



DELEUM

TERMS OF REFERENCE

OF

**THE JOINT REMUNERATION AND
NOMINATION COMMITTEE**

Revision No: 3/2018

Date: 26 February 2018

Approved by the Board of Directors of Deleum Berhad
on 26 February 2018

DELEUM BERHAD

Terms of Reference of the Joint Remuneration And Nomination Committee ("Committee")

1.0 OBJECTIVES OF THE COMMITTEE

1.1A The objectives of the Committee are:

1.1.1A To make its recommendation to the Board on the nomination of new Directors to the Board and the appointment of Directors to the Board Committees. The actual decision as to who shall be nominated shall be the responsibility of the Board after considering the recommendations of the Committee. The recommendation to the Board shall take into consideration the following:

- (a) in recommending possible candidates, the Committee acknowledges that he or she should have the character, experience, integrity, competence and time to effectively discharge his or her role and provide the required mix of skills, independence and diversity to the Board taking into account the Company's business and operational needs;
- (b) in recommending possible candidates, the Committee may consider candidates proposed by Directors, Major Shareholders, Management or external parties including the Company's contacts in related industries, finance, legal, accounting professions and other independent channels. A former engagement audit partner will not be eligible for Board appointment, until he or she has observed a cooling-off period of at least two (2) years; and
- (c) in circumstances where the Company has a significant shareholder, the Committee shall assist the Board in including a number of Directors which fairly reflects the investment in the Company by shareholders other than the significant shareholder.

1.1.2A To assist the Board in annually reviewing the Board's required mix of skills, experience, expertise, core competencies, commitment, contribution, performance and other qualities and criteria such as industry experience, leadership qualities, business and commercial acumen, independence and diversity which all Directors, including non-executive Directors should bring to the Board.

1.1.3A To assist the Board in formulating policies on Board composition, nomination and election process.

- 1.1.4A To assist the Board in developing, maintaining and reviewing the criteria to be used in the recruitment process and annual assessment of all Directors.
- 1.1.5A To annually implement the process formulated by the Board designed to assess the effectiveness of the Board as a whole, the Board Committees and each individual Director.
- 1.1.6A To assist the Board in reviewing and assessing annually the effectiveness of the Board, Board Committees and the contribution of each individual director of the Board.
- 1.1.7A To assist the Board in undertaking an annual assessment of the independence of the Independent Directors, based on criteria to assess independence to ensure that Independent Directors can continue to bring independence and objective judgment to board deliberations.
- 1.1.8A To assist the Board in reviewing and assessing the retention of Independent Directors who has served on the Board beyond nine (9) years from the date of his/her first appointment and submit its recommendation to the Board.
- 1.1.9A To assist the Board in examining the size of the Board, with a view to determining the impact of the number of Directors upon its effectiveness.
- 1.1.10A To assist the Board in examining the composition of the Board and Board Committees having regard to the mix of skills, independence and diversity in line with the Company's business and operational needs.
- 1.1.11A To recommend Directors who are retiring by rotation to be put forward for re-election.
- 1.1.12A To review and ensure that all Directors receive appropriate induction and continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place in new statutory and regulatory requirements.
- 1.1.13A To review the Board's succession plans and to take appropriate measures with regard to boardroom balance and diversity in terms of skills, experience, gender, age and ethnicity taking into account the Board's size, composition, business and operational needs.
- 1.1.14A To assist the Board in developing, overseeing and monitoring the Senior Management's succession plans to ensure there is an appropriate dynamic of skills, experience, expertise and gender diversity taking into account the business and operational needs.

