



Terms of Reference of the Nomination and Remuneration Committee of Duopharma Biotech Berhad

Duopharma Biotech Berhad

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Nomination and Remuneration Committee of Duopharma Biotech Berhad

Terms of Reference

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

1. Purpose

- 1.1 The purpose of the NRC is to assist the Board of Directors (“Board”) in ensuring that the appointment and remuneration of Board members and Senior Management of Duopharma Biotech Berhad (“Duopharma Biotech” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) are underpinned by robust processes and procedures.
- 1.2 In the exercise of its functions, it is understood that the NRC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the NRC does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Committee.

2. Composition

- 2.1 Size
 - (a) The Committee shall comprise at least three (3) members.
- 2.2 Membership
 - (a) All the Committee members shall be Non-Executive Directors, with majority being Independent Directors [*paragraph 15.08A(1) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Guidance to Practice 7.2, Malaysian Code on Corporate Governance*]; and
 - (b) The Chairman of the Board shall not be a member of the Committee (*Practice 1.4, Malaysian Code on Corporate Governance*).
- 2.3 Chairman of the Committee
 - (a) The Chairman of the Committee shall be an Independent Director or the Senior Independent Director (*Practice 5.8, Malaysian Code on Corporate Governance*); and
 - (b) Before appointment as Chairman of the NRC, it is desirable for the appointee to have served on the NRC for an appropriate period.
- 2.4 Secretary of the committee
 - (a) The Secretary of the Committee shall be the Company Secretary or his or her representative.

3. Appointment of members

- 2.1 The Board shall determine the appointment of NRC members;
- 2.2 Members shall be appointed based on their fit and propriety including ability to devote time, character, integrity, competence and experience relevant to their duties of NRC; and
- 2.3 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 progressive basis.

4. Performance evaluation

- 4.1 The effectiveness of the NRC as a Board Committee (including skills mix and contribution of members) shall be assessed annually.

5. Duties of the Chairman of the Committee

- 5.1 The key duties of the Chairman of NRC shall include the following:
- (a) Determine (in consultation with the Board Chairman) the detailed considerations surrounding the succession planning and appointment of Board members including the Group Managing Director/ Chief Executive Officer, based on the parameters outlined in the Company's Succession Plan Policy (*Guidance to Practice 5.8, Malaysian Code on Corporate Governance*);
 - (b) Lead the annual review of Board skill sets matrix and Board effectiveness evaluation, ensuring that performance of the Board, each individual Board Committee and Director (including Independent Directors) is independently assessed (*Guidance to Practice 5.8, Malaysian Code on Corporate Governance*); and
 - (c) Lead the development and administration of a fair and transparent procedure for setting policy on remuneration of Directors and Senior Management.
- 5.2 For the purpose of these Terms of Reference, 'Senior Management' are employees of Job Grade 19 (and above) and who are also C-Suite officers and members of the Group Management Committee (GMC).

6. Duties of the Committee

- 6.1 The duties of the Committee in relation to **nomination function** are to:
- (a) Recommending the Group's nomination policy including with a view of anchoring the appointment of Board and Senior Management members based on the candidate's character, experience, integrity, competence and ability to devote time, with due regard for diversity in skills, experience, age, cultural background and gender including the 30% women on Board target, as spelt out in the Group's Diversity Policy for the Board of Directors and Senior Management (*paragraph 2.20A of Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Practice 5.5, Malaysian Code on Corporate Governance*).
 - (b) Review and recommend on the selection of final candidates for directorships and Senior Management positions in the Group based on the elements of fit and propriety in accordance with the Fit and Proper Policy for the Board of Directors and Senior Management [*paragraph 15.01(A) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*]. In carrying out this function, the NRC shall utilise independent sources (e.g., search firms, directors' registry) to identify suitably qualified candidates, apart from recommendations of existing Board members, Management or major shareholders (*Guidance to Practice 5.6, Malaysian Code on Corporate Governance*).
 - (c) Recommend Directors to be appointed to the Board Committees;
 - (d) Recommend to the Board on whether Directors retiring by rotation should be put forth for re-election
 - (e) Recommend to the Board the appointment of a Senior Independent Director from the cohort of Independent Directors, if deemed necessary;
 - (f) Recommend to the Board on the appointment of Directors to fill casual vacancy;

- (g) Watch for indicators of entrenchment amongst long-serving Independent Directors and review the suitability of Independent Directors for re-election in accordance with the Company's policy;
- (h) Review and recommend to the Board the Succession Plan Policy for the Board;
- (i) Approve and report the same to the Board the Succession Plan Framework;
- (j) Approve and report the same to the Board the succession plan, policy and framework for the Senior Management;
- (k) Approve and report the same to the Board the key performance indicators for the Group Managing Director in consultation with the Chairman of the Board; and
- (l) Review and recommend to the Board the Group Managing Director's Behavioral Competencies' key performance indicators, in consultation with the Chairman of the Board.

6.2 The duties of the Committee in relation to the **evaluation process** are to:

- (a) Ensure that prior to the appointment of new Directors and Senior Management members, a complete evaluation is performed based on the Group's policy to assess the candidates' ability to discharge their duties effectively. The evaluation shall consider the dimensions of fit and propriety including character, experience, integrity, competence and ability to devote time (*paragraph 2.20A of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*);
- (b) Undertake a formal and objective annual evaluation to determine the effectiveness of the Board, Board Committees and each individual Director, including Independent Directors based on a predetermined criterion. The NRC shall endeavour to enlist the services of third party to facilitate the conduct of the evaluation at least once every three years (*Practice 6.1 of Malaysian Code on Corporate Governance*);
- (c) Supervise and assess Senior Management's performance to determine whether the business is properly managed by overseeing key performance indicators (covering financial and non-financial indicators including considerations relating to environment, social and governance) that are monitored by the Group Managing Director (*Guidance to Practice 1.1 and Practice 4.4 of Malaysian Code on Corporate Governance*); and
- (d) Reviewing the recommended contract renewal, promotion and termination of Senior Management personnel as the case may be.

