



TERMS of REFERENCE for
**NOMINATION
& REMUNERATION
COMMITTEE**

MSM MALAYSIA HOLDINGS BERHAD



**Terms of Reference for Nomination & Remuneration Committee
MSM Malaysia Holdings Berhad**

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1. INTRODUCTION

- 1.1. This Nomination and Remuneration Committee's Terms of Reference ("TOR" or the "Terms of Reference") sets out the requirements of the Board of Director of MSM Malaysia Holdings Berhad towards the establishment of a Nomination & Remuneration Committee, and the delegation of responsibilities to such a Committee, as at the date hereof.
- 1.2. Unless otherwise stated, in this Terms of Reference, the following shall apply:
 - 1.2.1 "the Company" or "MSM" refers to MSM Malaysia Holdings Berhad;
 - 1.2.2 "MSM Group" or "the Group" refers to MSM Malaysia Holdings Berhad and its Group of Companies¹;
 - 1.2.3 "the Board" refers to the Board of Directors of MSM; and
 - 1.2.4 "NRC" or the "Committee" refers to the Nomination & Remuneration Committee of MSM.
- 1.3. Senior Management refers to the direct reports of the President/Group Chief Executive Officer which includes the Group Chief Financial Officer, Chief Technical Officer, Chief Operating Officer and Subsidiaries Chief Executive Officer.
- 1.4. In view of the mandatory nature of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the "Listing Requirements"), the Terms of Reference aims to guide MSM's NRC with respect to relevant provisions of the Listing Requirements. In addition, the Terms of Reference also recognizes and aims to adopt related better practices and guidance from the following documents:
 - 1.4.1. The Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), which provides Principles and Recommendations promulgating good corporate governance practices and accountability of companies and their Boards of Directors; and
 - 1.4.2. The Corporate Governance Guide –Towards Boardroom Excellence, 2nd Edition on ("the Guide ") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") in 2013, which is designed to help directors understand their roles and duties to the company and its stakeholders.

2. PURPOSE

- 2.1. This Committee's TOR is established pursuant to the Listing Requirements and approved by the Board.

¹ MSM Group includes MSM's operating subsidiaries, associates and jointly-controlled entities in which MSM holds a controlling interest, as established under the corporate structure of MSM Malaysia Holdings Berhad



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- 2.2 The purpose of the Committee, set up under the Listing Requirements, is to assist the Board in fulfilling its roles and responsibilities in regards to the following:
 - 2.2.1 Composition of the Board, the Board Committees, the directorship in the Group and the Group's Top Management;
 - 2.2.2 Nomination and election process and appointment and reappointment/re-election process;
 - 2.2.3 Contribution and commitment of Directors;
 - 2.2.4 Letter of appointment
 - 2.2.5 Induction and continuing education programmes;
 - 2.2.6 Board Assessment;
 - 2.2.7 Succession Planning;
 - 2.2.8 Remuneration matters (Remuneration Policy);
 - 2.2.9 Remuneration of the Group President/CEO and the Executive Director(s);
 - 2.2.10 Remuneration of the Group's Top Management; and
 - 2.2.11 Other general remuneration across the MSM Group
- 2.3 The existence of the Committee does not diminish the Board's ultimate statutory and fiduciary responsibility for decision making relation to the functions and duties of the Committee.

3. MEMBERSHIP

- 3.1 The Committee membership and the Chairman of the Committee shall be appointed by the Board of MSM and shall comprise of not less than three (3) members, whom shall be appointed from amongst the Directors of MSM Board.
- 3.2 All the members of the Committee must be Non-Executive Directors and a majority of whom must be independent Directors free from any business or other relationship that, in the opinion of the Board would materially interfere with the exercise of his/her independent judgment as a member of the Committee.
- 3.3 No Alternate Director shall be appointed as a member of the Committee.
- 3.4 **Quorum**
 - 3.4.1 In order to form a quorum for the Committee meeting, at least two (2) of the committee members must be present at the meeting, with at least one (1) is Independent Non-Executive Director.