- 1.1.1B To implement policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Management.
- 1.1.2B To make the necessary recommendations to the Board for the remuneration package of each Executive Director and Senior Management. In this role, the Committee shall seek to ensure fair remuneration to the Executive Directors and Senior Management, which, while set in the context of what the Company can reasonably afford, recognizes the following principles:
 - (a) That Executive Directors and Senior Management should receive compensation which is appropriate to their scale of responsibilities and performance against agreed targets;
 - (b) That performance targets are established to achieve consistency with the interest of shareholders of the Company, with an appropriate balance between long and short term goals; and
 - (c) The need to attract, motivate and retain Executive Directors and Senior Management of the necessary caliber to run the Company successfully.
- 1.1.3B To make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Executive Directors and Senior Management.
- 1.1.4B To review on a yearly basis the individual remuneration packages of the Executive Directors and Key Senior Management personnel, and to make the appropriate recommendations to the Board.
- 1.1.5B To recommend to the Board any share option or long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.
- 1.1.6B To carry out such other duties or functions as may be delegated by the Board from time to time or required by regulatory authorities.

2.0 AUTHORITY OF THE COMMITTEE

- 2.1 In general, the Committee shall not have the delegated powers from the Board to implement its recommendations but should be obliged to report its recommendations back to the full Board for consideration and implementation.
- 2.2 In carrying out its duties and responsibilities, the Committee shall have the following authorities:

- 2.2.1 full, free and unrestricted access to any information, records, properties and personnel of the Deleum Group;
- 2.2.2 to obtain independent professional advice and expertise necessary for the performance of its duties; and
- 2.2.3 all Members shall have access to the advice and services of the Company Secretary.

3.0 COMPOSITION OF THE COMMITTEE

- 3.1 The Board shall appoint the Members, comprising exclusively of Non-Executive Directors, a majority of whom shall be Independent Directors.
- 3.2 The composition of the Committee must not be less than three (3) Members.
- 3.3 Where the Members for any reason are reduced to less than three (3), the Board shall within six (6) months of the event, appoint such number of new Members as may be required to make up the minimum number of three (3) Members.
- 3.4 The Committee or the Board shall elect a Chairman of the Committee from among the Members of the Committee who is an Independent Director.
- 3.5 All Members shall hold office only for so long as they serve as Directors of the Company.
- 3.6 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.
- 3.7 The Secretary of the Committee shall be the Company Secretary.
- 3.8 The Company Secretary shall ensure that all appointments of new Directors have been properly made and in compliance with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia Listing Requirements”). In carrying out this duty, the Company Secretary shall gather all necessary and relevant information from Directors prior to their appointments.

4.0 DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

- 4.1 The following are the main duties and responsibilities of the Committee collectively, which are not exhaustive and can be augmented if necessary with the Board’s approval:

- 4.1.1 makes the necessary recommendations as specified under the objectives of the Committee;
- 4.1.2 assists the Board in formulating policies on Board composition, nomination and selection process and criteria for assessment;

In general, selection process for appointment of Board members should involve the identification of candidate for directorship, evaluation and deliberation of suitability of candidate by the Committee and recommendation to the Board.

The Committee in recommending new appointments to the Board will assess the suitability of an individual to be appointed to the Board by giving due consideration to the individual's skills, industry experience and knowledge, character, integrity and time to effectively discharge his or her role, gender, age and ethnic diversity. In respect of Independent Directors, the Committee will assess whether the individual is able to exercise independent judgement and to demonstrate the values and principles associated with independence.

The members of the Board are selected on the criteria of proven skills and ability in their particular field of endeavor and a diversity of outlook and experience which benefits the operation of the Board as the custodian of the business. It provides an effective blend of entrepreneurship, business and professional expertise in business and risk management, financial, legal and technical areas of the industry the Group is involved in.

- 4.1.3 assists the Board in reviewing and assessing the effectiveness and performance of the Board, individual Directors and the Board Committees annually based on criteria for assessment;
- 4.1.4 assists the Board in undertaking an annual assessment of the independence of the Independent Directors based on criteria for assessment of independence;
- 4.1.5 recommends to the Board the termination of individual Directors for cause or other appropriate reasons;
- 4.1.6 ensures that Executive and Non-Executive Directors and Senior Management abstain from the deliberations and voting on decisions in respect of their remuneration package;
- 4.1.7 ensures that the appointment of Directors and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender;
- 4.1.8 reviews and advises the Board regarding the provisions of the Executive Directors' service agreements, such as clauses relating to compensation for loss of office and notice period; and

- 4.1.9 ensures that every Committee resolution is put to a vote to ensure that it is the will of the majority that prevails.
- 4.2 In discharging its duties, the Committee shall at all times be mindful of the provisions of the Malaysian Code on Corporate Governance and all applicable laws, regulations and guidelines.

