



SIME DARBY BERHAD

**NOMINATION AND REMUNERATION
COMMITTEE
TERMS OF REFERENCE**

Updated as at 6 December 2017

Contents

1.	PURPOSE	3
2.	COMPOSITION AND APPOINTMENT	5
3.	AUTHORITY	5
4.	FUNCTIONS AND DUTIES	6
5.	MEETINGS	15
6.	ANNUAL PERFORMANCE ASSESSMENT	18
7.	REVIEW OF THE TERMS OF REFERENCE	18
	APPENDIX 1: List of Key Pivotal Positions Reporting to the Group Chief Executive Officer	19

1. PURPOSE

- 1.1 The Nomination and Remuneration Committee (“NRC”) is established as a committee of the Sime Darby Berhad (“SDB”) Board of Directors (“the Board”) with the following primary objectives:

Nomination Function

- 1.1.1 To assist the Board in reviewing on an annual basis the appropriate size and balance of the Board, including appropriateness of non-executive participation.
- 1.1.2 To review the required mix of skills, experience, knowledge and responsibilities of the Directors of the Board.
- 1.1.3 To recommend members for appointments to the Board and Board Committees and to ensure appropriate assessment of Directors on an ongoing basis.
- 1.1.4 To ensure there is sufficient succession planning and human capital development focus in the SDB group of companies (“Group”).

Remuneration Function

- 1.1.5 To recommend to the Board the remuneration framework for the Non-Executive Directors including the Non-Executive Chairman.
- 1.1.6 To set the policies and procedures on the remuneration framework, including reviewing and making recommendations to the Board on all elements relating to remuneration, terms of employment, reward structure and fringe benefits for Executive Directors, the Group Chief Executive Officer (“GCEO”) and key pivotal positions.
- 1.1.7 To set the policy and remuneration framework for employees of the Group.

Long Term Incentive Plan (“LTIP”) Function

- 1.1.8 To administer the SDB Performance-Based Employee Share Scheme (“SDB Share Scheme”) in accordance with the By-Laws as approved by shareholders of the Company.

- 1.1.9 To do all acts and things and in such manner as it, in its discretion, deems fit and enter into any transaction, agreement, deed, document or arrangement and make such rules and regulations, impose such terms and conditions, delegate part of its power relating to the administration of the SDB Share Scheme, which are to be done by the Board of Directors pursuant to the By-Laws of the SDB Share Scheme ("By-Laws").
- 1.1.10 To construe and interpret the By-Laws, to define the terms therein and to establish, amend and revoke rules and regulations relating to the SDB Share Scheme and its administration and shall have the power by resolution to add to, amend and/or delete all or any of the By-Laws upon such recommendation, subject always to the terms of the By-Laws. The Committee in the exercise of this power may correct any defect, supply any omission or reconcile any inconsistency in the By-Laws or in any agreement in such manner and to the extent it shall deem necessary to expedite and make the SDB Share Scheme fully effective in accordance with the By-Laws.
- 1.1.11 To determine all questions of policy and expediency that may arise in the administration of the SDB Share Scheme including, amongst others, the terms of eligibility of the employees of the Company and its subsidiaries, the method or manner in which the grants are awarded to and vested to the selected employees and any conditions imposed in relation thereto, and the termination of any grants of shares awarded under the SDB Share Scheme, and generally the exercise of such powers and performance of such acts as are deemed necessary or expedient to promote the best interests of the Company.
- 1.1.12 To administer any other incentive plan (whether by way of a cash scheme or a share scheme) implemented or to be implemented by the Company including, but not limited to, any cash bonus payment scheme, share option scheme and to do all acts, things and in such matter as it, in its discretion, deems fit to facilitate the administration, operation and management of any such incentive plan and to determine all questions of policy and expediency that may arise in relation to the same.

2. COMPOSITION AND APPOINTMENT

- 2.1 The NRC members shall be appointed by the Board from amongst their number and shall consist of not less than four (4) members, all of whom shall be Non-Executive Directors, and a majority of whom shall be Independent Directors.
- 2.2 No alternate Director shall be appointed as a member of the NRC.
- 2.3 The Chairman of the NRC shall be a Senior Independent Non-Executive Director or an Independent Non-Executive Director appointed by the Board.
- 2.4 The NRC members may relinquish their membership in the NRC with prior written notice to the Group Secretary. In the event of any vacancy arising in the NRC resulting in the number of members of the NRC falling below four (4), the vacancy shall be filled as soon as possible, but not later than three (3) months from any arising vacancy.

