

REMUNERATION COMMITTEE

– TERMS OF REFERENCE

TMC LIFE SCIENCES BERHAD

Approved by : Board of Directors

Approved date : 26 December 2019

This Terms of Reference sets out the matters concerning the governance of the Remuneration Committee (“RC” or the “Committee”).

1.0 Purpose

- 1.1 The purpose of the RC is to assist the Board of Directors (“Board”) in ensuring that the remuneration of the Board members and key Senior Management personnel of TMC Life Sciences Berhad (“TMC” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) is underpinned by formal, fair and transparent processes and procedures.
- 1.2 The RC shall set the policy framework and make appropriate recommendations to the Board on all elements of the remuneration package and performance arrangements for Directors, Group Chief Executive Officer (“GCEO”), Group Chief Financial Officer (“CFO”) and key Senior Management personnel.
- 1.3 In the exercise of its functions, it is understood that the RC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the RC does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Committee.
- 1.4 The remuneration system recommended by the RC must be aligned to promote prudent risk-taking behaviours within the Board to act in the best interest of the Group.

2.0 Composition

- 2.1 Size
 - (a) The Committee shall consist of not less than three (3) members at any time.
- 2.2 Membership
 - (a) All the Committee members shall be Non-Executive Directors, with majority of them being Independent Directors [*Guidance to Practice 6.2 of the Malaysian Code on Corporate Governance*].
- 2.3 Chairman of the Committee
 - (a) The Chairman of the RC shall be an Independent Non-Executive Director.
 - (b) In the absence of the Chairman, the remaining members present in the meeting shall elect one of the members to chair the meeting, of who should be an Independent Director.
 - (c) The Chairman of the Committee shall not be the Chairman of the Board.
 - (d) The Company Secretaries or other appropriate senior shall be the Secretaries to the RC.

3.0 Appointment of members

- 3.1 The Nomination Committee in consultation with the RC shall recommend the appointment of the RC members to the Board.
- 3.2 The members shall be appointed based on their ability to devote time, character, integrity, competence and experience relevant to their duties of the RC.
- 3.3 The members serving the Committee shall be refreshed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time and the change does not affect the composition in terms of compliance with legislative promulgations, such change of members shall be done on a periodic basis.

- 3.4 In the event of any vacancy in the Committee, the Company must fill the vacancy within three (3) months.

4.0 Performance evaluation

- 4.1 The effectiveness and performance of the RC as a Board Committee (including skills mix and contribution of members) shall be assessed annually by the Nomination Committee (“NC”). The assessment shall be facilitated using an Annual Performance Assessment model and the outcome shall be discussed with the Chairman of the Board, led by the Chairman of the RC.

5.0 Duties of the Chairman

- 5.1 The key duty of the RC Chairman involves leading the development and administration of a fair and transparent procedure for setting the policy on remuneration of Directors and key Senior Management personnel.

6.0 Duties of the Committee

- 6.1 Review policies and procedures to determine the remuneration of Directors and key Senior Management personnel, which take into account the demands, complexities and performance of the Group as well as skills and experience required.
- 6.2 Recommend policy and procedures on remuneration for Directors and key Senior Management personnel so as to ensure remuneration, in all forms, is set at a competitive level to recruit, attract, retain and motivate high caliber individuals, which takes into account the demand, complexities and aligned to corporate performance as well as skills and experience required (*Practice 6.1 of the Malaysian Code on Corporate Governance*).
- 6.3 Establish a formal and transparent procedure for developing framework or policy on remuneration packages of individual directors, taking into consideration the following:
- In case of Executive Director and key Senior Management personnel, the component parts of remuneration should be structured so as to link rewards to corporate and individual performance;
 - In the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibility undertaken by the Non-Executive Director concerned with due consideration of market rate; and
 - The overall need for the remuneration packages to be in line with the business and risk strategies, corporate values and long-term interests of the Group.
- 6.4 Monitor structures and levels of remuneration for other senior executives and make recommendations, if appropriate, to ensure consistency with the Company’s remuneration objectives.
- 6.5 Establish and review the benefits in all its form for the Executive Director, Non-Executive Directors and key Senior Management personnel within the Group.
- 6.6 Recommend any major changes to employee compensation and benefits arrangements applicable to the Executive Director and key Senior Management personnel.
- 6.7 Recommend incentive plans for the Executive Director and key Senior Management personnel, and any amendments to such plan.
- 6.8 Carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

- 6.9 Ensure the fees and benefits payable of the Non-Executive Directors; fees and any non-contractual benefits payable to the Executive Directors (if any), and any compensation for loss of employment of an Executive Director or former Director of the Group (if any) shall be approved at the General Meeting [*Section 230(1) of Companies Act 2016 and Paragraph 7.24 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*];
- 6.10 Review the annual salary increments and bonuses for the Executive Director, key Senior Management positions under the employment of the Group and overall staff increment and bonuses of the Group; and
- 6.11 Undertake internally or externally facilitated remuneration review¹ of Directors and key Senior Management personnel on a periodic basis to ascertain the fairness and market competitiveness of the accorded remuneration packages. Consideration shall be given to the findings of the Board Effectiveness Evaluation in the case of Directors and achievement of Key Performance Indicators in the case of key Senior Management personnel.
- 6.12. The remuneration packages shall also be designed with input from the ARMC and control functions² to ensure that risk exposures and risk outcomes are adequately considered.

