BANK PEMBANGUNAN MALAYSIA BERHAD
Registration No.: 197301003074 (16562-K)

BOARD NOMINATION AND REMUNERATION COMMITTEE ("BNRC") TERMS OF REFERENCE

1. Objective

Board Nomination and Remuneration Committee ("BNRC" or "the Committee") is a Committee of the Board of Directors ("Board" or "the BOD"). The BNRC is to support the Board in carrying out its function on the following:-

(a) the appointments/reappointments and removals, composition, performance evaluation & development and fit & proper assessment concerning the BOD, the Shariah Committee ("SC") members and Key Senior Management, including the Company Secretary;

(b) overseeing the design and operation of Bank Pembangunan Malaysia Berhad ("BPMB") and its group of subsidiaries ("Group")'s remuneration system and periodically review the remuneration of the Board, the SC members, key senior management and such other personnel as determined by the Board;

(c) overseeing the succession plan for directors, SC members, Group Chief Executive Officer ("GCEO") and key senior management of BPMB Group; and

(d) appointment of directors, SC members, GCEO and key senior management of BPMB and its subsidiaries.

**Key Senior Management refers to the Officers holding the Senior Leadership Team position, including the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Operations Officer, President/Group CEO/CEO of subsidiaries and such other designations as determined by the Board from time to time*

2. Composition

2.1 BNRC shall consist of not less than three (3) members of BPMB BOD.

2.2 All members of BNRC shall be Non-Executive Directors, with the majority of whom are Independent Non-Executive Directors.

The Chairman of the Board shall not be a member of the BNRC.

2.3 The appointment of the Chairman and members of BNRC shall be approved by the Board based on the recommendation made by BNRC.

All members of BNRC, including the Chairman, shall hold office so long as they remain as Directors of BPMB.

2.4 The members of BNRC may relinquish their membership with prior written notice to the Company Secretary and may continue to serve as Directors of BPMB.

2.5 The members of BNRC shall possess sound judgement, objectivity, skill, relevant management experience, integrity and knowledge of the industry. The members of BNRC are required to make a declaration of interest in the event that they have interests in proposals, which are being considered by BNRC, including where such interest arises through close family members and related parties, in line with various statutory requirements on the disclosure of directors' interests.

In all situations where the members of BNRC are deemed as interested, such an interested member would recuse himself/herself from all proceedings and deliberations of BNRC pertaining to the matters of conflict. The declaration of interest and abstention from the deliberation and voting would be recorded in the minutes of meeting or written resolutions of BNRC.

3. Chairman

3.1 The Chairman of BNRC must be an Independent Non-Executive Director. In his/her absence, the members present at the meeting may elect any of its members to be the Chairman of the said meeting.

4. Invitee

4.1 The following Senior Leadership Team ("SLT") are the Permanent Invitees for BNRC:-

- Group Chief Executive Officer.

In the absence of any of the SLT mentioned above, the BNRC can appoint any other SLT, as it deems appropriate.

4.2 BNRC may invite other Directors and/or SLTs of BPMB subsidiary(ies) to attend the BNRC Meeting as 'Invitee'. The aforesaid 'Invitee' shall only participate in the Meeting during the presentation and deliberation of matters concerning the subsidiary(ies).

4.3 BNRC may invite to its meeting any SLT and such other persons as it deems appropriate in order to carry out its responsibilities.

5. Secretary

5.1 The Company Secretary or a licensed officer from the Group Corporate Secretarial of BPMB or any other personnel authorised by BNRC shall prepare the minutes and resolutions of all BNRC meetings, including the names of those present and in attendance.

6. Authority

6.1 BNRC shall have full authority to seek/obtain information from any employee of BPMB Group and to commission any investigations, reports or surveys, which it deems necessary in facilitating BNRC to fulfil its duties and obligations.

During the discharge of its duties, BNRC shall have access to the advice and services of the Company Secretary.

6.2 BNRC may request, at BPMB's expense, any external or independent professional advice or expertise with regard to BNRC matters, if necessary.

6.3 BNRC is encouraged to have an independent session with the Committee, without the presence of Management, before or after the BNRC meeting.

7. Roles & Responsibilities

The primary duties and responsibilities of BNRC include the following:-

NOMINATION

7.1 Review the structure, size and composition of the BPMB Group's Board and make recommendations to the Board on any adjustments that are deemed necessary, including in terms of the appropriate size, skill and composition mix, the required expertise, qualification and core competencies of a Director on the Board and the GCEO in order for them to perform their responsibilities effectively.

