



SIME DARBY BERHAD

BOARD COMPOSITION POLICY

Updated as at 4 September 2019



Sime Darby Berhad

BOARD COMPOSITON POLICY

1.0 PURPOSE

- 1.1 This Policy sets out the approach of the Board on the composition of the Board of Directors of Sime Darby Berhad (“SDB” or the “Company”).

2.0 SCOPE

- 2.1 This Policy has been prepared to address the specific requirements of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”).
- 2.2 This Policy is effective from 4 September 2019 and will continue in force unless varied or revoked by the Board of Directors of SDB.

3.0 COMPLIANCE REQUIREMENT

3.1 Main Market Listing Requirements of Bursa Malaysia Securities Berhad

- (i) Paragraph 15.08A of the MMLR states that the Boards of Directors of listed companies are required to disclose in the Annual Reports their Nominating Committees’ activities, which must include, among others, the Policy on Board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the listed issuers.
- (ii) Bursa Malaysia has clarified that listed companies must, in the disclosure of their Policy on Board composition in the Annual Report, with respect to diversity include not only the Policy on gender diversity, but also diversity in ethnicity and age.
- (iii) Paragraph 2.20A of the MMLR requires a public listed entity to ensure that each of its Directors, Chief Executive or Chief Financial Officer has the character, experience, integrity, competence and time to effectively discharge his role as a Director, Chief Executive or Chief Financial Officer, as the case may be, of the listed corporation.
- (iv) Paragraph 15.02(1) of the MMLR requires at least two Directors or 1/3 of the Board of a listed company (whichever is the higher) to be Independent Directors.

3.2 Malaysian Code on Corporate Governance 2017

Intended Outcome 4.0 under Principle A - Board Leadership and Effectiveness of the MCCG 2017 states that Board decisions are to be made objectively in the best interests of the Company taking into account diverse perspectives and insights. Practices 4.1 to 4.7 explain how a Board should apply the Practices in order to meet the Intended Outcome under 4.0.

4.0 POLICY STATEMENT

- 4.1 The Board remains committed to selecting the best person for appointment to the Board. The Board's overriding objective in any new appointment is to select the best candidate with a view to achieving a high-performing Board. Appointments to the Board are based on merit against objective criteria with consideration being given to the intrinsic capabilities of the individual.
- 4.2 The Board aims to have an appropriate level of diversity in the Boardroom to reflect the diverse nature of the Company's operations and to support the achievement of the Company's strategic objectives. Diversity in terms of skills, background, knowledge, international and industry experience, culture, independence, age and gender, among many other factors, will be taken into consideration when seeking to appoint a new Director to the Board so as to bring relevant perspectives to Board discussions.
- 4.3 The Board will continuously enhance the Board's composition in line with the evolving circumstances and needs of the Group given its size, business diversity and geography.
- 4.4 With respect to gender diversity, the Board will maintain at least two (2) women Directors on the Board and will actively work towards having a minimum of 30% women as members of the Board.
- 4.5 The Board embraces age diversity to balance the Board's insight and experience, and to have a range of perspectives to facilitate robust discussions of issues during deliberations and decision making. The Board will work towards having a generationally-diverse Board that will create a balance between maturity and experience with an injection of energy, and greater level of flexibility and adaptability to reinvigorate the Company.
- 4.6 The Board will work towards diversifying the ethnic composition of the Board as and when vacancies arise and suitable candidates are identified.
- 4.7 The Board acknowledges the importance of Independent Directors, in particular those who are subject matter experts in the fields of business that the Group is involved, in order to support objective and independent deliberation, review and decision making. A Board comprising a majority of Independent Directors allows for more effective oversight of Management. The Board aims to have a majority of Independent Directors at all times.

- 4.8 Long tenures of Independent Directors and familiarity may erode the Board's objectivity. The Board has adopted a policy which limits the tenure of its Independent Directors to a cumulative term limit of nine (9) years. The Independent Director may continue to serve on the Board as an Independent Director beyond nine (9) years and up to 12 years subject to annual approval of shareholders. The Board shall seek annual approval from shareholders through a two-tier voting process if it intends to retain a Director as an Independent Director beyond the twelfth year.
- 4.9 In identifying, considering and recommending suitable persons for appointment as Directors, the Board shall rely on sources from existing Board members, Management, major shareholders, independent search firms and other independent sources.

5.0 MONITORING AND REPORTING

- 5.1 The Board, through the Nomination & Remuneration Committee ("NRC"), is responsible for the implementation of this Policy and for monitoring progress towards the achievement of the Board's objectives.
- 5.2 The NRC will review this Policy annually and will recommend to the Board changes, if any, to ensure that the Policy is in line with the requirements of SDB.
- 5.3 A summary of this Policy will be disclosed in the Company's Annual Report.

6.0 REFERENCE

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

(Approved on 4 September 2019)