Directors, whether executive or non-executive, should abstain from discussion and from participating in decisions of their own remuneration packages.

7.0 Disclosure

- 7.1 The RC must ensure detailed disclosure, on a named basis for the remuneration of individual Directors. The remuneration breakdown of individual directors shall include fees, salaries, bonuses, benefits in-kind and other emoluments (including share based payments) in the Annual Report/Corporate Governance Report of the Company (*Paragraph 11, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad; Practice 7.1 of the Malaysian Code on Corporate Governance and write-up to Practices 7.1, 7.2 and Step Up 7.3 of Corporate Governance Guide 3rd Edition by Bursa Malaysia Securities Berhad*)

8.0 Meetings

- 8.1 Meeting frequencies and calling of meetings
- (a) The RC shall meet at least once (1) a year or as and when required, and report to the Board after each meeting.
- 8.2 Quorum and participation
- (a) The quorum for the Committee shall consist of at least two (2) members;
- (b) In the event the Chairman is unable to be present for a meeting, the members who are present at the meeting can appoint a Chairman among themselves to chair the meeting;
- (c) Only the RC Chairman and the Members shall be entitled to participate in the RC meeting. At the invitation of the RC, other Directors, GCEO, GCFO, Human Resource Director and any other relevant advisers may also attend the Committee meetings, unless there is a conflict of interest;
- (d) The RC has the right to pass circular resolutions in writing by a simple majority vote

¹ Through the enlisting of experts/professional advisors

² A function that has a responsibility independent from the business line to provide objective assessment, reporting and assurance on the effectiveness of the Group's policies and operations, and its compliance with legal and regulatory obligations. This includes the risk management function, the compliance function, and the internal audit function.

for administrative and ad-hoc matters; and

- (e) The meetings shall convene in a face-to-face manner. If a member is unable to be present at the meeting venue, his/her participation through tele/video-conferencing or other appropriate means may be permitted.

8.3 Notice on meetings and information flow

- (a) Notice of a meeting shall be sent to all members in a timely manner, which should include the date, time, venue and the agenda of the meeting (*Paragraph 4 of the Notice of Meeting, Third Schedule of Companies Act 2016 and Practice 1.5 of the Malaysian Code on Corporate Governance*);
- (b) The RC meeting agendas shall be developed by the Chairman of the RC and the Secretaries in consultation with Management; and
- (c) The Chairman together with the Company Secretaries shall ensure that sufficient information such as the agenda and accompanying meeting materials for each meeting are circulated at least five (5) business days before each meeting to the Committee members and all those who are invited to attend the meeting (*Guidance on Practice 1.5 of the Malaysian Code on Corporate Governance*).

8.4 Voting

- (a) The RC Chairman shall have a second or casting vote. However, where only two (2) members (including the Chairman) are competent to vote on the question at issue, the Chairman shall not have the casting vote.

8.5 Meeting minutes

- (a) The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee (*Paragraph 13, Third Schedule of Companies Act 2016*);
- (b) The minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive and contemporaneous evidence without any further proof of the facts thereon stated;
- (c) All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the Committee, which includes any dissenting comments made (*Guidance to Practice 1.5, Malaysian Code on Corporate Governance*); and
- (d) The reproduction of any parts of the meeting minutes shall only be performed through or by the Secretaries with the approval of the RC Chairman.

8.6 Reporting and disclosure

- (a) The reports and minutes of each Committee meetings shall be tabled and presented to the Board during the subsequent Board meeting to keep them informed and updated on the key issues deliberated by the Committee, clearly demonstrating the Committee's decisions which necessitate Board's approval or ratification.

9.0 Authority

9.1 The RC shall in accordance with the procedures determined by the Board of Directors and at the cost of the Company:

- (a) have the resources which are required to perform its duties;
- (b) have full and unrestricted access to all information and documents within the Group

to perform its duties;

- (c) have the right to obtain independent professional or other advice at the Company's expense;
- (d) have the right to invite any employees of the Group to attend RC meetings and to brief the Committee members on matters being deliberated;
- (e) meet as and when required on a reasonable notice and have the right to regulate its own procedure on the calling of meeting;
- (f) have the right to pass resolutions by a simple majority vote from the Committee members; and
- (g) have the right to provide recommendations to the Board for consideration and approval.

10.0 Review of the Terms of Reference

- 10.1 The RC shall recommend any changes to its Term of Reference in such manner as the RC deems appropriate to the Board for approval. The Terms of Reference shall be accessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the RC's role.
- 10.2 The Secretaries of the Committee shall ensure that the provisions of this Terms of Reference continue to comply with legal requirements and corporate governance enumerations applicable to the Group and, if necessary, shall suggest amendments to the Terms of Reference for consideration by the Board.

Last updated: 17 December 2019