3. AUTHORITY

- 3.1 The NRC is authorised by the Board and at the expense of the Group to perform the following:
- 3.1.1 Secure the resources in order to perform its duties as set out in its terms of reference.
- 3.1.2 Have full and unrestricted access to Group Human Resources, including without limitation, its information, records, properties and personnel.
- 3.1.3 Obtain independent professional advice, service and/or expertise to perform its duties, or obtain the assistance of Management where necessary.
- 3.1.4 Be directly responsible for compensation and oversight of such professional or legal advisor and shall have the sole authority to approve such advisor's fees and other retention terms in the event that the NRC retains any such independent professional advisor. Prior to the selection of such advisor, the committee shall carry out an independent assessment of such advisor.

- 3.1.5 Provide its recommendations to the Board for its consideration and approval.

4. FUNCTIONS AND DUTIES

The main functions and duties of the NRC shall include, but are not limited to the following:

4.1 Nomination Functions and Duties

4.1.1 Assessment of Board Composition

- (a) Establish a policy formalising the Group's approach to Boardroom diversity (including diversity in gender, nationality, age, culture, socio-economic background, skills, experience and independence).
- (b) Annually evaluate, review and recommend to the Board the appropriate size of the Board, required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors shall bring to the Board to ensure that they are in line with SDB's and the Group's requirements.
- (c) Consider and recommend any policy regarding the period of service of Non-Executive Directors, tenure of Independent Directors and the term of office of Board Committee members, including Chairmen of Board Committees.
- (d) Periodically review the term of office, and terms of reference of all Board Committees, assisted by the Group Secretary.

4.1.2 Appointments

- (a) Consider and recommend to the Board the selection criteria for new appointment as Directors of SDB and the Group which may include:
 - Required skills, knowledge, expertise and experience;
 - Time commitment, character, professionalism and integrity;
 - Ability to work cohesively with other members of the Board;
 - Specialist knowledge or technical skills in line with the Group's strategy;

- Diversity in age, gender and experience/background; and
- Number of directorships in companies outside the Group.

The NRC shall also consider and recommend to the Board the composition of the Board which must comprise a majority of Independent Directors.

- (b) Consider the need to appoint a Senior Independent Non-Executive Director, 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 NRC shall assess the required knowledge and other qualities necessary for the effective discharge of his/her responsibilities.
- (c) Ensure that a formal letter of appointment setting out clearly the expected time commitment, Board Committee involvement, involvement outside Board meetings and protocol for accepting new Directorships is provided to the Non-Executive Directors upon appointment to the Board.
- (d) Identify, consider and recommend suitable persons for appointment as Directors of SDB, its Group and members of the Board Committees, relying on sources from existing Board members, Management, major shareholders, independent search firms and other independent sources.
- (e) Disclose in the Company's annual report how candidates for Non-Executive Director positions were sourced including whether such candidates were recommended by the existing Board members, Management or major shareholders and if the selection of candidates was solely based on recommendations made by existing Board members, Management or major shareholders, the NRC should explain why other sources were not used.
- (f) Appointment of Key Management Positions:
- Review and recommend to the Board the appointment, evaluation, resignation, disciplinary actions and termination of the GCEO position.

- Review and if deemed appropriate, endorse for the Board's approval, the recommendations of the GCEO on the appointment, evaluation, promotion, resignation, disciplinary actions and termination of the key pivotal positions of SDB and the Group. The key pivotal positions are set out in the schedule of direct reports to the GCEO) enclosed as Appendix 1.

In the case of Group Chief Financial Officer position, the NRC shall interview the candidate(s) as part of the review process. The NRC reserves the right to interview any pivotal position candidate recommended by the GCEO.

- Ensure that appointments of key pivotal positions are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

4.1.3 Retirement and Re-election

- (a) Ensure that every Director, including the Executive Directors, shall be subject to retirement at least once every three (3) years. A retiring Director shall be eligible for re-election.
- (b) Recommend to the Board, candidates for re-election of Directors by shareholders. The tenure of an Independent Non-Executive Director should not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Non-Executive Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) year, the Board should seek annual shareholders' approval through a two-tier voting process. Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders' meeting:
 - Tier 1: Only the Large Shareholder(s)¹ of the Company votes;
 - Tier 2: Shareholders other than Large Shareholder(s)¹ votes.

