candidates for appointment as Directors, the Board shall rely on sources not solely from existing Board members, Management or major shareholders but utilizes independent search firms, and other independent sources (*Practice 5.6 MCCG*).

5.0 MONITORING AND REPORTING

- 5.1 The Board, through the BNRC is responsible for implementation of the Policy and for monitoring the progress.
- 5.2 The BNRC shall recommend any change to the Policy as the BNRC deems appropriate to the Board for approval to ensure that the Policy is in line with the requirements of Air Selangor.
- 5.3 The Policy shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, or any other regulatory requirements.

6.0 REFERENCE

- 6.1 This Policy should be read in conjunction with the Terms of Reference of the BNRC.

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PENGURUSAN AIR SELANGOR SDN. BHD.
[Company No.: 201401006213 (1082296-U)]

**FIT AND PROPER POLICY
FOR DIRECTORS**

(Approved by the Board of Directors on 3 October 2022)

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1.0 PURPOSE

- 1.1 The objective of the Policy is to set out the 'fit and proper' criteria based on which persons identified to be appointed as Directors of Pengurusan Air Selangor Sdn Bhd (Air Selangor or Company) and existing Directors of Air Selangor whose appointments are intended to be continued can be objectively assessed.
- 1.2 The Policy will guide the Board Nomination and Remuneration Committee (BNRC) and the Board in conducting a fit and proper assessment to ensure that Directors of the Company possess the character, integrity, right blend of skills, knowledge, and experience, competencies, and time commitment to effectively perform their duties and responsibilities which commensurate with the roles they hold.

2.0 SCOPE AND APPLICATION

- 2.1 The Board through the BNRC, shall be guided by the Policy in conducting assessments of the fitness and propriety of the following:
 - a) Incumbents identified for nomination or appointment as Directors of the Company and its subsidiaries; and
 - b) Existing Directors of the Company seeking re-election / re-appointment or whenever the Company becomes aware of information that may materially compromise a Director's fitness and propriety.
- 2.2 The BNRC will make the appropriate recommendation to the Board on the abovementioned proposals for its deliberation and approval.
- 2.3 The ultimate decision on the appointment and re-election of Directors to the Board is the responsibility of the Board as a whole, after due consideration of the recommendations of the BNRC. Resolutions on the appointment and/or re-election of the Directors will be tabled to the shareholders of the Company at its annual general meeting.

3.0 FIT AND PROPER CRITERIA

- 3.1 As a precondition, a person to be appointed as a Director or to continue holding the position of Director of the Company and its subsidiaries must not be disqualified to act under Sections 198 or 199 of the Companies Act 2016.
- 3.2 The assessment of a person's fitness and propriety shall be based on the following overarching criteria (*reference: Bursa MCCG Guide 4th Edition*):
 - (i) Character and Integrity;
 - (ii) Experience and Competence; and
 - (iii) Time and Commitment
- 3.3 The BNRC, in its fit and proper assessment, shall consider the following key factors that underpin the overarching criteria, which include but not limited to the following: -

3.1.1 Character and Integrity

(i) **Probity**

- (a) complies with legal obligations, regulatory requirements and professional standards.
- (b) have not been obstructive, misleading or untruthful in dealing with regulatory bodies or a court.
- (c) have not been reprimanded or disqualified or removed by a professional or regulatory body in relation to matters in respect to the person's honesty, integrity or business conduct.

(ii) **Financial Integrity**

- (a) manages personal debts or financial affairs satisfactorily.
- (b) demonstrates ability to fulfil personal financial obligations as and when they fall due.
- (c) have not been subjected to a judgment debt which is unsatisfied, either in whole or in part whether in Malaysia or elsewhere.

(iii) **Personal Integrity, Honesty and Ethical Behaviour**

- (a) have not perpetrated or participated in any business practices which are deceitful, oppressive, improper (whether unlawful or not) or which otherwise reflect discredit on his professional conduct.
- (b) service contracts (i.e. in the capacity of management or Director) have not been terminated in the past due to concerns on personal integrity.
- (c) have no concurrent responsibilities or interest which would contribute to a conflict of interest situation or otherwise impair the ability to discharge duties and responsibilities as Director of the Company and/or its subsidiaries.
- (d) have not abused other positions that he has held or is holding in a manner that contravenes the principles of good governance and professional ethics.

