



AGNI SYSTEMS LIMITED

**Terms of Reference (ToR)
of
Nomination and Remuneration Committee (NRC)
and
Nomination and Remuneration Policy**

01. Purpose of Nomination and Remuneration Committee:

The Nomination and Remuneration Committee (NRC) is a subcommittee of the Board of Directors of Agni Systems Limited, established to define its authority and responsibilities in line with the Corporate Governance Code issued by the Bangladesh Securities & Exchange Commission on June 3, 2018. This Terms of Reference (ToR) outlines the NRC's role in assisting the Board with formulating policies and criteria for determining the qualifications, nomination, and appointment of directors and top-level executives, as well as setting their remuneration and evaluating their performance. The NRC operates independently, ensuring transparency and accountability to both the Board and the shareholders of the company.

02. Regulatory Framework:

Pursuant to the Bangladesh Securities and Exchange Commission's notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018, on the Corporate Governance Code, the Board is required to clearly define the duties of the Nomination and Remuneration Committee (NRC) in writing. This Terms of Reference (ToR) has been framed in compliance with the specified governance code, ensuring that the NRC's responsibilities are properly outlined to meet regulatory standards and promote transparency in its functions.

03. Responsibility to the Board of Directors:

- (a) The company shall have a Nomination and Remuneration Committee (NRC) as a subcommittee of the Board;
- (b) The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;
- (c) The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).

04. Constitution of the NRC:

- (a) The Committee shall comprise of at least three members including an independent director;
- (b) At least 02 (two) members of the Committee shall be non-executive directors;
- (c) Members of the Committee shall be nominated and appointed by the Board;
- (d) The Board shall have authority to remove and appoint any member of the Committee;
- (e) In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;
- (f) The Chairperson of the Committee may appoint or coopt any external expert and/or member(s) of staff to the Committee as advisor who shall be nonvoting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;
- (g) The company secretary shall act as the secretary of the Committee;
- (h) The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;

- (i) No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.

05. Chairperson of the NRC:

- (a) The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;
- (b) In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;
- (c) The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders:

Provided that in absence of Chairperson of the NRC, any other member from the NRC shall be selected to be present in the annual general meeting (AGM) for answering the shareholder's queries and reason for absence of the Chairperson of the NRC shall be recorded in the minutes of the AGM.

06. Meeting of the NRC:

- (a) The NRC shall conduct at least one meeting in a financial year;
- (b) The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;
- (c) The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);
- (d) The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.

07. Role of the NRC:

- (a) NRC shall be independent and responsible or accountable to the Board and to the shareholders;
- (b) NRC shall oversee, among others, the following matters and make report with recommendation to the Board:
 - (i) formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:
 - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;
 - (b) the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
 - (ii) devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;

- (iii) identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
 - (iv) formulating the criteria for evaluation of performance of independent directors and the Board;
 - (v) identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and
 - (vi) developing, recommending and reviewing annually the company's human resources and training policies;
- (c) The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.

08. Secretary of the NRC:

The company secretary shall act as the secretary of the Committee;

09. Voting:

The Committee shall conduct its business as it deems appropriate, with decisions made by majority vote. Each member of the Committee is entitled to one vote, and in the event of a tie, the Chairman shall have the casting vote to resolve the matter.

10. Attendance of Meetings of the NRC:

Members of the Nomination and Remuneration Committee (NRC) have the right to attend all scheduled meetings, and attendance records for each meeting shall be duly documented. Additionally, individuals such as the Managing Director, senior management, the Head of Human Resources, or external advisors may be invited to attend meetings; however, they will not have any voting rights.

11. Reporting Responsibilities of NRC:

The Chairman of the Committee shall report to the Board following each meeting, providing updates on all matters within the NRC's duties and responsibilities. The Committee will also make any recommendations to the Board that it deems appropriate for areas requiring action or improvement. Furthermore, the Committee shall prepare a report for shareholders detailing its activities, which will be included in the company's Annual Report.

12. Review of Terms of Reference (ToR):

The Committee shall periodically review the Terms of Reference (ToR) to ensure alignment with the Board's objectives and its own responsibilities. Any amendments to the ToR require Board approval, which may also conduct further reviews as needed. The Board of Directors reserves the right to modify these Terms of Reference at any time. In the event of discrepancies, the Corporate Governance Code and directives issued by the Bangladesh Securities and Exchange Commission will take precedence over the ToR.

Nomination and Remuneration Policy

Background

In compliance with the Corporate Governance Code mandated by the Bangladesh Securities and Exchange Commission (BSEC) through Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018, every listed company in Bangladesh is required to establish a Nomination and Remuneration Policy (the "Policy") and disclose it in their annual report. The Nomination and Remuneration Committee (NRC) is tasked with assisting the Board of Directors in formulating this policy. Based on the NRC's recommendations, the Board of Directors of Agni Systems Limited has adopted this Policy, which is applicable to Directors, Top-Level Executives, and Senior Management Personnel of the Company.

Definitions

- **Act:** The Companies Act, 1994, as amended.
- **Code:** The Corporate Governance Code issued by the BSEC, Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018, as amended.
- **Company:** Agni Systems Limited.
- **Board:** The Board of Directors of Agni Systems Limited.
- **Employee:** Any employee of Agni Systems Limited.
- **Top-Level Executives/Key Managerial Personnel (KMP):** This includes the Managing Director (MD), Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary (CS), and Head of Internal Audit & Compliance (HIAC).
- **Senior Management:** Employees in managerial roles.
- **NRC:** The Nomination and Remuneration Committee of the Board of Directors.
- **Listing Regulations:** DSE and CSE Listing Regulations, 2015, as amended.

