



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

GROUP BOARD NOMINATION AND REMUNERATION COMMITTEE
TERMS OF REFERENCE

1. Objective Group Board Nomination and Remuneration Committee ("Group BNRC" or "the Committee") is a Committee of the Board of Directors ("Board" or "the BOD").

Group BNRC is empowered to oversee, deliberate, advise, and approve for recommendation to the Board of Bank Pembangunan Malaysia Berhad ("BPMB"), Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank"), and Export-Import Bank of Malaysia Berhad ("EXIM Bank") [collectively called as Development Financial Institutions ("DFI")] on all Group BNRC-related matters for the BPMB and its group of subsidiaries ("BPMB Group"), which include 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 of BPMB Group;
- (b) overseeing the design and operation of BPMB 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 of BPMB Group;
- (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 Group.

The responsibility of the Committee covers the following entities within the Group:

- a) BPMB;
- b) SME Bank;
- c) EXIM Bank; and
- d) Any other operating entities which do not have their own Nomination / Remuneration Committee as deemed appropriate.

In relation to subsidiaries, approval from their Board is required prior to final approval obtained from the BPMB Board (where applicable).

The Group BNRC shall, under the authority delegated by the BPMB Board as the Holding Company, oversee the establishment, review, and amendment of all nomination and remuneration-related policies applicable across the BPMB Group.

All Policies, Guidelines and Procedures revisions recommended by the Group BNRC and approved by the BPMB Board shall be cascaded to the Boards of subsidiaries for formal adoption and implementation.

**Key Senior Management refers to the Officers holding the Executive Committee 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 BPMB Board from time to time.*

2. Composition

2.1 Group BNRC shall consist of not less than three (3) members, comprising Directors from the Board of BPMB, SME Bank, and EXIM Bank.

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

The Chairman of the Board of BPMB, SME Bank and EXIM Bank shall not be a member of the Group BNRC.

2.3 The appointment of the Chairman and members of the Group BNRC shall be approved by the BPMB Board.

All members of the Group BNRC, including the Chairman, shall hold office so long as they remain as Directors of BPMB, SME Bank, and EXIM Bank.

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

2.5 The members of the Group BNRC shall possess sound judgement, objectivity, skill, relevant management experience, integrity, and knowledge of the industry. The members of the Group BNRC are required to make a declaration of interest in the event that they have interests in proposals, which are being considered by the Group 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 Group BNRC are deemed as interested, such an interested member would recuse himself/herself from all proceedings and deliberations of Group 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 the meeting or written resolutions of Group BNRC.

3. Chairman

3.1 The Chairman of the Group BNRC must be an Independent Non-Executive Director of BPMB. 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 Group BNRC may invite the Group CEO, other Directors, and/or Senior Management of BPMB Group to attend the Group BNRC meeting as 'Invitee' to participate in the meeting during the presentation and deliberation.
 - 4.2 Group BNRC may invite to its meeting such other persons as it deems appropriate, in order to carry out its responsibilities.
5. Secretary
 - 5.1 The Company Secretary or any other personnel authorised by the Group BNRC shall prepare the minutes and resolutions of all Group BNRC meetings, including the names of those present and in attendance.
6. Authority
 - 6.1 Group BNRC shall have the authority to cover any matter within its Terms of Reference ("TOR"), internal policies, and any other regulatory requirements.
 - 6.2 Group 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 Group BNRC to fulfil its duties and obligations.

During the discharge of its duties, Group BNRC shall have access to the advice and services of the Company Secretary(ies).
 - 6.3 Investigate any activity within its TOR, Whistleblowing Policy, including but not limited to Industrial Relations involving key senior management, and shall have direct communication channels with Senior Management.

Deliberate the grievance allegations against key senior management reported through the Whistleblowing channel and recommend the disciplinary action to the Board of BPMB and/or its subsidiaries (where applicable).
 - 6.4 Group BNRC may request, at BPMB Group's expense (where applicable), any external or independent professional advice or expertise with regard to the Group BNRC matters, if necessary.
 - 6.5 Group BNRC is encouraged to have an independent session with the Committee, without the presence of Management, before or after the Group BNRC meeting.
 - 6.6 Group BNRC shall be able to convene meetings with Management, and if appropriate, the Secretary, whenever deemed necessary.
 - 6.7 The Chairman's report of the Group BNRC shall be presented to the Board of BPMB and its subsidiaries (where related to them) on the deliberations, key matters considered, and the Committee's recommendations arising from each meeting, through the presentation of the said report. The report shall highlight significant issues discussed and decisions made within the Committee's authority.

6.8 Where an agenda item gives rise to ambiguity or requires comprehensive deliberation and holistic consideration beyond the remit of the Group BNRC, the Chairman of the Group BNRC shall have the discretion to escalate the matter to the BPMB Board for collective deliberation and informed decision.