4.1.4 Succession Planning

- (a) The GCEO shall assist the NRC in ensuring that an appropriate succession planning framework, talent management and human capital development programme is in place for the position of the GCEO and key pivotal positions. The NRC shall be apprised of the progress of the programme on a regular basis, and at least once a year.
- (b) Oversee succession planning for the Board Chairman and Directors.

4.1.5 Annual Performance Assessment

- (a) Assist the Board in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and each Board Committee (including its size and composition), as well as the contribution of each individual Director. The method/approach of the assessment and outcome of the evaluation shall be documented and disclosed in the annual report.
- (b) Develop, maintain and review the criteria for evaluating the Board's, and Board Committees' and each individual Director's performance.
- (c) Conduct a Board evaluation which is periodically facilitated by a professional, experienced and independent party.
- (d) 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; and
 - contribution and performance, calibre and personality.
- (e) 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.

- (f) Review the terms of office and performance of the Governance and Audit Committee (“GAC”) and each of its members annually to determine whether the GAC and its members have carried out the duties in accordance with its terms of reference. The NRC shall seek the views of the Chairman of the GAC in its assessment of the performance of members of the GAC, other than of the Chairman himself/herself.

4.1.6 Training and Development

- (a) Recommend suitable orientation and training programmes to continuously train and equip new and existing Directors.
- (b) Ensure a statement is made by the Board in the Annual Report of SDB, containing a brief description on the type of training attended by Directors during the financial year.

4.2 Remuneration Functions and Duties

4.2.1 Review and recommend to the Board a formal and transparent remuneration policy and framework for Directors and Senior Management of SDB and the Group drawing on external consultants’ advice as necessary. In doing so, the NRC should perform the following:

- (a) Ensure that compensation policies and packages of Directors and Senior Management are reflective of the Group’s demands, complexities and performance as a whole as well as skills and experience required, and in line with the strategic objectives of the Company which rewards contribution to the long term success of the Company.
- (b) Ensure performance targets are in line with shareholders’ interests, and with an appropriate balance between long term and short term goals.

(c) Ensure alignment of the compensation scale to corporate performance, and that compensation offered is in line with current market practices by comparable companies, time commitment, responsibilities and employment conditions elsewhere within the Group and in the market.

4.2.2 Review and if deemed appropriate, endorse for the Board's approval, the annual bonus and salary increment framework for the Group, as recommended by the GCEO, including the total quantum of payment.

4.2.3 Review and recommend to the Board the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the GCEO position.

4.2.4 Review and if deemed appropriate, endorse for the Board's approval, the recommendations of the GCEO on the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the key pivotal positions.

4.2.5 Review and recommend the extension of service, remuneration and compensation and benefits packages of the key pivotal positions, who have reached the age of retirement.

4.2.6 Periodically review the remuneration framework, policies and procedures.

4.3 Long Term Incentive Plan ("LTIP") Functions and Duties

4.3.1 Oversee the administration of the SDB Share Scheme and the shares granted under it ("Scheme Shares"), subject to the By-Laws. The Committee shall review and consider the transactions, agreements, deeds, documents or arrangements as may be required in connection with the administration of the SDB Share Scheme.

4.3.2 Set the rules and regulations, or impose such terms and conditions, or delegate part of its power, as may be required in connection with the administration of the SDB Share Scheme.