Applicability

This Policy is applicable and binding on the Board Members, Top-Level Executives, and Key Management Personnel (KMP) of Agni Systems Limited. It encompasses the identification of the company's employee needs at various levels and establishes criteria for their selection, transfer, replacement, and promotion. Additionally, the Policy plays a crucial role in developing, recommending, and annually reviewing the company's human resources and training policies to ensure alignment with corporate objectives and industry standards.

Scope

1. **Board Members and Top-Level Executives/KMP:** This Policy governs the nomination, appointment, removal, and remuneration of Directors, KMP, and Senior Management, ensuring adherence to fair, transparent, and ethical standards.
2. **Employee Management:** The Policy establishes guidelines for recruitment, transfers, replacements, and promotions across all levels of the organization, thereby fostering a well-structured and efficient workforce.
3. **Human Resources and Training Policies:** The NRC is responsible for the continuous development and review of human resources and training policies to meet the evolving needs of the company and support the professional growth of employees.

By adhering to this Policy, Agni Systems Limited ensures that its leadership, management, and workforce are equipped with the skills, expertise, and values essential for driving the company's success.

Role of the NRC in Nomination and Remuneration Policy

The Nomination and Remuneration Committee (NRC) operates independently and is directly responsible to the Board of Directors and the shareholders of Agni Systems Limited. The NRC's independence is critical in ensuring that decisions regarding appointments, removals, and remuneration are made transparently, impartially, and in the best interests of the company and its stakeholders.

The NRC is responsible for:

- (a) NRC shall be independent and responsible or accountable to the Board and to the shareholders;
- (b) NRC shall oversee, among others, the following matters and make report with recommendation to the Board:
 - (i) formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:
 - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;
 - (b) the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
 - (ii) devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;
 - (iii) identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
 - (iv) formulating the criteria for evaluation of performance of independent directors and the Board;

- (v) identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and
 - (vi) developing, recommending and reviewing annually the company's human resources and training policies;
- (c) The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.

I. Nomination Policy

1. General Appointment Criteria

1. **Transparency and Integrity:** The NRC ensures that the procedure for appointing Directors, KMP, and Senior Management Personnel is transparent, fair, and based on high ethical standards.
2. **Qualification and Expertise:** The NRC evaluates candidates based on their qualifications, experience, positive attributes, and independence for their potential roles, making appropriate recommendations to the Board.
3. **Independence of Directors:** The NRC guarantees that any individual appointed as an Independent Director possesses the qualifications and expertise mandated by the Companies Act, 1994, BSEC Code, and other applicable laws.
4. **Contribution and Compatibility:** Appointees must demonstrate the capability to collaborate effectively with existing Directors, KMP, and Senior Management to enhance the company's effectiveness.

2. Additional Appointment Considerations

1. **Competency and Diversity:** The NRC considers candidates' qualifications, skills, industry experience, and the importance of diversity on the Board. Candidates must contribute positively to the company's growth and decision-making processes.
2. **Ethical Conduct and Judgment:** Appointees are expected to act in the best interest of the company, demonstrating independent judgment, especially in positions requiring neutrality, such as Independent Directors.
3. **Compliance with Laws:** All appointments must comply with the provisions of the Companies Act, 1994, the BSEC Corporate Governance Code, and other relevant laws and regulations.

3. Removal of Directors, KMP, or Senior Management Personnel

If a Director, KMP, or Senior Management Personnel is found to be disqualified under the Companies Act, 1994, the BSEC Code, or other relevant regulations, the NRC may recommend their removal to the Board. The removal process will adhere to principles of natural justice, ensuring fairness and transparency.

II. Remuneration Policy

1. Remuneration of Directors, KMP, and Senior Management

1. **Fair and Competitive Remuneration Structure:** The NRC ensures that remuneration for Directors, KMP, and Senior Management is fair, competitive within the industry, and aligned with the company's performance and strategic goals.
2. **Annual Review and Increment:** The NRC will conduct an annual review of the remuneration structure, considering individual performance, leadership abilities, industry experience, and the overall performance of the company. Any proposed increments will be submitted to the Board for approval.
3. **Executive Remuneration:** The NRC maintains a balance between fixed and incentive pay for executive roles, KMP, and Senior Management. The incentive structure is designed to reflect both short-term and long-term performance, ensuring alignment with the company's strategic objectives.
4. **Compliance with Laws:** Remuneration for Directors must comply with the Companies Act, 1994, and the company's Articles of Association. The NRC will review the remuneration structure and recommend changes to the Board, subject to shareholder approval at the General Meeting.

2. Remuneration for Non-Executive and Independent Directors

1. **Attendance Fees:** Non-Executive and Independent Directors may receive remuneration in the form of attendance fees for participating in Board and Committee meetings, in line with the company's Articles of Association and applicable laws and regulations.

III. Amendments and Disclosure

The NRC retains the right to review and recommend changes to this Policy as necessary, subject to Board approval, to ensure it remains relevant and aligned with the company's needs.

This Nomination and Remuneration Policy is designed to ensure a transparent and structured approach to selecting, appointing, and compensating Directors, KMP, and Senior Management Personnel while promoting the overall growth and governance of Agni Systems Limited. By implementing this Policy, Agni Systems Limited commits to ethical standards, diversity, and the long-term success of its workforce, ultimately driving the company's vision and strategic objectives.