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- 3.4.2 In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting from amongst the members present.

4. AUTHORITY

- 4.1 The Board authorises the Committee, within the scope of its duties and responsibilities set out in this TOR
- 4.1.1 Perform the activities required to discharge its responsibilities within its Terms of Reference and make relevant recommendations to the Board;
- 4.1.2 Acquire the resources which are required to perform its duties
- 4.1.3 Have full and unrestricted access to information pertaining to the Group, their records, properties and personnel;
- 4.1.4 Obtain independent professional advice, as it deem necessary, to assist the Committee in the proper discharge of its roles and responsibilities, at the expense of the Company. In the event the Committee retains any such consultant, the Committee shall have the authority to approve their appointment and such consultant's fees and other retention terms in accordance with the delegation of authority of the Committee; and
- 4.1.5 Meet exclusively among itself, whenever deemed necessary.

5. CHAIRMAN OF THE COMMITTEE

- 5.1 The Chairman of the Committee must be an Independent Non-Executive Director, and where a Senior Independent Non-Executive Director position exists, the Senior Independent Non-Executive Director shall assume the position of Chairman of the Committee.

6. SECRETARY OF THE COMMITTEE

- 6.1 The MSM Company Secretary shall be the Secretary of the Committee.
- 6.2 The Secretary of the Committee shall be present to record proceedings of the Committee meetings
- 6.3 The Secretary of the Committee shall have the following responsibilities:
- 6.3.1 Ensure the Committee meetings are arranged and held accordingly;
- 6.3.2 Assist the Chairman of the Committee in planning the Committee's activities for the financial year;
- 6.3.3 Draw up meeting agenda in consultation with the Chairman of the Committee and circulate the agenda together with relevant papers, at least seven (7) days prior to each of the Committee meeting;



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- 6.3.4 Ensure structured communication between the Board and the Committee;
- 6.3.5 Ensure proceedings of meetings are minuted and endorsed by the Chairman of the Committee before disseminating them to all Board members; and
- 6.3.6 Ensure the Committee's recommendations presented to the Board are supported by explanatory papers, including report of the Committee or minutes that explains the rationale of the Committee's recommendations.

7. RESPONSIBILITIES AND DUTIES

- 7.1 The Committee's responsibilities shall include, but are not limited to, the following

7.1.1 NOMINATION AND ELECTION PROCESS

- i. **Composition of the Board, the Board Committees, and all directorship in the Group**
 - a. Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, the Board Committees and all directorship in the Group with a view to determining the impact of the number of Directors upon the Board's the Board Committee's and Group's effectiveness and recommend to the Board on any improvements to be made.
 - b. Develop, review and recommend to the Board the Policy on Board Composition, having regard to the mix of skills, knowledge, experience, expertise, independence and diversity (including gender, ethnicity and age) and other qualities required to facilitate effective and efficient functioning of the Board, including core competencies; and
 - c. Develop, review and recommend to the Board the Policy on Independence & Conflict of Interest.
- ii. **Employment Contracts**
 - a. Review and recommend to the Board the appointment of Executive Directors and Top Management and Senior Management within the Group including Group Chief Financial Officer, Chief Technical Officer, Chief Operating Officer, and Subsidiaries CEOs.
 - b. Review and recommend the extension of contracts of the Group President/CEO, the Executive Director(s), the Group's Top Management and any other person the Board determines; and
 - c. Review and recommend to the Board any matters relating to the continuation in office including the suspension or termination of services of the Group President/CEO, the Executive Director (s) the Group's Top Management and any other person the Board determines subject to the provision of the laws and their service contracts



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iii. Appointment/re-appointment/re-election process and its criteria

