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**MTD ACPI ENGINEERING BERHAD**  
**NOMINATION AND REMUNERATION COMMITTEE**  
**TERMS OF REFERENCE**

**1.0 INTRODUCTION**

- 1.1 The Nomination and Remuneration Committee (“**NRC**”) is a committee of the Board of Directors (“**Board**”) of MTD ACPI Engineering Berhad (“**MTD ACPI**” or “**Company**”).
- 1.2 The duties and responsibilities of the NRC are expressly detailed in this Terms of Reference, which is guided by the best practices and recommendations in the Malaysian Code on Corporate Governance 2017 (“**MCCG**”), the requirements of Bursa Malaysia Securities Berhad Main Market Listing Requirements (“**Listing Requirements**”), Company’s Constitution and any applicable statutory and regulatory requirements (collectively referred to as “**Requirements**”).

**2.0 PURPOSE**

- 2.1 The NRC shall determine and recommend to the Board, strategies and policies in relation to nomination and remuneration of Directors and Senior Management of the Company and its direct and indirect subsidiaries (“**Group**”), for the purpose of:
- (a) Attracting and retaining the right talent in the Board and Senior Management to drive the Company’s short term and long-term objectives;
  - (b) Strengthening the Board and Senior Management in meeting the Group’s present and future needs, as well as, ensuring compliance with the Requirements; and
  - (c) Reviewing the factors influencing the specific fees payable to non-executive directors (“**Non-Executive Directors**”) and meeting allowance payable to each committee member of the Board (“**Board Committee**”).

**3.0 COMPOSITION**

- 3.1 The NRC members shall be appointed by the Board from among the Non-Executive Directors and shall comprise at least three (3) members, with a majority of them including the Chairman are independent Directors.

- 3.2 The term of office of every NRC member shall be for a period of up to three (3) years or reviewed at least once every three (3) years by the Board to determine whether the NRC members have carried out their duties pursuant to this Terms of Reference.
- 3.3 The appointment of an NRC member shall automatically terminate if the member ceases to be a Director, or as determined by the Board.
- 3.4 In the event of any vacancies in the NRC resulting in the number of members being reduced to below three (3), the Board shall within three (3) months appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 3.5 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 elected from among the NRC members, who is an independent Director.
- 4.2 The Chairman of the Board shall not be the Chairman of NRC.
- 4.3 The role of the Chairman:
- (a) Report on the key matters discussed at NRC meetings to the Board;
  - (b) Preside over NRC meetings and ensure objective decisions are made;
  - (c) Lead and together with the NRC carry out the duties of the NRC as detailed in this Terms of Reference, ensure adherence to relevant Requirements, promote high standard of integrity and good corporate governance practices;
  - (d) Lead the annual assessment of the performance of Board, Board Committees and individual Directors;
  - (e) Set the agenda of each NRC meeting with input from NRC members; and
  - (f) Attend the annual general meeting of the Company ("**AGM**") to answer any queries raised by shareholders pertaining to nomination and remuneration of the Directors and Senior Management.

## **5.0 SECRETARY**

- 5.1 The company secretary of the Company shall be the secretary of the NRC (“Secretary”).
- 5.2 The NRC shall have access to the services of the Secretary.
- 5.3 The Secretary shall prepare an agenda for each meeting in consultation with the Chairman of the NRC and forward it to all NRC members.
- 5.4 The Secretary shall prepare minutes of meetings and circulate to the NRC for confirmation. The 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.
- 5.5 Minutes of all proceedings at meetings of the NRC are kept by the Secretary.