6.3 The duties of the Committee in relation to **induction and training programmes** are to:

- (a) Oversee the development of induction programme for new Directors;
- (b) Evaluate and determine on a continuous basis the training needs of the Directors, in which the subject matter of training must be one that aids the Director in the discharge of his/her duties as a Director [*paragraph 15.08(2) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*]; and
- (c) Oversee the leadership development programme of Senior Management.

6.4 The duties of the Committee in relation to **remuneration function** are to:

- (a) Review policies and procedures to determine the remuneration of Directors and Senior Management, which take into account the demands, complexities and performance of the Group as well as skills and experience required;
- (b) Review and recommend to the Board the remuneration package of Senior Management, including the Group Managing Director;

- (c) Review and recommend to the Board the annual increment and bonus package for non-unionised employees of the Company;
- (d) Review, approve and report the same to the Board, benefits, increment and bonus package (not limited to Union Collective Agreement) for unionised employees of the Company;
- (e) Review and recommend to the Board on any new employee retention plans and compensations and benefits policies; and
- (f) Oversee the qualitative and quantitative disclosures of remuneration made in the annual report and notice to general meetings, pursuant to legislative promulgations.

6.5 The duties of the Committee in relation to **human resource function** are to:

- (a) Review, approve and report the same to the Board, overall human capital related updates, plans and strategies;
- (b) Review and recommended policies and procedures on human resource related policies matters pertaining to the Group (not limited to Diversity, Anti-Discrimination & Anti-Harassment Policy, or policies pertaining to the Senior Management);
- (c) Review the leadership needs of the Group with a view of ensuring the continued ability to compete effectively in the Group's marketplace; and
- (d) Review and recommend to the Board the organisational chart of the Senior Management, identifying gaps/ vacancies to be filled.

6.6 To carry out the following:

- (a) The NRC may undertake to perform any additional functions delegated to it by the Board from time to time; and
- (b) Approve and report the same to the Board the appointment of consultants for board evaluation exercise and in relation to other matters that fall within the duties of the NRC, where such appointment exceeds the Group Managing Director's or Management's limits of authority.

The NRC may undertake to perform any additional functions delegated to it by the Board.

7. Meetings

7.1 Meeting frequencies and calling of meetings

- (a) The Committee shall meet at least twice a year, or as frequently as the circumstances dictate; and
- (b) Additional meetings shall be scheduled as considered necessary by the Committee or Chairman of the NRC. The Chairman of the Committee shall call for a meeting if requested to do so by the Chairman of the Board or requested by another member of the Committee.

7.2 Quorum and participation

- (a) The quorum for the Committee shall be two (2) members and one of whom shall be an Independent Director.
- (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) Each individual Committee member shall attend at least 50% of the Committee meetings held during the financial year;
- (d) The Committee may request other Directors, members of Management, counsels or consultants to attend the Committee meetings by invitation if necessary; and
- (e) The meetings shall convene in a face-to-face manner or remotely (i.e., via virtual means). The member shall ensure all deliberations or information being communicated remotely is treated with confidence, and he/she shall prevent any leakage of information/materials to any third party.

7.3 Notice on meetings and information flow

- (a) Notice of the Committee's 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- notice on meetings, Third Schedule of Companies Act 2016*);
- (b) The NRC meeting agendas shall be developed by the Chairman of the NRC and the Secretary in consultation with Management;
- (c) The Chairman of the NRC together with the Company Secretary 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, where applicable (*Guidance to Practice 1.6, Malaysian Code on Corporate Governance*).

7.4 Voting

- (a) A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes cast and in the event of an equality of votes, the Chairman of the meeting has the casting vote. A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in the voting process.

7.5 Circular Resolution

- (a) A circular resolution in writing shall be valid and effectual as if it had been passed at a meeting of the NRC when it is approved and signed by a majority of the NRC members. The use of circular resolutions shall be limited to administrative and ad hoc matters.

7.6 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 as well as abstention of the members (*Guidance to Practice 1.6, Malaysian Code on Corporate Governance*); and
- (d) The reproduction of any parts of the meeting minutes shall only be performed through or by the Secretary

7.7 Reporting and disclosure

- (a) The report of each Committee meeting 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.

- (b) The NRC must provide, in the Company's annual report, a statement about its activities in the discharge of its duties for the financial year. Such a statement must include the Company's application of the fit and proper policy, succession planning policy (including aspects of Board composition), criteria of Board nomination and re-election of Directors and conduct of Board evaluation exercise (*paragraph 15.08A of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*).

8. Authority

- 8.1 Unless otherwise provided by or subject to any applicable laws or legislative requirements, the Committee shall have the permission to obtain resources needed to fulfil its duties and responsibilities as set out in this Terms of Reference at the expense of the Group, such as:
 - (a) to obtain professional and independent advice from external advisors with relevant knowledge and experience, either through the Group Managing Director or the Company Secretary's office, when it is deemed necessary; and
 - (b) full and unrestricted access to information concerning the Group.

(*paragraph 15.04 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*)

9. Review and amendments of the Terms of Reference

- 9.1 This Terms of Reference has been approved by the Board. The Board shall review this Term of Reference periodically and make amendments when necessary; and
- 9.2 The Company Secretary 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.