- a. Develop, maintain and keep under review the criteria to be used in the appointment/recruitment process of the Board, the Board Committees, all directorship in the Group, the Group President/CEO and the MSM Chief Financial Officer and recommend to the Board for its approval;
- b. Recommend to the Board for its approval the criteria for identifying a Senior Independent Non -Executive Director;
- c. Recommend to the Board for its approval, candidates for the Board, the Senior Independent Non -Executive Director, the Board Committees, including the Chairman of the Board Committees and all directorships in the Group. In making the recommendations, the Committee shall also consider candidates proposed by the Chairman of the Committee and, within the bounds of practicality, by any Director or shareholder. The Committee shall also consider the prospective Director's character, experience, competence, integrity and time commitment, as prescribed by Paragraph 2.20A of the Listing Requirements, the Policy on Board Composition (once developed), as well as the following factors:
 - c.1 skills, knowledge and experience;
 - c.2 contribution and performance;
 - c.3 character, professionalism and integrity;
 - c.4 number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;
 - c.5 in the case of candidates for the position of Independent Director, the Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Directors; and
 - c.6 prior to the appointment, the prospective Director shall be required to disclose any other business interest that may result in a conflict of interest;
- d. Recommend to the Board for its approval, candidates for the Group President/CEO, the MSM Chief Financial Officer and the Group's Top Management;
- e. Review the re-appointment /re-election/retirement process of MSM Directors having regard to their performance and ability to continue to contribute to the Board in light of their knowledge, skills and experience based on the annual Board assessment; and
- f. Make recommendations to the Board for its approval on the re-appointment/re-election/retirement of MSM Directors.
- g. Ensure the appointment of Board members of MSM and its subsidiaries are reviewed by Holding Company's Nomination and Remuneration Committee and approved by Holding Company's Board and MSM Board.



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iv. Contribution and commitment of Directors

- a. Set out and communicate the expectations of Directors regarding the level of contribution and time commitment expected of them, and obtain this commitment in writing including an indication of time that shall be spent on an appointment, from the Directors.

v. Letter of appointment

- a. Ensure that all Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of their roles and responsibilities as well as time commitment expected, together with relevant Board and Company related documents (e.g. the Board Charter, the Board Committee's TORs, the Code of Ethics & Conduct and the Code of Business Practice)

vi. Induction and continuing education programmes

- a. Recommend to the Board and facilitate appropriate induction programmes for the new MSM Directors which include the following:
 - a.1 time with other Directors to enable further insights and knowledge of the Company, in particular the Chairman and the MSM Company Secretary;
 - a.2 visits to key operational sites within the Group; and
 - a.3 one (1) to two (2) day (s) formal induction programme, including the elements above, and also presentations by key management personnel.
- b. Recommend to the Board and facilitate appropriate education programmes for newly appointed Directors and existing Directors; and
- c. Evaluate and conduct Training Needs Analysis (TNA) for each Director based on the findings of the Board Assessment and ensure that their training needs are met and that they are kept abreast of all regulatory changes and developments in the business environment.

vii. Board Assessment

- a. Ensure that prior to new Board appointments, a full assessment on the candidates is undertaken based on MSM's Policy on Board Composition (once developed) to assess the necessary and desirable core competencies of Directors so that an appropriate balance of skills, experience, expertise and diversity is maintained and that the Board is able to discharge its responsibilities effectively;
- b. Develop, maintain and review the criteria and process to be used in the assessment of the Board as a whole, the Board Committees and the individual directors;



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- c. Assess, on an annual basis, the effectiveness of the Board as a whole, the individual Directors, the Board Committees and the contribution of each individual Director, including the Group President/CEO and maintain proper documentation of such assessment;
- d. Assess the findings of the Board Assessment and devise the appropriate action plans to be taken to address any gaps identified from the Board Assessment process and table to the Board for its review and approval;
- e. Develop, maintain and keep under review the criteria to assess independence pursuant to the Listing Requirements and recommend to the Board for its approval;
- f. Review, on an annual basis, the independence of Independent Directors, at a minimum, with reference to the definition of "Independent Director" as stipulated by Paragraph 1.01 of the Listing Requirements and the Policy on Independence & Conflict of Interest (once developed) and recommend to the Board for continuation of office. The tenure of an Independent Director should not exceed a cumulative term of nine years. If upon completion of the nine years, the Independent Director continues to serve on the Board, he/she may do so subject to the re-designation as a Non-Independent Director. However, the Board may, in exceptional cases decide that a Director remains as an Independent Director after serving a cumulative term of nine years, subject to the following:
 - f.1 assessment by the Committee, regarding the independence and contribution of the Director; and
 - f.2 shareholders' approval in a general meeting, where the Board, assisted by the Committee, provides strong justification on such recommendation.

viii. Succession Planning

- a. Review and oversee the development of a succession planning framework for the Board members (including positions in Board Committees), the Group President/CEO, the Subsidiary Boards and the Group's Top Management.

