

MBM Resources Berhad

Nominating & Remuneration Committee

Terms of Reference

Ver. 1.0 (25.02.21)

1. INTRODUCTION

This Terms of Reference (“TOR”) identifies the purpose, composition, authority, procedures, and the duties and responsibilities of the MBM Resources Berhad (“MBMR” or “the Company”) Board Nominating and Remuneration Committee (“NRC”).

2. COMMITTEE PURPOSE

The NRC is established as a committee of the Board of Directors of MBMR (“the Board”). The primary objectives of the NRC are as follows:-

- (a) Review the Board composition and its required mix of skills, identify individuals suitably qualified to become Board members and recommend to the Board nominees for election at the annual shareholders meeting including prospective Director candidates in the event of the resignation, death, removal, retirement of Directors or a change in the Board composition requirements;
- (b) Evaluate the effectiveness of the Board, Board Committees and contributions of each individual Director at least annually;
- (c) Recommend to the Board for approval the appointment of the Company’s Managing Director (“MD”)/Chief Executive Officer (“CEO”), Executive Directors and key management personnel (Head of Divisions) including their respective remuneration packages and additionally ensuring that any remuneration/reward are linked to corporate and individual performance in attracting, retaining and motivating the MD/CEO and key management personnel of the appropriate calibre, experience and quality needed to run the Company;
- (d) Recommend, review and ensure implementation of remuneration policies and procedures to determine the remuneration of Non-Executive Directors, MD/CEO, Executive Directors and key management personnel, which takes into account the demands, complexities and performance of the Company as well as skills and experience required; and
- (e) Review the key roles and responsibilities and Key Performance Indicators of the MD/CEO, and assess/measure the performance of these persons against those roles and indicators.

3. COMMITTEE COMPOSITION

3.1 Members

- (a) The NRC shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three members, all shall be Non-Executive Directors with a majority of whom must be independent¹.
- (b) No Alternate Director shall be appointed as a member of the NRC.
- (c) The Board shall review the terms of office and performance of the NRC and each of its members annually to determine whether they have carried out their duties in accordance with their TOR.
- (d) Should a vacancy in the NRC occur resulting in the non-compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, the Board shall fill the vacancy within three months from the date of the vacancy.

3.2 Chairman

The appointment of the Chairman of the NRC shall be approved by the Board and shall be an Independent Non-Executive Director or the Senior Independent Non-Executive Director².

3.3 Secretary

The Company Secretaries of the Company or such substitute as appointed by the Directors from time to time shall act as the secretary of the NRC during the term of his/her appointment.

4. COMMITTEE RESPONSIBILITIES AND DUTIES

4.1 Nomination

The responsibilities and duties of the NRC on nomination matters are:-

- (a) New Appointments
 - (i) Consider and recommend to the Board candidates for directorship, proposed by the MD/CEO or any director or shareholder, or outsourced independent service providers, taking into consideration the candidates’ skills, knowledge, expertise and experience, time, commitment, character, professionalism and integrity. For the position of Independent Non-

¹ Paragraph 15.08A(1) of MMLR and Guidance 6.2 of MCGG 2017

² Practice 4.7 of MCGG 2017

Executive Directors, the NRC should also evaluate the candidates' ability to discharge such responsibilities as expected from Independent Non-Executive Directors;

- (ii) Before any appointment by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board;
- (iii) Prepare a description of the role and capabilities required for a particular appointment for recommendation to the Board. In identifying suitable candidates, the NRC may:-
 - (aa) use the services of independent external advisors to facilitate the search³;
 - (bb) consider candidates from a wide range of backgrounds;
 - (cc) consider candidates on merit and against objective criteria with due regard to diversity in skills, experience, age, gender and ethnicity, as well as the candidate's time commitment;
 - (dd) request to consider the disclosure of any business interests that may result in a conflict of interest; and
 - (ee) in the case of the appointment of the Chairman, prepare position description, including time commitment expected. Any significant commitment should be disclosed to the Board prior to appointment and any changes should be reported to the Board as they arise;
- (iv) Recommend to the Board, candidates to fill the seats on Board committees, in consultation with the Chairman of those committees. In the event that the Chairman's position (regardless of Board/Board committee) is to be filled, to consult with the Board; and
- (v) Ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Board committee involvements and involvement outside Board meetings.

