

MTD ACPI ENGINEERING BERHAD
NOMINATION AND REMUNERATION COMMITTEE
TERMS OF REFERENCE

1.0 PURPOSE

- 1.1 The Nomination and Remuneration Committee (“**NRC**”) of MTD ACPI Engineering Berhad (“**MTDACPI**” or “**Company**”) is committee of the Board of Directors (“**Board**”) of MTDACPI.
- 1.2 The NRC plays an advisory role and is authorised to exercise those Board powers expressly delegated to it in this Terms of Reference
- 1.3 This Terms of Reference is guided by the best practices and recommendation in the Malaysian Code on Corporate Governance 2017 (“**Code**”), Bursa Malaysia Securities Berhad Main Market Listing Requirements (“**Listing Requirements**”), Company’s Constitution and any applicable statutory and regulatory requirements (“**Requirements**”).

2.0 OBJECTIVES

The NRC’s role is to assist the Board in the effective discharge of their responsibilities in ensuring that:

- (a) The Board, Board committees and Senior Management team comprise individuals who are best able to discharge their respective responsibilities, having regard to the Requirement, the highest standards of governance and the diversity of the membership, to meet the present and future needs of MTDACPI and its subsidiaries (“**Group**”); and
- (b) The remuneration policy attract, retain and motivate Executive Directors and Senior Management staff of the quality required to run the Group successfully without paying more than is necessary, having regard to the views of shareholders and other stakeholders. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Group.

3.0 COMPOSITION

- 3.1 The NRC shall comprise at least three members including a chairman, all of whom are non-executive directors appointed by the Board and a majority of whom are independent.
- 3.2 The term of office of every member shall be reviewed at least once every three (3) years by the Board. The members shall hold office only so long as they serve as Directors of the Company or as determined by the Board.
- 3.3 The NRC as a whole must have sufficient qualifications and experience to fulfil their duties.

4.0 CHAIRMAN

- 4.1 The Chairman of the NRC ("**Chairman**") shall be the Senior Independent Director or an Independent Director identified by the Board.
- 4.2 The Chairman of the Board shall not be the NRC Chairman.
- 4.3 The role of the Chairman:
 - (a) lead the succession planning and appointment of new board members, including the future Chairman and Chief Executive Officer ("**CEO**");
 - (b) set the agenda of each NRC meeting with input from NRC members; and
 - (c) take reasonable steps for the proper functioning of the NRC including, the proper conduct of meetings and ensure appropriate level of discussion in respect of matters discussed.

5.0 SECRETARY

- 5.1 The company secretary of the Company shall be the secretary of the NRC ("**Secretary**").
- 5.2 The NRC has access to the services of the Secretary.
- 5.3 The Secretary shall cause minutes to be duly entered in the books provided for the purpose, of all resolutions and proceedings of all meetings of the NRC. Such minutes shall be signed by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.

6.0 MEETINGS

- 6.1 The NRC shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the NRC or Chairman.
- 6.2 The Secretary shall on the requisition of the members summon a meeting of the NRC. Reasonable notice of every NRC meeting shall be given in writing except in the case of an emergency.
- 6.3 In the absence of the Chairman, the members may elect from amongst themselves the chairman for the Meeting, who shall be an Independent Director.
- 6.4 Matters arising at any meeting shall be decided by a majority vote, each member having one (1) vote.
- 6.5 Each individual Director shall abstain from deliberation and decision of his/her own re-appointment/re-election and remuneration.

7.0 QUORUM

- 7.1 A quorum for the meetings shall be at least two (2) members, the majority of whom shall be Independent Directors.

8.0 REPORTING TO THE BOARD

- 8.1 The NRC is accountable to the Board and shall make recommendations to the Board on any matter which falls under its authority, as deemed fit.
- 8.2 Report and/or minutes of meetings and circular resolutions of NRC passed shall be distributed to the Board / tabled to the Board at its earliest meeting for notation.