7. Roles & Responsibilities

The primary duties and responsibilities of Group 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 of BPMB and its subsidiaries 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, Group Board Oversight Committees ("Group 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 the BOD, GCEO, Group BOC, and SC Members for the approval of the Board of BPMB and/or its subsidiaries (where applicable). The proposed appointment or re-appointment of BOD/SC Members and GCEO of the Group will require BNM's verification/approval, and recommendation from the respective overseeing ministers (where applicable) and the Ministry of Finance's ("MOF") final approval, as the case may be.

7.5 Assess, review and recommend to the Board of BPMB and/or its subsidiaries (where applicable), 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 of BPMB and/or its subsidiaries (where applicable) on the removal of any Director, SC member, the GCEO, Company Secretary and key senior management from the Board/Group 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 Group BOC and SC, the GCEO and key senior management of BPMB Group, and make appropriate recommendations to the Board of BPMB and/or its subsidiaries (where applicable).

- 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 Group BOC including SC Members and the performance of GCEO, CEO of major subsidiaries, key senior management and the Company Secretary. Annual evaluation of the BOD, 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 of BPMB as a holding company.

In consultation with the Chairman of the Board of BPMB and/or subsidiaries (where applicable), 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 BOD and the SC as a whole, and report to the Board of BPMB and its subsidiaries 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 BOD, SC member and key senior management of BPMB Group, consistent with the needs priorities of the DFIs.
- 7.10 Assess the conduct/manner of the nominee directors in exerting the influence of the shareholder before making any recommendation to the Board of BPMB and/or its subsidiaries (where applicable) on his/her appointment/re-appointment.
- 7.11 Ensure that all Directors and SC Members of BPMB Group 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 of BPMB and/or its subsidiaries (where applicable) 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 Group 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 the BPMB Board and/or its subsidiaries' approval (where applicable):-
 - 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 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 Group BNRC for recommendation to the Board of BPMB Board and/or its subsidiaries for approval (where applicable).

The appointment/recruitment, re-appointment, performance evaluation of the GCEO/CEO of major subsidiaries, and management succession planning of the subsidiaries shall be tabled to the Group BNRC and subsequently to the Board of BPMB and/or its subsidiaries for approval (where applicable).

- (iv) The removal of Key Senior Management and the Company Secretary of BPMB Group 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 Group BNRC and subsequently to the Board of BPMB and/or its subsidiaries for approval (where applicable).

- (v) The appointment and removal of BPMB BOD, BOD of major subsidiaries, external Director, or Management Staff as Director in the subsidiaries/ associated companies.
- (vi) To conduct 'fit & proper' assessment of the Key Responsible Persons and the Company Secretary of BPMB Group 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 Group BNRC become aware of information on any Key Responsible Persons and the Company Secretary, which may materially compromise his/her fitness or propriety.
- (vii) Nomination of a director and GCEO/CEO to be appointed at BPMB Group.
- (viii) Any policies related to directors, including policies on tenure of directorship and directors' training.
- (ix) Any request for the director or key senior management to attend training overseas to the Board of BPMB for approval prior to submission to the relevant overseeing ministers and thereafter to MOF 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 BPMB Board's approval prior to submission to its subsidiaries for adoption and implementation. The overall remuneration policy should be sufficiently competitive to attract, nurture, and retain high-quality talent 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 BOD members, Group BOC members, SC members, GCEO, CEO of major subsidiaries, Key Senior Management, and the Company Secretary for BPMB Board's approval, subject to MOF Inc's approval, where applicable.
- 7.16 Endorse the remuneration for each director, member of key senior management, and other material risk taker annually for the BPMB Board and/or its subsidiaries' approval (where applicable). BPMB shall maintain and regularly review a list of officers who fall within the definition of "other material risk takers" within BPMB Group.
- 7.17 Endorse the remuneration and benefits for the Directors of BPMB's major subsidiaries based on the recommendation by the Group BNRC for the BPMB Board and/or its subsidiaries' approval (where applicable). The same shall be forwarded to MOF Inc. for approval (if required).
- 7.18 Assess and endorse BPMB Group's salary structure framework for employees in executive grades and above for BPMB Board and/or its subsidiaries' approval (where applicable). 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 BPMB Group and the Union for BPMB Board and/or its subsidiaries' approval (where applicable). The Collective Agreement terms are subject to the final approval by MOF Inc.

- 7.20 Assess and recommend to the BPMB Board the BPMB Group proposed annual bonus payment for the GCEO (BPMB), and the CEO of major subsidiaries. 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 Recommend the proposed adjustments and restructuring of staff salaries (including allowances, benefits, and related facilities) of BPMB Group for the BPMB Board and/or its subsidiaries' approval (where applicable) prior to submission to the MOF Inc. for final approval.