- 4.3.3 Approve and determine the manner in which the Scheme Shares are granted to and subsequently vested to the selected employees in accordance with the provisions of the By-Laws, including inter alia, the determination of eligibility, grant level, terms of acceptance of offers, terms of vesting of the shares, performance conditions and any other terms and other conditions imposed, at the discretion of the Committee provided always that no member of the Committee shall participate in any deliberation or decision in respect of the allocations to be granted to himself.
- 4.3.4 Determine the Group's performance measures and targets associated with each offer.
- 4.3.5 Determine if any special terms to apply to offers of the Scheme Shares to grantees who are employed by any one of the Company and its subsidiaries ("Group Company") in jurisdictions outside Malaysia as may be considered necessary or appropriate to accommodate for differences in applicable law, tax, policy or custom and the approval of such supplements to or amendments, restatements or alternate versions of the SDB Share Scheme made in relation thereto.
- 4.3.6 Administer grants of Scheme Shares to the GCEO and any other Executive Directors as recommended by the Board and/or the NRC subject however to the prior approval of the Non-Executive Directors of the Company and the approval of the Company's members in a general meeting for such grants having been obtained.
- 4.3.7 Extend, at the Committee's discretion, the period of any offer for the Scheme Shares which would have otherwise lapsed and become null and void in accordance with the provisions of the By-Laws.
- 4.3.8 Determine whether or not to suspend (and if so, to later decide to lift such suspension of) the rights in respect of any Scheme Share of a grantee in the event of the commencement of Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service) against such grantee or determine any reduction in the number of Scheme Shares held by that grantee which are unvested at the time and/or to impose any limits, terms and conditions as it deems appropriate in respect of such exercise.

- 4.3.9 Extend, at the discretion of the Committee and subject to the By-Laws and any applicable law, the benefit of the Scheme to any employee of any company which is not a Group Company but which is a subsidiary of or is associated with a Group Company, and deem such an employee to be an eligible employee for the purposes of the SDB Share Scheme, in the situation where such an employee had at any time (whether before or after the coming into force of these By-Laws) been seconded from any Group Company to that company.
- 4.3.10 In the event of an alteration in the capital structure of the Company in the manner as prescribed in the By-Laws, make any alterations to the number and/or the manner in the vesting of the shares comprised in the awards, so far as they are unvested.
- 4.3.11 Determine with regard to the Scheme Shares, in the event of the cessation of the employment of a grantee if cessation occurs by reason of the events set out in the By-Laws or in the event of the death of any grantee before any expiry, any acceleration of vesting of the unvested shares.
- 4.3.12 Process and approve the Share Scheme acceptance forms and other documents which have been completed and submitted in accordance with the terms of the By-Laws.
- 4.3.13 Review the manner in which the Scheme Shares are granted to and subsequently vested to the selected employees from time to time to ensure compliance with the By-Laws and regulatory requirements.
- 4.3.14 In the event of any take-over offer being made for the issued share capital of the Company or any corporate proposal (including but not limited to a selective capital reduction exercise), whereby all of the issued share capital of the Company is to be acquired (or all of the issued share capital of the Company ends up in the hands of one or more sponsor of such proposal), whether by way of a general offer or otherwise, the determination in respect of a grant:
- (a) the alteration of the vesting period,
 - (b) the alteration of any commencement date and/or termination date,
- and

(c) the alteration of the terms.

4.3.15 In the event of any application being made to court for approval of a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and/or arrangement and reconstruction of the Company under Section 366 of the Companies Act 2016, the determination in respect of a grant:

- (a) the vesting of shares comprised in a grant which are not vested yet, and
- (b) the alteration of any commencement date and/or termination date.

4.3.16 Undertake any such other duties and functions as may be requested by the Board from time to time.

4.3.17 The following matters shall be matters reserved for the Board:

- (a) The determination and approval of grants of Scheme Shares to the GCEO and any other Executive Directors of the Company pursuant to the SDB Share Scheme.
- (b) The determination of all other matters relating to or in connection with the SDB Share Scheme as the Board may in its discretion consider to be necessary or desirable for giving full effect to this SDB Share Scheme.

4.4 Disclosure and Reporting

4.4.1 Ensure that a statement on its activities in the discharge of its nomination duties for the financial year is included in the Company's annual report.

4.4.2 Ensure detailed disclosure on named basis for the remuneration of individual Directors stating the following:

- (a) the remuneration received by the Directors of the Company, stating the amount they received from SDB and the Group respectively; and

- (b) the amount in each component of the remuneration (e.g.: fees, salaries, bonuses, benefits in kind and other emoluments based on an estimated money value) for each Director.

- 4.4.3 Ensure detailed disclosure on named basis for the top five (5) Senior Management's remuneration components, which include salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.

5. MEETINGS

5.1 Frequency

- 5.1.1 The NRC shall meet as and when necessary and at such other time(s) as it deems necessary to fulfil its responsibilities.
- 5.1.2 Other members of the Board and Management may attend meetings upon the invitation of the NRC.