7.1.2 REMUNERATION MATTERS

i. Policies related to remuneration

- a. Develop a remuneration framework for the Group covering the Board, Board Committee, the Group's Top Management and all levels of the Group's employees taking into consideration the best practices, views of industry experts, obtaining and analysing the available data, stakeholders and the market at large.



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- b. Design, formulate and recommend to the Board for its approval, and maintain under review, the remuneration packages for Non-Executive Directors of the Group, Board Committees and Subsidiary Boards (hereinafter referred to as the **"Board Remunerations Policy"**) and ensure the remuneration level is sufficient to attract, retain and motivate high caliber individuals with the required qualification, skills, talent and experience in the Board, Board Committees and Subsidiary Boards. This review shall be facilitated by the MSM Company Secretary, the Head of Governance, Risk Management & Compliance Department, the MSM Chief Human Resource Officer and the MSM Chief Financial Officer;
 - c. Assess the effectiveness and relevance of the Board Remunerations Policy as and when the need arises. In particular, the Committee must be satisfied that:
 - c.1 all applicable provisions regarding remuneration and its disclosure as set out in relevant laws and regulations are appropriately reflected in the Board Remunerations Policy;
 - c.2 the Board Remunerations Policy encourage behaviour that supports MSM's long- term financial soundness, growth and success within an appropriate risk management framework;
 - c.3 the Board Remunerations Policy demonstrates a clear relationship between individual performance and remuneration; and
 - c.4 the Remunerations Policy, where appropriate, specifies an appropriate mix of remuneration, reflecting the short-term and long-term performance objectives in relation to MSM's strategies;
 - d. Consider the use of combination of remuneration types, e.g. Director's fees, allowances, performance share plans, long-term and short-term performance incentives, benefits-in-kind, etc.;
 - e. Design, formulate and recommend to the Board for its approval, and maintain under review, the remuneration packages for the Group President/CEO, the Executive Director(s) and the Group's Top Management (hereinafter referred to as the **"Remunerations Policy"**) and ensure the remuneration level is sufficient to attract, retain and motivate high caliber individuals with the required qualification, skills, talent and experience; and
 - f. As and when the need arises, review and link the remuneration of Directors, the Group President/CEO, the Executive Director(s) and the Group's Top Management, especially performance - based remuneration, to the individual's performance and contribution to the Group.
- ii. **Remuneration of the Group President/CEO and Executive Director(s)**
- a. Review and recommend to the Board, on an annual basis, the contractual and remuneration arrangements for the Group President/CEO and Executive Director(s) having regard to the Remunerations Policy, including:



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- a.1 fixed remuneration on levels and benefits;
 - a.2 short term incentives and long term incentives remuneration targets and outcomes (including performance targets);
 - a.3 any termination payments to be made;
 - a.4 retention and sign -on rewards;
 - a.5 the development of any equity based plan for the Group President/CEO and the Executive Director(s); and
 - a.6 any other forms of remuneration including allowances and any other applicable benefits-in-kind.
 - b. Determine and agree with the Board an appropriate performance framework, endorse its application in setting performance targets for the remuneration of the Group President/CEO and the Executive Director(s);
 - c. In formulating remuneration levels, the Committee must consider the assessment on the performance of the Group President/CEO and the Executive Director(s) against such targets as well as benchmarking to market rate for benefits -in-kind, annual increments and bonus; and
 - d. The MSM Chief Human Resource Officer shall assist the Committee to formulate the remuneration levels of the Group President/CEO and the Executive Director(s) and conduct appropriate benchmarking to market rate prior to determining the benefits - in-kind annual increments and bonus.
- iii. **Remuneration of the Non-Executive Directors ("NEDs")**
- a. Remuneration of NEDs is made up of directors' fees and allowances;
 - b. The level of remuneration for the NEDs must reflect the experience and level of responsibilities undertaken by the NEDs concerned;
 - c. The remuneration of NEDs shall not be based on commission, the percentage of profits, or turnover and it shall also not include commission based on the percentage of turnover;
 - d. Fees payable to NEDs should not be increased except in pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
 - e. The determination of NEDs' remuneration is decided by the Board, as a whole, with individual Directors abstaining from discussion of his/her own remuneration.
- iv. **Remuneration of the Group's Top Management**
- a. Review and recommend to the Board, on an annual basis, the individual remuneration levels and remuneration arrangements



