

SCOMI ENERGY SERVICES BHD
NOMINATION AND REMUNERATION COMMITTEE - TERMS OF REFERENCE

Objective

The objectives of the Nomination and Remuneration Committee (“the Committee”) are to:-

- ensure an effective process for selection of new directors and assessment of the Board, Board Committees and individual directors which will result in the required mix of skills, experience and responsibilities being present on the Board;
- establish, review and report to the Board on a formal and transparent procedure for developing a policy on Executive Directors’ remuneration and compensation of Non-Executive Directors; and
- review and recommend to the board the remuneration of the Executive Directors in all its forms and compensation of Non-Executive Directors with the aim of attracting, retaining and motivating individuals of the highest quality needed to run the Company successfully.

Balance and Composition

- (a) The members of the Committee shall be appointed by the Board of Directors based on recommendations from the Nomination and Remuneration Committee. The Committee shall comprise at least three (3) members who are all non-executive, a majority of whom are independent directors.
- (b) Members of the Committee shall elect a Chairman from among themselves who is an Independent Non-Executive Director.
- (c) All members of the Committee, including the Chairman, shall hold office only so long as they serve as Directors of the Company.
- (d) Members of the Committee may relinquish their membership in the Committee with prior written notice to the Company Secretary.
- (e) In the event of any vacancies arising in the Committee resulting in the number of members of the Committee falling below three (3), the vacancy should be filled within three months of it arising.

Authority and Scope

- (a) The Committee shall have full, free and unrestricted access to relevant Company’s records, properties and personnel in carrying out its duties and responsibilities.
- (b) The Committee is authorised, subject to approval of the Board, to seek independent professional advice, at the expense of the Company, in carrying out its duties.

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- (c) The Committee is not authorised to implement its recommendations on behalf of the Board but report its recommendations back to the Board for its consideration and implementation.
- (d) The Chairman and/or Non-Executive Directors shall abstain from the deliberation and voting on decisions in respect of their own remuneration packages.

Duties and Responsibilities

- (a) To recommend to the Board potential candidates:
 - for directorships to be filled by the shareholders or the Board giving consideration to—
 - the candidates' skills, knowledge, expertise and experience;
 - the candidates' professionalism;
 - the candidates' integrity;
 - in the case of candidates for the position of independent non-executive directors, their ability to discharge such responsibilities/functions as expected from independent non-executive directors; and
 - the Board Composition Policy approved by the Board.
 - for directorships to be filled by the shareholder (or Board) or that proposed by the Chief Executive Officer ("CEO") or within the bounds of practicability, candidates proposed by any other senior executive or any director or shareholder; and
 - for the Board Committees seats.
- (b) To conduct an annual review of the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board.
- (c) To review the annual assessment of the effectiveness of the Board as a whole, the committees of the Board and the contributions of each individual Director, including Independent Non-Executive Directors, as well as the CEO and to ensure that all assessments and evaluations carried out in the discharge of this function are properly documented.
- (d) To conduct an annual review of the independence of Independent Directors.
- (e) From time to time, examine the size of the Board with a view to present recommendations to the Board on the optimum number of Directors on the Board to ensure its effectiveness.
- (f) To ensure that new appointees to the Board undergo an orientation and education programmes.

