

# MALAKOFF CORPORATION BERHAD

## REMUNERATION AND NOMINATION COMMITTEE CHARTER

### 1. Establishment

The Nomination and Remuneration Committee (“the NRC” or “the Committee”) is established to act as a Committee of the Board of Directors (“the Board”) to fulfill its responsibilities and duties as set out in this Charter. The authority, functions, duties and responsibilities of the Committee shall be extended to Malakoff Corporation Berhad (“MCB” or “the Company”) and its operating subsidiaries, associates and jointly controlled entities in which MCB has a controlling interest (“the Group”).

Unless otherwise stated in this Terms of Reference, the defined terms throughout the document shall apply.

### 2. Objectives

The objectives of the Committee are to assist the Board of Directors of the Company (“Board”) in fulfilling its corporate governance responsibilities in regard to:

#### 2.1 Nominating Matters

- (i) Board appointments, re-elections and re-appointment by rotation and performance of the Board, Board Committee and individual directors of the Company and the Group, as the case maybe;
- (ii) to develop a policy formalizing its approach on diversity obligations;
- (iii) Directors’ induction programs and continuing development;
- (iv) to recommend to the nominees for each Board committees and the respective boards of its subsidiary and the Group. The recommendation of nominees for the boards of non-operating subsidiaries and associates (in which MCB has no controlling interest) will be determined by the Chairman of the Committee upon recommendation of the NRC.;
- (v) succession planning of the Board and appointment of board members and Senior Management (as defined herein) including the Chief Executive Officer (“CEO”) or Executive Director(s), where applicable; and)
- (vi) to lead the Board in its annual evaluation of the Board’s performance.
- (vii) review annually the independence of Directors including where appropriate, criteria on assessing the independence of candidates’ appointment as Independent, Non-Executive Directors;

#### 2.2 Remuneration Matters

- (i) To establish a formal and transparent policies and procedure for

the development of a remuneration policy for the directors of the Company and its Group, board committees, executive directors, and the senior management which comprise the Chief Executive Officer (“CEO”) and his direct reports such as the Executive Vice President, Operations, Executive Vice President, Corporate and the Heads of the Divisions with the grade of Senior Vice President (“SVPs”) and such other persons who whatever designation is called and is a member of the senior management of the Company (collectively referred to as “Senior Management”).

- (ii) To establish an objective remuneration structure for directors of the Company and the Group, executive directors and the Senior Management and to provide recommendations to the Board on the remuneration of the Board of the Company and the Group, executive directors and the Senior Management which includes the CEO.

- 2.3 The existence of the NRC does not diminish the Board's ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the NRC.

### **3. Composition**

- 3.1 The Committee shall comprise at least three (3) members whom are non-executive directors, the majority of whom shall be Independent Director.

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.

- 3.2 The Chairman of the Committee shall be elected from amongst its members.

- 3.3 No Alternate Director shall be a member of the Committee.

### **4. Meetings**

- 4.1 The Committee shall meet at least two times a year, or when the need arises. 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.
- 4.2 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.
- 4.3 The quorum for Committee meetings shall be at least three (3) members of the Committee must be present at the Committee meeting, with a majority of Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect the Chairman from amongst the members present. A resolution put to the vote shall be decided by a majority of votes of the members present, each member having one vote. In the event of equality of votes, the Chairman shall have a casting vote.

Where the Members for any reason are reduced to less than 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.

Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company.

- 4.4 Attendance at a meeting may be by being present in person or by participating in the meeting by means of video or teleconference. The Committee may deal with matters by way of circular resolutions in lieu of convening a formal meeting.
- 4.5 The Committee will maintain written minutes of its meetings, which will be filed with the minutes of the meetings of the Board. At each regular scheduled meeting of the Board, the Chair of the Committee shall provide the Board with a report of the Committee's activities, recommendations and proceedings. The Chairman of the Committee drawing to the Board's attention any matter of major importance.
- 4.6 The CEO, the Head of Human Resource Officer and the Chief Financial Officer of the Company and other Directors may attend the meetings upon invitation of the Committee. Participation from the CEO, the Head of Human Resource Officer and the Chief Financial Officer and other Directors may not be required for the full duration of the meeting.
- 4.7 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.
- 4.8 The Company Secretary of the Company shall be the Secretary of the Committee. The Company Secretary shall be responsible for drawing up the agenda with the concurrence of the Chairman of the Committee and for circulating it, supported by explanatory documents, to the Committee members prior to each meeting.

The Company Secretary shall also be responsible for keeping the minutes of meeting of the Committee and circulating them to the Committee members.