(b) Re-election, Re-appointment and Resignation/ Termination

- (i) Recommend to the Board, candidates for re-election of Directors by shareholders under the annual re-election provisions or retirement, with due consideration to the extent to which the interplay of the Director's expertise, skills, knowledge and experience with those of other Board members, as well as their roles as committee members;
- (ii) Matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provisions of the law and their service contract; and
- (iii) The re-appointment of any Non-Executive Director at the conclusion of his term of office having given due regard to his performance and ability to continue to contribute to the Board in terms of knowledge, skills, diversity and experience required.

³ Practice 4.6 of MCGG 2017

(c) Specific Nominations and Succession Planning⁴

- (i) Recommend suitable candidates for the role of Senior Independent Director, as applicable;
- (ii) Periodically report to the Board on succession planning for the Board Chairman, Directors and key management personnel, particularly the MD/CEO for both MBMR and its subsidiaries. The Board should work with the NRC to evaluate potential successors, taking into account the challenges and opportunities facing the Company, and the skills and expertise, including diversity, needed on the Board in the future; and
- (iii) Evaluate and recommend suitable candidates for appointments as Directors or key management personnel at subsidiaries and/or associates.

(d) Annual Performance Assessment of Board, Committees and Individual Directors⁵

- (i) Annually review the required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, the Board committees and the members of the Board/committees. All evaluations carried out by the NRC in the discharge of its functions should be properly documented. This process should be coordinated by the NRC, with the assistance of the Company Secretary, and thus, reporting to the Board at the end of each financial year with an assessment of the Board's performance and areas in which the Board, Board committees or individual Director could improve; and
- (ii) Annually review the time required of Non-Executive and Independent Directors. Performance assessments should be undertaken to assess whether the Directors are spending enough time to fulfill their duties.

(e) Induction Training and Training Needs Analysis

Review the induction and training needs of Directors. Ensure the training programme attended by the Directors must be one that aids the Director in the discharge of his duties.

(f) Size of Board and Independent Directors

- (i) Assess the desirable balance in Board membership by reviewing the size, structure and composition of the Board, taking into consideration the number of directorships;
- (ii) Assess desirable number of Independent Directors; and
- (iii) Consider the representation of interest groups as part of boardroom diversity. Factors to consider may include skills, experience, age, gender, ethnicity, religion, nationality, professional background and culture.

⁴ Practice 4.7 of MCCG 2017

⁵ Practice 4.7 of MCCG 2017

4.2 Remuneration

- (a) The responsibilities and duties of the NRC on remuneration matters are:-
- (i) Determine and recommend and review the appropriateness and relevance of the general remuneration policy for Directors and key management personnel of the Company and its subsidiaries, including benefits, perquisites, pension rights and any compensation payments;
 - (ii) Review the performance of, and recommend to, the Board for approval the annual total remuneration packages (guaranteed pay, short and long-term incentives, benefits and perquisites, and any compensation payable for loss or termination of office or appointment) of individual Executive Directors and key management personnel;
 - (iii) Determine and set performance measures for incentive plans other than those included in the Long-Term Incentive Plan;
 - (iv) Review and recommend to the Board the remuneration of Non-Executive Directors to the Board for the approval of shareholders in general meeting;
 - (v) Provide clarification to shareholders during general meetings on matters pertaining to remuneration of Directors and key management personnel as well as the overall remuneration framework of the Company;
 - (vi) Obtain reliable, up-to-date information about remuneration in other companies within the market and industry, of comparable scale and complexity. To help it fulfill its obligations, the NRC shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;
 - (vii) Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the TOR for any remuneration consultants who advise the NRC;
 - (viii) Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company, other than the Long-Term Incentive Plan, and approve the total annual payments made under such schemes;
 - (ix) Review the design of all share incentive plans, other than the Long-Term Incentive Plan, for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other designated senior executives and the performance targets to be used;
 - (x) Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
 - (xi) Review and recommend to the Board the organisational structure of the Company and oversee any major changes in employee benefits structures throughout the Company or Group; and

- (xii) Review and recommend to the Board the policy and/or procedures for authorising claims for expenses from the Directors.
- (b) In carrying out its duties and responsibilities, the NRC should ensure that the Company's remuneration policy and framework is robust and effective enough in the following areas:-
 - (i) Attracting and retaining key management personnel of requisite quality that increases productivity and profitability in the long run;
 - (ii) Motivating and creating incentives for Directors and key management personnel to perform at their best;
 - (iii) Focusing attention on the achievement of desired goals and objectives; and
 - (iv) Have regard to the risk appetite of the Company and alignment to the Company's long strategic term goals. 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 Company.
- (c) The fees and benefits for Independent Non-Executive Directors should not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meeting.