## **6.0 MEETINGS**

- 6.1 The NRC shall meet at least twice a year or more as the NRC deems necessary to fulfil its responsibilities.
- 6.2 The Secretary shall on the requisition of the members summon a meeting of the NRC with at least seven (7) days’ notice / reasonable notice except in the case of an emergency subject to no objection from members of the NRC.
- 6.3 The agenda together with the relevant papers/information shall be sent to all NRC members and any persons who are invited to attend the meeting, if necessary.
- 6.4 Notice of all NRC meetings shall be given by hand, post, facsimile, electronic form or other form of electronic communications to all NRC members.
- 6.5 Meetings may be conducted by way of conference call or similar electronic telecommunication device, and participation of NRC members shall constitute presence in person at such meeting.
- 6.6 In the absence of the Chairman, the NRC members may elect from among themselves the chairman for the Meeting, who shall be an Independent Director.
- 6.7 Matters arising at any meeting shall be decided by a majority vote, each NRC member having one (1) vote.
- 6.8 Each individual NRC member shall abstain from deliberation and decision on any matter relating to him/her including, 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) NRC members present, both of whom must 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 proposals which falls under the Board's authority.
- 8.2 The Board should be updated on key matters discussed at NRC meetings and a copy of the minutes of NRC meetings shall be made available to Board.

## **9.0 DUTIES AND RESPONSIBILITIES**

- 9.1 Review strategies, policies and processes that provide the framework in relations to nomination and remuneration of the Board members, Board Committee members and Senior Management, to achieve its objectives.
- 9.2 Ensure the nomination and remuneration framework comply with the relevant provision of the Requirements.
- 9.3 Specific responsibilities in relations to nomination matters:
- (a) To review and recommend to the Board:
    - (i) the optimum composition of the Board and its Committee in terms of size, diversity, skill and experience with in-depth industry knowledge for its efficient functioning, to ensure objective and independent deliberation, review and decision-making;
    - (ii) potential candidates who are qualified to become Directors or be appointed to the Board Committees;
    - (iii) re-election of Directors at AGM or removal of Directors;
    - (iv) appointment of Senior Independent Non-Executive Director, to whom concerns of the Independent Non-Executive Directors and minority shareholders may be conveyed; and
    - (v) appointment, replacement or removal of Senior Management, and offer / renewal of new contract of service to retiring Senior Management;

- (b) Formulate the criteria for determining potential candidates for appointment as Directors and examine their:
  - (i) qualifications, positive attributes and independence of a director; and
  - (ii) performance and skills, capability and characteristics required of board candidates to run the Company successfully.
- (c) Review succession planning of the Board, Chief Executive Officer (“CEO”) and Senior Management positions, and oversee the development for succession;
- (d) Ensure compliance with the following Listing Requirements:
  - (i) The ratio of independent to non-independent directors on the Board with the appointment of new Directors fulfill the composition of independent directors requirement under:
    - a. Listing Requirements, Paragraph 15.02 - two (2) directors or one third of the Board must comprise independent directors whichever, is higher; and
    - b. MCCG Practice 4.1 - at least half of the board comprise independent directors;
- (e) Assess the independence of newly appointed independent Director pursuant to Independent Directors’ Self-Assessment Checklist as well as the definition of “independent director” pursuant to Listing Requirements;
- (f) Develop a corporate culture that works towards promotion and achievement of diversity in the Board and Senior Management, and implement initiatives to achieve the objectives as set out in the Board Diversity Policy;
- (g) Assess the effectiveness of the Board as a whole, the committees of the Board, contribution of each individual Director and each member of the Board Committee as well as their training needs on an annual basis, to ensure:
  - (i) The composition of the Board and Board Committees comprise a good blend of competencies, skills, experience, knowledge, independence, age, cultural background and gender diversity to strengthen the Board and Board Committees;
  - (ii) Board members are able to demonstrate good judgement, credibility, strategic thinking, industry knowledge, intuition, communication skills and decision making ability;
  - (iii) Board members have sufficient time to devote to the Board and Board Committees’ responsibilities and to the Company's business if, the Director is on multiple boards;