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- (g) To review Board succession plans, at least once annually, to maintain an appropriate balance of skills, experience and expertise on the Board and provide advice to the Board accordingly.
- (h) To make recommendations to the Board concerning the re-election by shareholders of any directors under the retirement by rotation provisions in the Company's Articles of Association.
- (i) Annually, review and assess the training needs of individual Directors and propose suitable training programmes to be attended.
- (j) To develop the CEO's mission and objectives, succession for the CEO and annual evaluation of the performance of the CEO.
- (k) To establish job description of the CFO and to conduct an annual evaluation on the performance of the CFO to ensure he/she has the character, experience, integrity, competence and time to effectively discharge his/her role as a CFO.
- (l) To ensure that senior management are of sufficient calibre and be satisfied that there are programmes in place to provide for the orderly succession of senior management. Senior management shall refer to all employees of the Company and its group of companies who are direct reports of the CEO and of grades SG and above.
- (m) To review the job roles, responsibilities and remuneration package of the senior management and to benchmark against the market.
- (n) To establish and recommend to the Board a fair and transparent Remuneration Policy framework designed to attract, retain and motivate individuals of the highest quality. The key elements of this framework, which would form the basis of deliberations on the remuneration to be awarded, are:
 - ❑ The Company's financial performance which may include financial indicators such as turnover, profitability, market capitalisation and achievement of these indicators vis-à-vis pre-determined goals;
 - ❑ The performance and relative experience of individual Directors;
 - ❑ The skills, knowledge, expertise, performance and relative experience of the Executive Directors;
 - ❑ The duties and responsibilities borne by the Executive Director; and
 - ❑ The nature of the Company's business e.g. international / regional business presence;
 - ❑ The contributing hours & attendance at meetings of the individual Board members; and
 - ❑ A benchmark of the Board's performance with other comparable

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organisations/competitors.

- (o) To conduct, on an annual basis (or when the need arises as in the case of proposing remuneration and/or compensation for a new Director), a review and thereon provide advice and recommendations to the Board on all aspects of reward structure accorded to Executive Directors and Non-Executive Directors in terms of the following components:
- ❑ Basic salaries and basis of increment applied (as a percentage of basic salary, fixed quantum or merit increment);
 - ❑ Annual bonuses (in the mode of contractual, discretionary or lump sum payment form);
 - ❑ Directorship fee (fixed and/or supplementary);
 - ❑ Long term incentive scheme including Employees' Share Option Scheme ("ESOS") with conditional terms for exercising options;
 - ❑ Fringe benefits in kind which include among others club membership, company car, medical and insurance benefits, outstation/overseas allowance etc; and
 - ❑ Other terms of employment/directorship.
- (p) To determine and agree on the Company's policy on the duration of contracts with Executive Directors, and notice periods and termination payments under such contracts, with a view to ensuring that any termination payments are fair to the individual and the Company, that failure is not rewarded and the duty to mitigate loss is fully recognised.
- (q) To consider any published guidelines or recommendations regarding the remuneration of directors of listed companies which it considers relevant or appropriate.
- (r) To review and, where necessary, updating these terms of reference annually or when it deems appropriate.
- (s) To consider other topics as defined by the Board of Directors.

Meetings and Minutes

- (a) The quorum for a meeting of the Committee is two (2) members or a simple majority, whichever is higher.
- (b) The Committee shall meet at least once during a financial year. In the interim period between meetings, if the need arises, issues shall be resolved through circular resolution. A circular resolution in writing, stating the reason(s) to arrive at a recommendation or resolution, signed by a majority of the members, shall be valid and effective as if it had been passed at a meeting duly convened and constituted.

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- (c) Other Board members, CEO and/or other appropriate officers may attend meetings only upon the invitation of the Committee.
- (d) The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agenda and notice of meetings together with supporting explanatory documentation to all Committee members at least five (5) days prior to each meeting. If there is a unanimous consent by the members of the Committee present in the meeting, a short notice shall suffice.
- (e) The minutes of each Committee meeting shall be circulated to the Committee members and presented to the Board for its review. In addition, the Chairman of the Committee will report significant matters and resolutions to the Board at the immediate subsequent Board meeting.

Administrative Matters Pertaining to Board Approved Nominations and Remuneration Package

Upon the approval of the Board of Directors, the Company Secretary or personnel tasked by the CEO shall be charged with the handling of all preparatory work to effect the appointment of new directors and the implementation of the said remuneration packages which includes the gathering of all relevant information for the Company's own records and also those to meet statutory obligations and information for the Exchange and the regulators.

Duly approved at the 13/2018 Special Board of Directors' Meeting held on 19 June 2019.