(iv) **Reputation**

- (a) are of good repute in the financial and business community.
- (b) have not been the subject of civil or criminal proceedings or enforcement action, in managing or governing an entity for the past 10 years.
- (c) have not been reprimanded by the Securities Commission Malaysia, Bursa Malaysia Securities Berhad, Suruhanjaya Syarikat Malaysia, Bank Negara Malaysia or any other regulatory authorities both local and or abroad.
- (d) have not been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management.

3.1.2 Competency and Capability

(i) **Qualifications, Training and Skills**

- (a) possess education qualification that is relevant to the skill set that the Director is earmarked to bring to bear onto the boardroom (i.e. a match to the board skill set matrix).

- (b) have a considerable understanding on the business and workings of a large public corporation.
 - (c) have adequate and broad knowledge including the United Nations Sustainable Development Goals on sustainability as well as Environment, Social & Governance (ESG) issues.
 - (d) possess general management skills as well as an understanding of good corporate governance best practices.
 - (e) Financial literacy especially able to read and understand financial statements.
 - (f) Keep abreast of current knowledge based on continuous professional development.
- (ii) **Relevant Experience and Expertise**
- (a) possess relevant experience and expertise with due consideration given to the past length of service, nature and size of business, responsibilities held, number of subordinates as well as reporting lines and delegated authorities.
- (iii) **Relevant Past Performance or Track Record**
- (a) had careers of occupying a high-level position in a comparable organization and accountable for driving or leading the organization's governance, business performance or operations.
 - (b) possess commendable past performance record as gathered from the results of the Board Effectiveness Evaluation.

3.1.3 Time and Commitment

- (i) **Ability to discharge role having regard to other commitments**
- (a) able to devote time as Board members, having factored other outside obligations including concurrent Board positions across listed issuers and non-listed entities (including not-for-profit organizations).
- (ii) **Participation and Contribution in the Board or track record**
- (a) demonstrate willingness to participate actively in board activities.
 - (b) demonstrate willingness to devote time and effort to understand the business and exemplify readiness to participate in events outside the boardroom.
 - (c) manifest passion in the vocation of a director.
 - (d) exhibit ability to articulate views independently, objectively and constructively.
 - (e) exhibit open-mindedness to the views of others and the ability to make a considered judgment after hearing the views of others.

3.2 Apart from the above criteria, relevant background checks will be conducted as part of the due diligence process for appointments of Directors.

4.0 ASSESSMENT OF CANDIDATE FOR DIRECTORSHIP OR RE-APPOINTMENT OF DIRECTOR

- 4.1 The BNRC will assess each candidate identified for a new appointment as Director or Director standing for re-election/re-appointment based on the fit and proper criteria set under item 3.0 before recommending to the Board for consideration and approval. The fit and proper assessment may also be conducted whenever the Company becomes aware of information that may materially compromise a Director's fitness and propriety.
- 4.2 The Declaration of Fit and Proper Form to be completed by a candidate who has been identified for appointment as Director or for Directors standing for re-election/re-appointment is set out in **Appendix 1** or in such other form as the BNRC may determine from time to time.
- 4.3 For the new appointments as Director, candidates are also required to complete the Directors Information Profile.
- 4.5 Independent check and assessment on the candidate identified for a new appointment as Director shall be based on publicly available information, as well as declarations made by the incumbent in the Directors Information Profile. The Company may in its discretion, perform background checks, if necessary, which may cover previous employment verification, professional reference checks, education confirmation and/or criminal record and credit checks. This shall form part of the process in determining the suitability of the person/s who has been identified for appointment as a Director of the Company.
- 4.6 Information gathered from the assessments shall be private and confidential for purpose of assessment by BNRC only and not for public disclosure.
- 4.7 Format of **Appendix 1** adhere to Bursa Malaysia Corporate Governance Guide 4th Edition.

5.0 REVIEW OF THE POLICY

- 5.1 The BNRC shall recommend any change to the Policy as the BNRC deems appropriate to the Board for approval. The Policy shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, or any other regulatory requirements.

6.0 REFERENCE

- 6.1 This Policy shall be read in conjunction with the Terms of Reference of the BNRC.