- (iv) Evaluation of strengths and weaknesses of the Board, Board Committees and individual Directors and identify areas of improvement and expectations for the future;
  - (v) Re-election of retiring Directors pursuant to the Company's Constitution;
  - (vi) Independence of the Independent Directors pursuant to Independence Checklist is examined to confirm their independence is maintained; and
  - (vii) Training needs of directors and recommend training for their effective discharge of duties as a director (Listing Requirement, Paragraph 15.08).
- (h) Oversee and monitor progress of strategies, targets and measures set (where relevant, by way of key performance indicators or initiatives/development programmes /career advancement plans) for the Board, CEO and business units;
- (i) Provide appropriate and timely training, both in the form of an induction programme for new members.
- (j) Ensure every new Director and their respective Alternate Director attend the Mandatory Accreditation Programme under Listing Requirement, Paragraph 15.08, within three (3) months of appointment.
- (k) Confirm disclosure in the annual report on the training attended by its directors including the following information:
- The board has undertaken an assessment of the training needs of each director;
  - A brief description on the type of training that the directors have attended for the financial year; and
  - Justifications for the non-attendance of training during the financial year.

#### 9.4 Specific responsibilities in relation to remuneration matters:

- (a) Formulate policy to ensure that:
- (i) The remuneration structure is reasonable and sufficient to attract, retain and motivate directors and Senior Management of the quality required to run the Company successfully;
  - (ii) Remuneration linked to performance is clearly set and meets appropriate performance benchmarks;

- (iii) Remuneration structure is aligned with the business strategy, short term and long-term objectives of the Company;
  - (iv) Salaries payable are fair and commensurate with workload, responsibilities, competence, skillsets, experience requirements of each individual;
  - (v) Rewards to individual are based on their commitment and contribution to the Company/Group, and linked to corporate and individual performance;
  - (vi) Fixed sum fees payable to Non-Executive Directors and not by a commission or on percentage of profits or turnover; and
  - (vii) Fees and any benefits payable to Directors to be tabled for shareholders' approval at AGM.
- (b) Review disclosure / reporting in the Annual Report pursuant to Listing Requirements and MCCG , which shall include but not limited to the following:
- (i) Detailed remuneration of individual directors on named basis;
  - (ii) Remuneration breakdown of individual directors on named basis which shall include fees, salary, bonus, benefits in-kind and other emoluments;
  - (iii) The top five (5) Senior Management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000;
- (c) Review annual salary increments and bonuses of Executive Directors and Senior Management of the Group.

9.5 Such other matters as the Board may from time to time request the Committee to examine and recommend / approve.

## **10.0 CIRCULAR RESOLUTIONS / EXTRACTS OF MINUTES OF MEETING**

10.1 A resolution in writing signed or approved by way of legible transmission via facsimile, telex, cable, telegram or other means of electronic communications by a majority of members shall be as valid and effectual as if it had been passed at a meeting of the NRC duly convened and held. All such resolutions shall be forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the minutes book. Resolution in writing may be contained in one document or separate copies prepared and/or circulated for the purpose and signed by one or more members.

## **11.0 RESOURCES AND AUTHORITY**

11.1 The NRC may exercise all such authorities expressly conferred upon the NRC in this Terms of Reference in recommending any matters to the Board, and shall:

- (a) have sufficient resources and access to such information from or within the Company and the Group in discharging its responsibilities;
- (b) have access to outside legal or independent professional advice on any matters at the expense of the Company;
- (c) request members of the Management, consultants or any employee as applicable, to attend NRC meetings to provide advice or report on any matters within its scope of duty; and
- (d) engage independent sources to identify suitably qualified candidates to be appointed as Director, if necessary.

## **12.0 REVIEW AND REVISION OF THE TERMS OF REFERENCE**

12.1 This Terms of Reference shall be reviewed annually by the NRC or as and when necessary in accordance with the needs of the Company and upon any new regulation being implemented.

12.2 Any revision to this Terms of Reference shall be approved by the Board and a copy shall be published on the Company's website.

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

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

Date: 15 July 2020