7.2 To develop and regularly review the skills matrix and succession planning for the Board and key senior management, taking into account the mix of skills, independence, and diversity (including gender diversity) of the Board of BPMB Group.

7.3 Oversee the overall composition of BOD, Board Oversight Committees ("BOC") and SC Members of BPMB Group in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive and Independent Directors through annual reviews.

7.4 Recommend and/or assess nominees for the appointment, re-appointment or resignation of BOD (BPMB Group), GCEO, BOC and SC Members for the Board's approval. The proposed appointment or re-appointment of BOD/SC Members and GCEO of the Group will require BNM's verification/approval and Minister of Finance's final approval, as the case may be.

7.5 Assess, review and recommend to the Board whether the Directors fulfil the criteria of being an Independent Director together with the fit and proper criteria of a director, SC members, GCEO and key senior management annually.

7.6 Assess annually whether the Directors and GCEO are not disqualified under Section 7 of the Development Financial Institutions Act 2002 and recommend to the Board on the removal of any Director, SC member, the GCEO, Company Secretary and key senior management from the Board/BOC/SC/Management if he/she is ineffective, errant or negligent in discharging his/her responsibilities.

7.7 Perform the fit and proper assessment on the nominees/candidates for directorship, membership in BOC and SC, the GCEO and key senior management of BPMB Group and make appropriate recommendations to the Board.

7.8 Establish a mechanism for the formal assessment on the effectiveness of BOD as a whole, the contribution by each Director to the effectiveness of BOD, the contribution of the BOC including SC Members and the performance of GCEO, CEO of major subsidiaries, key senior management and the Company Secretary. Annual evaluation of the Board, individual directors together with assessing the performance of management in fulfilling their roles and responsibilities should be conducted based on objective performance criteria. Such performance criteria should be approved by the Board.

In consultation with the BPMB Chairman, regularly or at least once a year, review the performance of the individual directors, SC members, the GCEO and key senior management and evaluate the effectiveness of the Board and the SC as a whole and report to the Board as may be necessary.

7.9 Establishment and maintenance of a potential pool of qualified individuals ready to serve as independent directors, and maintenance of comprehensive succession planning for the board, SC member and key senior management of BPMB Group, consistent with the needs and priorities of the Development Financial Institution ("DFI").

7.10 Assess the conduct/manner of the nominee directors in exerting the influence of the shareholder before making any recommendation to the Board on his/her appointment/re-appointment.

7.11 Ensure that all Directors and SC Members undergo an appropriate induction programme and receive continuous training in order to keep abreast with the latest developments in the industry.

7.12 Make a recommendation to the Board on:-

(i) Review the organization structure of BPMB and its Group;

(ii) Succession plan for directors, GCEO, SC members and key senior management at BPMB and the overview of the succession plan for directors, SC members and the GCEO/CEO of the BPMB Group of subsidiaries;

(iii) The following matters in relation to the Key Senior Management and the Company Secretary for BOD's approval:-
- New appointment/Recruitment
- Re-appointment
- Renewal/Non-renewal of Contract

- Conversion of Employment Status
- Secondment to subsidiaries
- Management succession planning
- Key Performance Indicator Setting
- Performance evaluation

For new appointments, the GCEO will be given the authority to assess and evaluate candidates, negotiate and determine the salary, benefits and terms and conditions of service for the positions of Key Senior Management and the Company Secretary. Thereafter, it will be tabled to BNRC for recommendation and BOD for approval.

The appointment/recruitment, re-appointment, performance evaluation of GCEO/CEO of major subsidiaries and management succession planning of the subsidiaries shall be tabled to the BOD of the respective subsidiaries first, prior to BNRC for endorsement and BPMB BOD for approval.

(iv) The removal of Key Senior Management and the Company Secretary if they are ineffective, errant and negligent in discharging their responsibilities.

The removal of the GCEO/CEO of major subsidiaries shall be tabled to the BOD of the respective subsidiaries first, prior to BNRC for recommendation and BPMB BOD for approval.

(v) The appointment and removal of BPMB BOD, BOD of major subsidiaries, external Director or Management Staff as Director in the subsidiaries/ associated companies.