4.3 Others

The NRC shall further:-

- (a) report its activities, including how it has discharged its responsibilities, to the Board on a regular basis and promptly provide to the Board copies of the minutes of meetings of the NRC;
- (b) undertake other duties as requested by the Board from time to time; and
- (c) arrange for periodic reviews of its own performance and, at least annually, review its TOR to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

5. COMMITTEE AUTHORITY

The NRC is authorised by the Board to review any activity within its TOR. The NRC is authorised to seek any information it may require from any Director or member of Management and it has full and unrestricted access to any information pertaining to the Group.

The NRC shall obtain external professional advice and secure the attendance of outsiders with the relevant experience if deemed necessary, the expense of which will be borne by the Company.

6. COMMITTEE PROCEDURES

6.1 Frequency of Meetings

The NRC shall meet at least two times a year, and additional meetings may be called at any time, at the discretion of the NRC.

6.2 Calling of Meeting

- (a) Meetings of NRC shall be called by the Secretary at the request of the NRC Chairman or any member of NRC.
- (b) The NRC meeting may be held at two or more venues within or outside Malaysia using any technology that enable the NRC members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting. Minutes of the proceedings of such meeting shall be conclusive evidence of the proceedings to which it relates.

6.3 Notice

Unless otherwise agreed, notice for calling the NRC meeting shall be given to all its members at least five business days before the meeting or at shorter notice as the NRC shall determine. An agenda of items to be discussed together with its supporting papers shall be sent to the NRC and other attendees as appropriate, at the same time. The notice of each meeting shall be served to the members of NRC either personally or by fax, email, post, courier or any other electronic means provided by the NRC members.

6.4 Quorum

The quorum for the NRC meeting shall be two (2), the majority members present must be Independent Directors.

6.5 Attendance

The MD/CEO and the Head of Strategic Human Capital Management (or its equivalent) will normally attend these meetings. Other Board members and members of the Group's Management may attend meetings upon the invitation of the NRC.

6.6 Attendance at General Meetings

The NRC chairman should attend the Annual General Meeting (including extraordinary general meetings) to answer any shareholder questions on the committee's activities, in particular on areas pertaining to proposed resolutions for shareholders to consider on the appointment or re-appointment of Directors.

6.7 Voting

A resolution put to a vote at the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote except where two (2) members form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue shall not have a casting vote⁶ and such matters shall be referred to the Board for decision.

6.8 Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all NRC meetings, including the names of those present and in attendance. The draft minutes of NRC meetings shall be circulated promptly to all members of the NRC.

The minutes of each meeting shall be signed by the Chairman of the meeting at which the proceedings were held and kept as part of the statutory record of the Company. The minutes of each meeting shall be tabled to the Board for notation.

The minutes shall be kept by the Company at the Registered Office and/or the principal place of business in Malaysia of the Company and shall be open to the inspection of any member of the NRC without charge.

6.9 Written Resolution

A written resolution signed or approved by letter or telefax or facsimile, email or other electronic means by the members of the NRC shall be valid and effectual as if it had been passed at a meeting of the NRC duly called, convened, held and constituted. Any such resolution may be executed in any number of counterparts, each signed by one or more members, all of which taken together and when delivered to the Secretary of the NRC shall constitute one and the same resolution.

⁶ Clause 102(7) of the Constitution

7. ANNUAL EVALUATION PROCESS

The NRC shall annually perform a review and evaluation of its performance to ensure that it is meeting its responsibilities as set forth in this TOR. Findings from this review and evaluation process shall be presented to the Board for consideration and notation.

The review should specifically include consideration of the following:-

- (a) Frequency and timeliness of NRC meetings.
- (b) Adequacy and quality of information and materials provided to the NRC.
- (c) Effectiveness of the NRC in carrying out the duties as set out in this TOR.
- (d) Contribution of each individual NRC member.
- (e) Appropriateness and adequacy of this TOR.

The annual review of this TOR should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the NRC's responsibilities. Upon review, the NRC shall recommend to the Board such changes to its TOR as it deems appropriate.

- End –