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for the Group's Top Management having regard to the Remunerations Policy, including:

- a.1 fixed remuneration on levels and benefits;
- a.2 short - term incentives and long - term incentives remuneration targets and outcomes (including performance targets);
- a.3 any termination payments to be made;
- a.4 retention and sign -on rewards;
- a.5 all incentive awards to be made to each individual; and
- a.6 any other forms of remuneration including allowances and any other applicable benefits-in-kind; and
- b. The MSM Chief Human Resource Officer shall assist the Committee to formulate the remuneration levels of the Group's Top Management and conduct appropriate benchmarking to market rate prior to determining the annual increment and bonuses.

v. Consider any other matters referred to the Committee by the Board

8. REPORTING

- 8.1 The Committee shall report to the Board on matters considered and its recommendation thereon, pertaining to the Group through:
 - 8.1.1 Copies of minutes of each meeting of the Committee supported by explanatory papers and being circulated to all Board members once endorsed by the Chairman of the Committee; and
 - 8.1.2 the Chairman of the Committee drawing to the Board's attention any matter of major importance.
- 8.2. At the discretion of the Chairman of the Committee and members of the Committee, any relevant matters deemed to be of major importance shall be referred to the Board for its attention.
- 8.3. The Committee shall be responsible in ensuring that the Company discloses in its annual report a statement on the activities of the Committee in the discharge of its duties for the financial year, the Policy on Board Composition on having regard to the mix of skills, independence and diversity (including gender, ethnicity and age) required to meet the needs of MSM, the board nomination and election process of Directors and criteria used by the Committee in the selection process, the assessment undertaken by the Committee in respect of its Board, Board Committees and individual Directors together with the criteria used for such assessment and the trainings attended by the Directors for the financial year, pursuant to the Listing Requirements.
- 8.4. The Committee shall be responsible in ensuring that the Company discloses in its annual report the Director's remuneration in accordance with relevant provisions from the Listing Requirements.



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- 8.5. The Committee shall review any report or statement as required by law or regulations or requested by the Board, including relevant sections of the annual report and other shareholder/stakeholder communication documents, in relation to nomination and remuneration matters.
- 8.6. The Committee shall ensure consistency and alignment with its Holding Company, in any remuneration framework and policies.
- 8.7. The Holding's Company Chief Human Resource who is an invitee to the meeting shall apprise the Holding Company via its NRC of any significant issues that have direct risks and impact to Holding Company, where possible.