HUMAN RESOURCE ("HR") OVERSIGHT FUNCTION

- 7.23 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.
- 7.24 Review and recommend for the BPMB Board's approval, changes to Group HR policies and strategies, and the Organisation Structure of the Group for the adoption and implementation by BPMB Group.
- 7.25 Endorse HR related matters as prescribed in the Approving Authority Structure for Group HR.
- 7.26 To review the TOR of the Group Human Resource Committee ("GHRC") as recommended by the Group Executive Committee prior to submission to the BPMB Board for approval.
- 7.27 To note the minutes of the GHRC's meeting and its written circular resolution.
- 7.28 To consider any other matters as referred by the BPMB Board and/or its subsidiaries to Group BNRC (where applicable).

Disclaimer: For paragraphs 7.1 until 7.25 above, in relation to subsidiaries, approval from their Board is required prior to final approval obtained from the BPMB Board (where applicable).

- 8. Quorum
 - 8.1 The quorum for the Group BNRC meeting shall be at least 51% of the total number of Members, of which a majority must be represented by Independent Directors. In deliberating on action taken relating to whistleblowing matters, involving allegations against a member of the Group BNRC, after deliberation by Group BAC, the quorum shall consist of not less than two (2) members, excluding the Group BNRC member who is facing the allegation.

- 8.2 A member of the Group 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 Group 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 Group 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 final casting vote. No Member will abstain from voting unless he or she has declared a conflict of interest.
9. Frequency of meetings
- 9.1 Group BNRC shall meet at least four (4) times a year or at such other time as and when requested by the Chairman of the Group BNRC.
10. Attendance
- 10.1 All members are required to attend at least 75% of the Group BNRC meetings held in each financial year. Attendance shall be validated only through registration via the designated QR code or any approved attendance-recording mechanism.
- 10.2 Members who are unable to attend shall notify the Chairman, together with written justification(s), via other modes of telecommunication.
- 10.3 Any member who fails to attend three (3) consecutive Group BNRC meetings and is in non-compliance with clause 10.1 above, the member will be referred to the BPMB Board for necessary action.
11. Notice of Meeting & Meeting Papers
- 11.1 Meetings shall be notified by the meeting Secretary or any other personnel authorised by the Group BNRC at the request of the Chairman.
- 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 the Group BNRC, preferably not less than seven (7) days prior to the date of the meeting.
- 11.3 All meeting papers shall be provided to the Group BNRC Members not less than three (3) days prior to the date of the meeting. However, papers that are deemed urgent and/or confidential may still be submitted to the Secretary after the expiry of the deadline for paper submission to be tabled at the Group BNRC, subject to the approval by the Chairman of the Group BNRC.

- 11.4 After the conclusion of the Group BNRC meeting, a summary decision of the meeting shall form part of the presentations and proposal papers to the relevant Board meetings.
12. Confidentiality and Document Handling
- 12.1 All Group BNRC material is strictly confidential and provided solely for the Group BNRC discussion.
- 12.2 To ensure confidentiality is protected, highly sensitive papers can be distributed on the day of the meeting or during the meeting.
- 12.3 Appropriate measures may be taken, in the interest of confidentiality and good governance, to safeguard the Group BNRC materials upon the conclusion of a meeting.
- 12.4 The Company Secretary shall act as the custodian of all confidential documents and meeting recordings of the Group BNRC.
- Any recording of the Group BNRC meetings shall be strictly for the purpose of assisting the Secretary in the preparation of the minutes.
- 12.5 The retraction of confidential documents may only be requested by the Chairman of the Group BNRC.
- 12.6 Breach of confidentiality obligation by any member, Company Secretary or any responsible person shall be subject to review by the Group BNRC and BPMB Board.
13. Minutes of Meeting & Circular Resolution
- 13.1 The Secretary shall minute the proceedings and resolutions of the meeting. The minutes must record the decisions of the Group 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.
- 13.2 The Secretary shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute them accordingly.
- 13.3 Draft minutes of each Group BNRC meeting shall be circulated to the Group BNRC members prior to the tabling of the said minutes for confirmation five (5) days before the subsequent Group BNRC meeting.
- 13.4 Minutes of the Group BNRC Meetings shall be approved by the members and signed or digitally signed by the Chairman of the meeting.
- 13.5 A circular resolution in writing signed or digitally signed by all members of Group BNRC in like form shall be valid and effectual as if it had been passed at a meeting of Group BNRC. The circular resolution in writing shall be supported by relevant papers setting out the details of the subject matter. The members of Group BNRC may obtain more information from Management, express their views or points, and convey their decisions by facsimile, electronic mail, or any other means of telecommunication.

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

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

14. Others

14.1 The TOR shall be reviewed once every two (2) years or as and when required.

The review/ amendment/ modification of the TOR shall be tabled at the Group BNRC for recommendation and approved at the BPMB Board.

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