(iv) To conduct 'fit & proper' assessment on the Key Responsible Persons and the Company Secretary on a yearly basis to determine if the 'fit and proper' standards continue to be met as to ensure the effectiveness of the Key Responsible Persons and the Company Secretary in carrying out his/her responsibilities. A 'fit and proper' assessment is to be conducted should BNRC become aware of information on any Key Responsible Persons and the Company Secretary, which may materially compromise his/her fitness or propriety.

(v) Nomination of a director and GCEO/CEO to be appointed at BPMB Group.

(vi) Any policies related to directors, including policies on tenure of directorship and directors' training.

(vii) Any request for the director or key senior management to attend training overseas to the Board for approval prior to submission to MOF Inc. for final approval.

REMUNERATION

7.13 Ensure that the overall remuneration system must:–

a. Be subject to the Board's active oversight to ensure that the system operates as intended;

b. Reflect the mandate of BPMB and be in line with the business, risk strategies and development priorities, corporate values and long-term interests of BPMB Group;

c. Promote prudent risk-taking behaviour and encourage individuals to act in the interests of BPMB Group as a whole, taking into account the interests of its customers and long-term financial sustainability of BPMB Group without recourse to the Government;

d. Accord appropriate emphasis to the BPMB Group's developmental outcomes, taking into account demonstration, design and policy additionalities in addition to financing outcomes; and

e. Be designed and implemented with input from the control functions and the Board Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.

7.14 Recommend the remuneration policy of BPMB Group and periodic review, including when material changes are made to the policy, for the BOD's approval. The overall remuneration policy should be sufficiently competitive to attract, nurture and retain high-quality talents to deliver the BPMB Group's mandate successfully. This should consider the different skill sets, knowledge and experience required to support the business and risk strategies of BPMB Group.

7.15 Assess and recommend the emoluments and benefits of the Board members, BOC members, SC members, GCEO, CEO of major subsidiaries, Key Senior Management and the Company Secretary for BOD's approval, subject to MOF Inc. approval, where applicable.

7.16 Endorse the remuneration for each director, member of key senior management and other material risk taker annually for BOD's approval. BPMB shall maintain and regularly review a list of officers who fall within the definition of "other material risk takers".

7.17 Endorse the remuneration and benefits for the Directors of BPMB's major subsidiaries based on the recommendation by BNRC for BOD's approval. The same shall be forwarded to MOF Inc. for approval.

7.18 Assess and endorse the salary structure framework for employees in executive grades and above for BPMB BOD's approval. The salary structure is subject to the final approval by MOF Inc.

7.19 Assess and recommend the Terms of Services and new Terms for Executives and staff of the BPMB Group, including the Collective Agreement between the Bank and the Union for BPMB BOD's approval. The Collective Agreement terms are subject to the final approval by MOF Inc.

7.20 Assess and recommend to the Board the proposed annual bonus payment for the GCEO. The payment is subject to final approval by MOF Inc.

7.21 Assess and recommend the pool for annual bonus/annual incentive/ annual ex-gratia and the payment of the annual bonus/annual incentive/annual ex-gratia payment for employees and other material risk takers or other group-wide performance-related rewards and annual increment of the BPMB Group. The pool for annual bonus/annual incentive payment/annual ex gratia payment is subject to the final approval by MOF Inc.

7.22 Assess and recommend the pool for annual bonus/annual incentive/ annual ex-gratia and the payment of the annual bonus/annual incentive/annual ex-gratia payment for employees and other material risk takers or other group-wide performance-related rewards and annual increment of the BPMB Group. The pool for annual bonus/annual incentive payment/annual ex gratia payment is subject to the final approval by MOF Inc.

7.23 Recommend the proposed adjustments and restructuring of staff salaries (including allowances, benefits, and related facilities) for Board approval prior to submission to the MOF Inc. for final approval.