9.0 DUTIES AND RESPONSIBILITIES

- 9.1 Specific responsibilities in relation to nomination matters:
 - (a) assist the Board in formulating the nomination policies and procedures for selection of Board members to strengthen the Board composition;
 - (b) recommend to the Board, suitable new candidates for appointment as Directors to the Board and Board Committees;

- (c) recommend to the Board, candidates for appointment as CEO, Chief Finance Officer and Senior Management of the Company;
- (d) conduct Annual Evaluation on the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director;
- (e) annually or on-going basis, assess the structure of the Board and Board committees by considering:
 - i. the appropriate composition in terms of size, mix of diversity, right mix of skill and experience with in depth industry knowledge, for effective functioning of the Board and Board committees, to ensure objective and independent deliberation, review and decision-making;
 - ii. the balance between Executive and Non-executive Director and Independent Directors pursuant to the Listing Requirements; and
 - iii. Boardroom diversity in terms of gender, age and ethnicity in the board recruitment and succession planning processes pursuant to recommendation of the Code and Listing Requirements;
- (f) annually evaluate the independence of the Independent Directors pursuant to the definition and criteria for independence as set out in the Code and Listing Requirements, and to consider the re-election of retiring Directors pursuant to the Company's Constitution;
- (g) assess and recommend to the Board with strong justification for the proposed retention of Independent Director, whose tenure exceed a cumulative term of:
 - i. nine (9) years is subject to majority shareholders' approval at the annual general meeting; and
 - ii. twelve (12) years is subject to shareholders' approval through a two-tier voting process at the annual general meeting;
- (h) recommend to the Board, appointment of Senior Independent Non-Executive Director, to whom concerns of the independent non-executive directors and minority shareholders may be conveyed;
- (i) periodically review the succession planning for the Chairman of the Company, CEO and Senior Management, and work with the Board to evaluate potential successors;

- (j) review the performance of the Group's key management personnel and recommending to the Board, renewal of their service contracts, appointment, replacement or removal;
- (k) provided appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- (l) ensure nomination and remuneration framework comply with the Code, Listing Requirements, statutory and regulatory requirements; and disclosure requirements are duly satisfied;
- (m) ensure every new Director and Alternate Director attend the Mandatory Accreditation Programme; and
- (n) ensure relevant framework such as, key performance indicators are implemented to monitor the performance of Executive Directors and Senior Management staff.

9.2 Specific responsibilities in relation to remuneration matters:

- (a) formulate and make recommendation to the Board on the remuneration policy for all Executive Directors and Senior Management staff, including any compensation payments;
- (b) review and recommend to the Board on all matters relating to remuneration packages of the Non-Executive Directors;
- (c) recommend to the Board and monitor the level and structure of remuneration for Executive Directors and Senior Management, to ensure they are fairly rewarded for their individual commitment and contribution towards the Company;
- (d) review and make recommendation to the Board on the overall performance measures for incentive plans of Executive Directors and Senior Management, aligned to corporate and business results and competitive with market practice;
- (e) review disclosure / reporting requirement in the Annual Report and provide clarification during general meetings on matters pertaining to fee and remuneration of Directors and Senior Management, if requested by shareholders; and
- (f) in determining such remuneration policy, take into account all factors which it deems necessary including relevant Requirements.

10.0 CIRCULAR RESOLUTIONS / EXTRACTS OF MINUTES OF MEETING

- 10.1 A resolution in writing signed by a majority of all members present in Malaysia and for the time being entitled to receive notice of a meeting of NRC shall be as valid and effectual as if it had been passed at a meeting of the NRC duly convened. Any such resolution shall be described as "NRC's Circular Resolutions In Writing" and may consist of several documents substantially the same, each signed by one or more members and shall constitute one document in those terms. The expressions "in writing" or "signed" include approval by legible confirmed transmission via facsimile, telex, cable, telegram or other forms of electronic communications.
- 10.2 A document purporting to be a copy of resolution of the NRC or an extract from the minutes of a meeting of the NRC which is certified by any one of the members and the Secretary shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the NRC.

11.0 RESOURCES AND AUTHORITY

11.1 Authority

- (a) The NRC shall have authority appropriate to discharge its duties and responsibilities detailed in this Terms of Reference without seeking approval of the Board or management.
- (b) The NRC is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

11.2 Resources

The NRC shall have access to such information and advice, both from within the Group and externally, as deem necessary and appropriate and at the cost of the Group.

12.0 REVIEW AND REVISION OF THE TERMS OF REFERENCE

- 12.1 This Terms of Reference shall be reviewed annually by the NRC and recommendation be made to the Board for approval.
- 12.2 Any revision to this Terms of Reference as proposed by the NRC and approved by the Board shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

12.3 The latest copy of the Terms of Reference of the NRC shall be made available on the Company's website.

13.0 APPROVAL AND ADOPTED

13.1 This Terms of Reference was approved and adopted by the Board on 28 May 2018 based on the recommendation of the NRC and made available on MTDACPI's website.

**ENDORSED FOR AND ON BEHALF OF THE BOARD,
MTD ACPI ENGINEERING BERHAD**

**DATO' IR. KALID BIN ALIAS
CHAIRMAN**

28 May 2018