## 5. **Authority**

- 5.1 The Board authorizes the Committee, within the scope of its duties and responsibilities set out in this TOR to:
  - 5.1.1. perform the activities required to discharge its responsibilities within its terms of reference and make relevant recommendations to the Board;
  - 5.1.2. acquire the resources which are required to perform its duties;
  - 5.1.3. have full and unrestricted access to information pertaining to the Group, their records, properties and personnel;
  - 5.1.4. 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;
  - 5.1.5 Likewise, the CEO/ Executive director in making recommendations to the NRC may engage at the expense of the Company, such external advisers after consulting the Chairman of the Committee.
  - 5.1.6 The Committee may establish subcommittees consisting of one or more members, other directors and management to carry out such duties as

the Committee may delegate.

## **6. Responsibilities and Duties**

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

### **6.1.1. Nomination and election process**

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 on the Board's, the Board Committee's, and the 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 which Non-Executive Directors should bring to the Board, and to annually review the above;
- c) develop, review and recommend to the Board the Policy on Independence & Conflict of Interest of the Company's Directors and subsidiaries;
- d) To consider and recommend a policy regarding the period of service of the Company's executive and non-executive directors of the Company and its subsidiaries.

### **6.1.2 Employment Contracts**

- a) recommend to the Board for its approval, candidates for the CEO, the Executive Director and the Senior management of the Group by considering the prospective CEO, Executive Director and Senior Management's character, experience, competence, integrity and time commitment, as prescribed by Paragraph 2.20A of the Listing Requirements;
- b) review and recommend the extension of contracts of the CEO, the Executive Director(s), the Group's Senior 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 service of the CEO, the Executive Director(s), the Group's Senior Management and any other person the Board determines subject to the provision of the laws and their service contracts.

### **6.1.3 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, Executive Directors, the CEO and recommend

to the Board for its approval;

- b) 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, Executive Directors 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 the CEO, any other senior executive, 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:

- (i) skills, knowledge, expertise and experience;
- (ii) contribution and performance;
- (iii) character, professionalism and integrity;
- (iv) number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution; and
- (v) 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.

Prior to the appointment, the prospective Director shall be required to disclose any other business interest that may result in a conflict of interest.

- c) Upon the recommendation of the NRC, the Chairman is given the mandate to finalise and recommend nominee directors of the Company to the respective boards of its subsidiaries and /or associates of the Company which does not fall within the definition of the Group as defined herein.
- d) review the re-appointment / re-election /retirement process of 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
- e) make recommendations to the Board for its approval on the re-appointment/re-election/ retirement of the directors of the Company.

#### **6.1.4 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.

#### **6.1.5 Induction and continuing education programmes**

- a) recommend to the Board and facilitate appropriate induction programmes for the new Directors and facilitate appropriate education programmes for newly appointed Directors and existing Directors;

- b) evaluate and conduct training needs analysis for each Director based on the findings of the Board Assessment and ensure that their training needs are met they are kept abreast of all regulatory changes and developments in the business environment and to broaden their perspectives.

#### **6.1.6 Board Assessment**

- a) ensure that prior to new Board appointments, a full assessment on the candidates is undertaken based on 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 including Non-Executive Directors as well as the CEO and the Senior Management of the Company.
- 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 performance evaluation of the CEO and the Senior Management and maintain proper documentation of such assessment;
- d) assess the findings of the Board Assessment and devise the appropriate action points 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 or 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 :-

- (i) assessment by the Committee, regarding the independence and contribution of the Director; and
- (ii) shareholders' approval in a general meeting, where the Board, assisted by the Committee, provides strong justification on such recommendation.

#### **6.1.7 Succession Planning**

- a) To review and recommend to our Board the succession planning

framework of the Chairman of the Board, Directors of the Company and the Senior Management of the Company and Group includes the CEO.

- b) To consider and recommend any other measures to upgrade the effectiveness of the Board, its Committees and boards of subsidiaries.

## **B. Remuneration Matters**

### **6.1.8 Policies related to remuneration**

- a) To review and recommend the general remuneration policy for the following :-
  - (i) of our Company and our Group;
  - (ii) for directors, executive directors and Senior Management,
- b) develop a remuneration framework for a formal and transparent remuneration policies and procedures, taking into consideration the best practices, views of industry experts, obtaining and analysing the available data, stakeholders and the market at large, to attract and retain directors of the Company and the Group and the Senior Management of the Company.