HUMAN RESOURCE (HR) OVERSIGHT FUNCTION

7.24 Review and assess the effectiveness of the Group Human Resource and Development Division in supporting the Group to achieve its objectives, including to ensure the appropriate HR strategies, policies and frameworks for a quality and effective HR management for the Group (e.g. succession planning, talent and leadership development, training, recruitment and retention programmes, compensation and benefits plan etc.) are developed, implemented and periodically reviewed; and

		7.25	Review and recommend for BPMB BOD approval, changes to Group HR policies and strategies and Organisation Structure of the Group.
		7.26	Endorse HR related matters as prescribed in the Approving Authority Structure for Group HR.
		7.27	To review and approve the TOR of the Group Human Resource Committee ("GHRC") and to note the minutes of the meeting and the circular resolution of GHRC.
		7.28	To consider any other matters as referred by BPMB BOD to BNRC.
8.	Quorum	8.1	The quorum necessary for the BNRC meeting shall be at least 51% of the total number of Members, of which a majority must be represented by Independent Directors.
		8.2	A member of the BNRC shall be deemed to have attended a meeting either by his/her physical presence or via other modes of telecommunication, including but not limited to video conferencing or telephone, subject to the consent of the Chairman of the meeting.
		8.3	A duly convened meeting of the BNRC at which a quorum is present shall be fit to exercise all/ any of the authorities, powers and discretions vested in or exercisable by the members.
		8.4	A member interested in a contract or a proposed contract or arrangement shall be counted for the purpose of determining a quorum. However, he/she must abstain from participating in discussions and decisions on matters directly involving him/her.
		8.5	Decisions relating to the BNRC's recommendation shall be consensus, always adhering to the quorum for the meeting. Notwithstanding the above, the Chairman shall call for a vote of the members if the circumstances warrant it, where the decision shall be carried out based on the majority. In case of an equality of votes, the Chairman shall have a second or casting vote. No Member will abstain from voting unless he or she has declared a conflict of interest. In the event of ambiguity in the decision, the members of the BNRC have the authority to recommend that the matter be escalated to the Board.
9.	Frequency of meetings	9.1	BNRC shall meet at least four (4) times a year or at such other time as and when requested by the Chairman of the BNRC.
10.	Attendance	10.1	All members are required to attend at least 75% of the BNRC meetings held in each financial year.
		10.2	Any member who fails to attend three (3) consecutive BNRC meetings shall be removed as a member of BNRC.

11.	Notice of Meeting & Meeting Papers	11.1	The Company Secretary shall notify meetings of BNRC at the request of the Chairman of BNRC.
		11.2	Unless otherwise agreed, a notice of each meeting confirming the venue, date and time together with the agenda of items to be discussed, shall be forwarded to the Chairman of BNRC, preferably not less than seven (7) days prior to the date of the meeting.
		11.3	All meeting papers shall be provided to BNRC Members not less than three (3) days prior to the date of the meeting. However, papers that are deemed urgent may still be submitted to the Secretary after the expiry of the deadline for paper submission to be tabled at the BNRC, subject to the approval of the Chairman of BNRC. In the case of highly sensitive and confidential papers, the papers can be distributed on the meeting day or during the meeting, subject to the approval of the Chairman of BNRC.
		11.4	After the conclusion of the BNRC meeting, a summary decision of the meeting shall form part of the presentations and proposal papers to the Board meeting.
12.	Minutes of Meeting & Circular Resolution	12.1	The Secretary shall minute the proceedings and resolutions of the meeting. The minutes must record the decisions of the BNRC, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself from deliberating on a particular matter.
		12.2	The Secretary shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute it accordingly.
		12.3	Draft minutes of each BNRC meeting shall be circulated to the BNRC members prior to the tabling of the said minutes for confirmation five (5) days before the subsequent BNRC meeting.
		12.4	Minutes of the BNRC Meetings shall be approved by the members and signed by the Chairman of the meeting.
		12.5	A circular resolution in writing signed by a majority of the members of BNRC in like form for the time being shall be valid and effectual as if it had been passed at a meeting of BNRC. The circular resolution in writing shall be supported by relevant papers setting out details of the subject matter. The members of BNRC may obtain more information from Management and express their views or points, as well as convey their decisions, by facsimile, electronic mail, or any other means of telecommunication.

The circular resolution in writing is limited to matters which is not complex and do not require in-depth discussion. All circular resolutions shall be submitted for information/ confirmation at a meeting of BNRC following the passing of the circular resolutions.

12.6 Minutes of meetings and circular resolutions in writing of BNRC, which have been confirmed and signed, shall be submitted to the Board for notification.

13. Others

13.1 The Terms of Reference shall be reviewed once every (2) years or within such a time as determined by the BNRC.

13.2 The review/ amendment/ modification of the Terms of Reference shall be tabled at the BNRC for recommendation and to the Board for approval.

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