5.0 COMMITTEE MEETINGS

- 5.1 The Committee shall convene meetings as and when required, provided that the Committee shall meet at least once a year.
- 5.2 The Chairman of the Committee, or the Secretary on the requisition of the Members, shall at any time summon a meeting of the Members by giving three (3) days' written notice. It shall not be necessary to give notice of a Committee meeting to any Member for the time being absent from Malaysia.
- 5.3 Meetings may be conducted by means of telephone conference, video conference or any other form of audio or audio-visual instantaneous communication and the participation in the meeting pursuant to this provision shall constitute presence in person at such meeting.
- 5.4 No business shall be transacted at any meeting of the Committee unless a quorum is present. A quorum would be formed at the meeting when majority of the attending members are Independent Directors.
- 5.5 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved. The meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Members may determine. If at such adjourned meeting a quorum is not present within fifteen (15) minutes from the time appointed for holding the meeting, the meeting shall be dissolved.
- 5.6 The Chairman of the Committee shall chair the Committee meetings. In the absence of the Chairman, the Members present shall elect a Chairman for the meeting from among the Members present.
- 5.7 The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The agenda shall be sent to all Members of the Committee and any other persons who may be required to attend the meeting.
- 5.8 The Secretary shall promptly prepare the written minutes of the meeting and distribute it to each Member. The minutes of the meeting shall be confirmed and signed by the Chairman of the Committee.

- 5.9 The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes book shall be opened for the inspection of the Board, external auditor, internal auditor, management and other persons deemed appropriate by the Company Secretary.
- 5.10 The Chairman of the Committee shall update the Board on the relevant matters discussed by the Committee after each meeting.
- 5.11 The Committee shall deal with matters by way of circular resolutions in lieu of convening a formal meeting.
- 5.12 Appropriate officers of the Company or professional advisors may be invited to attend the meetings where the Committee considers their presence necessary.
- 5.13 All recommendations and findings of the Committee shall be submitted to the Board for approval. Upon such approval, the Secretary shall distribute to each Member a copy of the said approval.

6.0 MEMBERS OF THE COMMITTEE

- 6.1 Each Member shall be expected to:
 - 6.1.1 provide independent opinions to the fact-finding, analysis and decision-making process based on their experience and knowledge;
 - 6.1.2 consider viewpoints from the other Members, make decisions and recommendations for the best interest of the Board collectively;
 - 6.1.3 keep abreast of the latest corporate governance guidelines in relation to the Committee and the Board as a whole; and
 - 6.1.4 continuously seek out best practices in terms of any processes utilized by the Committee, following which these should be discussed with the rest of the Committee for possible adoption.

7.0 DISCLOSURE

- 7.1 The Committee shall assist the Board in making certain disclosures concerning the activities of the Committee pursuant to Bursa Malaysia Listing Requirements.
- 7.2 Membership of the Committee should appear in Deleum Berhad's Annual Report.

- 7.3 The number of Committee meetings held in a year and the details of attendance of each individual Member in respect of meetings held should be disclosed annually in Deleum Berhad's Annual Report.

8.0 REVISION OF THE TERMS OF REFERENCE

- 8.1 Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval.
- 8.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

Definitions:

1. *"Senior Management" refers to members of the management team holding the position of General Manager and above.*
2. *"Key Senior Management" refers to the Group Chief Financial Officer, Chief Executive Officer of business segments, Chief Executive Officer of subsidiaries and Senior General Manager – Group Corporate Services/ Company Secretary.*