The recommendation of remuneration for the directors of the Company and the Group and the Senior Management of the Company to the Board, shall be based on the following considerations:-

- (i) Levels of remuneration structure are sufficient to attract and retain the individuals needed to run the Company successfully at the Board as well as the senior management levels;
  - (ii) Links rewards to both the Company and individual performances, responsibilities, expertise and complexity of the company's activities;
  - (iii) Aligns the interests of directors, Senior Management and our stakeholders with the business strategy and long-term objectives of our Company;
  - (iv) Is based on information obtained from independent remuneration sources within similar industry.
- c) design, formulate and recommend to the Board for its approval, and maintain under review, the remuneration packages for Non-Executive Directors of the Group and Board Committees 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 and Board Committees.
  - d) to establish an objective remuneration structure as well as to recommend suitable combination of remuneration types, e.g. fees, allowances, performance share plans, long-term and short-term performance incentive, benefits-in-kind and pension rights (if necessary) for the directors of the Group, executive directors and the Senior Management of the Company including the CEO.
  - e) determine and agree with the Board an appropriate performance framework, endorse its application in setting performance targets for the remuneration of the CEO and the Executive Director(s).

### **6.1.9 Remuneration of the CEO and Executive Director(s)**

- a) review and recommend to the Board on the following:-
  - (I) for the CEO and Executive Director(s) having regard an annual basis, the contractual and remuneration arrangements to the remuneration policy including :
    - (i) fixed remuneration levels and benefits;
    - (ii) short term incentives and long term incentives remuneration targets and outcomes (including performance targets);
    - (iii) any termination payments to be made including any compensation package in the event of early termination,
    - (iv) retention and sign-on rewards;
    - (v) the development of any equity based plan for the CEO and the Executive Director(s); and
    - (vi) any other forms of remuneration including allowances and any other applicable benefits-in-kind.
- b) in formulating remuneration levels, the Committee must consider the assessment on the performance of the 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 to make recommendations to the Board, whenever necessary.
- c) To provide remuneration input on any contract of employment or related contract with executive directors and/or CEO on behalf of the Company.

### **6.1.10 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.
- f) A review of the fees for non-executive directors should take into account fee levels and trends for similar positions in the market and time commitment required from the director (estimated number of days per year). Such review should take into consideration any additional responsibilities undertaken such as a director acting as board chairman, chairman of a board committee or as the senior independent director



### **6.1.11 Remuneration of the Group's Senior Management(excluding CEO)**

To recommend the appointment and promotion of the Senior

- a) Management of the Company and Group (excluding CEO) and determine their salaries and recommend salary revisions and improvements (as necessary) together with fringe benefits, perquisites and bonus programme;
  - a) review and recommend to the Board, on an annual basis, the individual remuneration levels and remuneration arrangements for the Group's Senior Management (excluding CEO) having regard to the remunerations policy, including :
    - (i) fixed remuneration levels and benefits;
    - (ii) short term incentives and long term incentives remuneration targets and outcomes (including performance targets) as well as a programme for management development;
    - (iii) any termination payments to be made;
    - (iv) retention and sign-on rewards;
    - (v) all incentive awards to be made to each individual;
    - (vi) any other forms of remuneration including allowances and any other applicable benefits-in-kind.

The relative weighing of fixed and variable remuneration for target performance varies with level of responsibility, complexity of the role and typical market practice.

- b) the Head of 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. The Committee must consider the assessment on the performance of Senior Management in formulating their remuneration levels.

**7.0** Consider any other matters referred to the Committee by the Board.

### **8.0 Reporting**

8.1 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 having regard to the mix of skills, independence and diversity (including gender, ethnicity and age) required to meet the needs of MCB, 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 including assessment on independence together with the criteria used for such assessment and the trainings attended by the Directors for the financial year, pursuant to the Listing Requirements.

8.2 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.

- 8.3 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.
- 8.4 To make recommendations to the Board regarding the content of the Board's annual report to shareholders on the Directors' remuneration (including the Company's policy on executive directors' remuneration (if any), the details of each individual Director's remuneration and other terms and conditions), if required.

## **9.0 THE COMMITTEE'S PERFORMANCE**

- 9.1 On an annual basis, the Board shall evaluate the Committee's performance and extent to which the Committee has met the requirements of its Terms of Reference. This performance assessment may constitute a part of the annual Board Effectiveness Assessment, pertaining to the assessment of Board Committees.

## **10. REVIEW OF THE TERMS OF REFERENCE**

- 10.1 The NRC Terms of Reference and work plans shall be reviewed periodically, as and when required, especially when there are changes to the Listing Requirements or MCCG 2012.
- 10.2 All amendments to the Terms of References of the Committee must be approved by the Board.