--- End of Document ---

APPENDIX 1

DIRECTORS' FIT AND PROPER COMPLIANCE CHECKLIST/ DECLARATION FORM**Objectives:**

- 1) The purpose of this compliance checklist is to assess the relevant Director's compliance with the fit and proper criteria set out by the Company.
- 2) The onus is on the relevant Director to establish that he/she is fit and proper person to act as a Director rather for the Board to show otherwise.
- 3) The BNRC and the Board will consider the nature of the responsibilities of the relevant director in determining the relative emphasis and standard that should be expected of the relevant director.
- 4) This compliance checklist is not intended to be comprehensive criteria nor replace/override the existing legislation provisions for the nomination/re-election of relevant Director(s). The BNRC and the Board may, in addition to the fit and proper criteria, consider other factors that may be relevant, eg: good standing in the profession. The BNRC and the Board may in their discretion decline to recommend/approve the respective nomination/re-election.
- 5) This compliance checklist should be read in conjunction with the existing provisions of the relevant legislation, as well as the MMLR of Bursa Securities, Malaysian Code on Corporate Governance, Companies Act 2016 and other guidelines that may be issued by the Bursa Securities and Companies Commission of Malaysia, from time to time.

Name:.....

NRIC/Passport No.:do hereby solemnly affirm and declare the following:

Please indicate with a tick (/)	
<input type="checkbox"/>	New appointment
<input type="checkbox"/>	Re-election

No.	Directors' Declaration of Fit & Proper	Yes	No
		Please indicate with a tick (/)	
Probity, Personal Integrity and Reputation			
1	I have not been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any impending proceedings or of any investigations, which might lead to such proceedings;		
2	I have not contravened any provision made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice;		

No.	Directors' Declaration of Fit & Proper	Yes	No
		Please indicate with a tick (/)	
Probity, Personal Integrity and Reputation			
3	I have not contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies;		
4	I or any business in which I have a controlling interest or exercise significant influence, have not been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately;		
5	I have not been engaged in any business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on my professional conduct;		
6	I have not been dismissed, asked to resign or have resigned from employment or from a position of trust, fiduciary appointment or similar position because of questions on my honesty and integrity;		
7	I have not been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a licence to conduct any trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated;		
8	I have not held a position of responsibility in the management of a business that has gone into receivership, insolvency, or involuntary liquidation while I was connected with that business;		
9	I have not been a director of, or have been directly concerned in the management of, any corporation which is being or has been wound up by a court or other authority competent to do so within or outside Malaysia, or of any licensed institution, the licence of which has been revoked under any written law;		
10	In the past, I have not acted unfairly or dishonestly in my dealings with my customers, employer, auditors and regulatory authorities;		
11	I have not at any time shown a strong objection or lack of willingness to cooperate with regulatory authorities and failure to comply with legal, regulatory and professional requirements and standards, including compliance with tax requirements and obligations;		
12	I have not contributed significantly to the failure of an organisation or a business unit;		
13	I have not at any time shown strong objection or a lack of willingness to maintain effective internal control systems and risk management practices;		
14	I am free from any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of my judgement when acting in the capacity of a Director of Air Selangor and/or Air Selangor Group which would be disadvantageous to Air Selangor or Air Selangor's interest.		

No.	Directors' Declaration of Fit & Proper	Yes	No
		Please indicate with a tick (/)	
Competence and Capability			
15	I have the appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position, having regard to my other commitments;		
16	I have satisfactory past performance or expertise in the nature of the business being conducted;		
Financial Integrity			
17	I am and will be able to fulfil my financial obligations, whether in Malaysia or elsewhere, as and when they fall due;		
18	To my knowledge, I have not been the subject of a judgement debt which is unsatisfied, either in whole or in part, whether in Malaysia or elsewhere;		
19	I have not made arrangements with creditors, filed for bankruptcy or been adjudicated a bankrupt or had assets sequestered in any jurisdiction;		
Time Commitment			
20	I'm able to devote time as a board member, having factored other outside obligations including concurrent board positions held by me as the director across listed issuers and non-listed entities (including not-for-profit organisations);		
Item 21 – 24 below are applicable to existing directors who is due for re-election			
21	I have devoted sufficient time, resources in my role as a director, having regard to my other commitments;		
22	I understand my responsibility to put the utmost important of the well being of the Company;		
23	I attend Board meeting regularly, at least more than 50% in a financial year;		
24	I review, deliberate and make sound decisions at the Board and Board Committee meetings		

* Where you have ticked 'NO', please explain and/or provide the relevant documents

Explanation for items ticked 'NO'	
No.	Explanation

.....
(Signature)

Name :

Date :



List of Senior Management Positions

No.	Designation
1	Director/Head of Operations
2	Head of Finance & Strategy