5.2 Notice and Agenda

- 5.2.1 The Group Secretary shall issue and circulate the notice of the NRC meetings confirming the venue, time and date at least five (5) working days before each meeting to the committee members and all those who are required to attend the meeting.
- 5.2.2 The agenda for each meeting including relevant documents and information requested by the NRC shall be circulated at least five (5) working days before each meeting to the NRC members and all those who are required to attend the meeting.
- 5.2.3 The NRC meeting agendas shall be the responsibility of the Chairman with input from the NRC members, and assisted by the Group Secretary. Where necessary, the agenda shall include input from Management or other persons deemed appropriate to participate in this process.

5.3 Quorum

5.3.1 The quorum for a meeting of the NRC shall be three (3) members, two (2) of whom shall be an Independent Non-Executive Director. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to Chair the meeting.

5.3.2 In relation to the SDB Share Scheme, where only two (2) attendees are competent to vote on the question in issue, and there is equality in vote, the resolution shall be deemed not to have been passed, whereupon the question in issue shall be tabled at the next meeting of the Committee or referred to the Board, whichever is more expedient.

5.4 Meeting Mode

5.4.1 A meeting of the NRC shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the NRC.

5.4.2 The NRC 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. The Circular Resolution shall be as valid and effectual as if it has been passed by a meeting of the NRC duly convened. Approval of the NRC obtained by an NRC Circular Resolution must be signed or approved by all NRC members subject to 5.5.2.

5.5 Voting

5.5.1 All resolutions of the NRC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman shall have a second or casting vote.

5.5.2 An NRC member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

5.6 Meeting Minutes

- 5.6.1 The minutes of the meeting shall be action oriented, and record the deliberations and decisions of the NRC. Minutes shall include compiled Board instructions as Matters Arising for discussion at each NRC meeting to ensure proper follow through.
- 5.6.2 Minutes shall be distributed to NRC 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.
- 5.6.3 Copies of minutes of each meeting shall be distributed to all members of the Board.
- 5.6.4 The NRC, through its Chairman, shall update the Board on the activities undertaken by the NRC at each Board meeting.
- 5.6.5 Relevant members of Management shall be provided with the minutes and Matters Arising for follow up on key actions required.

5.7 Secretary

- 5.7.1 The Secretary to the NRC shall be the Group Secretary.
- 5.7.2 The Secretary shall organise and provide assistance at NRC meetings and have the following key responsibilities:
- ensure meetings are arranged and held accordingly;
 - assist the Chairman in planning the NRC's activities;
 - draw up meeting agendas in consultation with the NRC Chairman and maintain the minutes and draft its scheduled activities for the financial year;
 - ensure structured communication channels between the Board and the NRC;
 - ensure proceedings of meetings are recorded and the minutes circulated in a timely manner, and reviewed by the NRC before disseminating them to the Board; and
 - ensure NRC recommendations presented to the Board are supported by papers that explain the rationale for the NRC's recommendations.

6. ANNUAL PERFORMANCE ASSESSMENT

- 6.1 The NRC 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 results to the Board.
- 6.2 The Board shall review the composition, performance and effectiveness of the NRC and each of its members annually to ensure that the Committee has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.
- 6.3 All such assessments shall be properly documented.

7. REVIEW OF THE TERMS OF REFERENCE

- 7.1 The NRC shall recommend any change to its terms of reference in such manner as the NRC 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 of Corporate Governance, Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirement. It shall also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the NRC's role.

Note:

¹ *Large Shareholder means a person who:*

- *is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the Company; or*
- *is the largest shareholder of voting shares in the Company; or*
- *has the power to appoint or cause to be appointed a majority of the Directors of the Company; or*
- *has the power to make or cause to be made, decisions in respect of the business or administration of the Company, and to give effect to such decision or cause them to be given effect to.*

The decision for the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.

APPENDIX 1: List of Key Pivotal Positions Reporting to the Group Chief Executive Officer

No	Designation
1	Group Chief Financial Officer
2	Group Chief Strategy Officer
3	Head, Human Resources
4	Managing Director, Industrial Division
5	Managing Director, Motors Division
6	Managing Director, Logistics Division
7	Group Secretary
8	Group Head, Corporate Assurance