9. MEETINGS ADMINISTRATION

9.1. Frequency and attendance

- 9.1.1. The Committee meetings shall be conducted at least three (3) times annually, or more frequently as circumstances dictate.
- 9.1.2. The Chairman of the Committee in consultation with the Secretary of the Committee, shall determine the frequency of the Committee meeting and discuss the schedule of meetings with the members of the Committee.
- 9.1.3. In addition to the regular scheduled meeting, the Chairman of the Committee shall call a meeting of the Committee if so requested by any member of the Committee or by the Chairman of the Board.
- 9.1.4. Resolution of the members of the Committee at a meeting or adjourned meeting of the Committee shall be adopted by a majority of votes of all members present. In the event matters requiring the Committee's decision arise between meetings, such matters shall be resolved through Directors' Circular Resolutions (DCRs) which shall be supported by relevant papers setting out details of the subject matters. The members of the Committee may obtain more information from Management and express their view points by facsimile, electronic mail or any other means of telecommunication before arriving at a decision on the subject matter. All such resolutions shall be signed by all the members of the Committee and shall be submitted for confirmation on at a meeting of the Committee following the passing of the Directors' Circular Resolutions (DCRs).
- 9.1.5. The Committee meeting shall normally be conducted in a face-to-face manner to enable effective discussion. Nevertheless, if a member of the Committee is unable to be physically present, the member may choose to participate via video - conferencing or tele - conferencing, or other appropriate means as determined by the Committee.
- 9.1.6. The Group President/CEO, the MSM Chief Human Resource Officer and the MSM Chief Financial Officer may attend the meetings upon invitation of the Committee. Participation from the Group President/CEO, the MSM Chief Human Resource Officer or the MSM Chief Financial Officer may not be required for the full duration of the meeting.



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- 9.1.7 In addition to the members of the Committee, other Directors of the Board, other executives of the Group, and/or any party which the Committee deems necessary may attend the Committee meetings upon invitation of the Committee. Participation of invitees may not be required for the full duration of the Committee meeting
- 9.1.8 Other executives of the Group and/or external parties may be invited to attend the Committee meeting as the Chairman of the Committee and members of the Committee deem fit.
- 9.1.9 Any of the Committee member or invited participant must not be physically present in the Committee meeting during the discussion where his/her own remuneration is being discussed or deliberated.
- 9.1.10 Any of the Committee member or invited participant with conflicting interest shall abstain from the said discussion and must not be physically present during the discussion. A Committee member shall abstain and excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation(s) for him/her, including matters regarding related party transactions.
- 9.1.11 The Chairman of the Committee shall exercise the right to request those who are in attendance to leave the room if matters discussed are confidential or may be impaired due to the presence of individuals concerned.
- 9.1.12 The Group Chief Human Resource of FGV may attend the NRC meetings upon invitation of the Committee.
- 9.2. Notice and agenda**
 - 9.2.1 Proper notice shall be issued for any of the Committee meeting and the Chairman of the Committee shall ensure that proper agenda is prepared for the Committee meeting.
 - 9.2.2 The agenda and relevant papers for the Committee meeting must be issued at least seven (7) days prior to each of the Committee meeting.
- 9.3 Minutes of the meeting**
 - 9.3.1 The discussion and conclusions of the Committee meetings shall be minuted, in a clear, accurate, consistent, complete and timely manner;
 - 9.3.2 The minutes shall be entered into the minutes Register kept by the MSM Company Secretary together with attendance sheet;
 - 9.3.3 Keeping of the minutes must comply with the requirements of the relevant laws and regulations, e.g. Companies Act, 1965 and Income Tax Act 1967; and
 - 9.3.4 Reproduction of any part of the minutes can only be performed through/by the MSM Company Secretary.



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10. COMMITTEE'S PERFORMANCE

- 10.1 The Board shall evaluate annually the Committee's performance and extent to which the Committee has met the requirements of its Terms of Reference, including the terms of office and performance of the Committee and each of its members. This performance assessment may constitute a part of the annual Board Effectiveness Assessment, pertaining to the assessment of Board Committees.

11. COMMITTEE'S ETHICS AND PROCEDURES

- 11.1 All members of the Committee shall safeguard all internal communications and treat them as strictly private and confidential, and for the use of the Committee members only.
- 11.2 The Committee shall work diligently amongst the members of the Board and adhere to all applicable laws and regulations as well as the prescriptions rendered in the Directors' Code of Ethics & Conduct and the Code of Business Practice.

12. REVIEW OF TERMS OF REFERENCE

- 12.1 The Committee's Term of Reference and work plan shall be reviewed periodically, between one (1) to three (3) years as and when required, especially when there are changes to the Listing Requirements and MCGG 2012.
- 12.2 All amendments to the Terms of Reference of the Committee must be approved by the MSM Board.