



TERMS OF REFERENCE

OF

THE NOMINATION AND REMUNERATION COMMITTEE ("NRC" or "the Committee")

OF BANK PERTANIAN MALAYSIA BERHAD ("Agrobank" or "the Bank")

Membership of NRC : At least three (3) directors, including the Chairman of the Committee.

Required Attendance for NRC Meeting : i. President/Chief Executive Officer; and/or
ii. Chief People Officer; and
iii. Chairman is given the discretion to invite any relevant person as and when required.

In the event a person is appointed as "Acting" or "Covering" for a particular position, he or she shall attend the meeting in his/her capacity of that position.

Secretary : The Company Secretary ("CoSec") of the Bank or his or her nominee or any person designated by the Committee.

Quorum for NRC Meeting : A minimum of three (3) directors including the Chairman of the Committee.

Frequency of NRC Meeting : The NRC meeting shall be held at least once in every quarter or at any such number of time(s) as the Committee requires or deems necessary to fulfil the Committee's responsibilities.

1.0 OBJECTIVES

The NRC is responsible to provide assistance and support to the Board of Directors ("Board") of Agrobank in carrying out its oversight functions on the following matters: -

- i. appointments, re-appointments and removals; composition; performance evaluation and development; and fit and proper assessments concerning the Board members, the Shariah Committee ("SC"), the President/Chief Executive Officer ("P/CEO"), the Senior Management and the CoSec¹;
- ii. overseeing the design and operation of the Bank's remuneration system; and periodically review the remuneration of the Board members, the SC members, the Senior Management² and such other personnel as determined by the Board; and
- iii. advise the Board on the optimal size and mix of skills of the Board members and the Board Committees.

2.0 AUTHORITY

The Committee is authorised by the Board to act within its TOR: -

- i. to deliberate and approve on matters within its primary duties and responsibilities within these TOR or such limits as may be determined by the Board from time to time;
- ii. to have a direct communication and on continuous basis with the Senior Management in order to be kept informed of matters affecting the Bank.

¹ Appendix 1 BNM CG Guidelines

² Senior Management refers to the Chief of Division and such other designation as determined by the Board from time to time. Please refer to F&P Policy.

3.0 ROLES AND RESPONSIBILITIES

- i. To assess and recommend to the Board for approval, on the nominees for appointment or re-appointment of the Board members, the SC members and the P/CEO, before submission to Bank Negara Malaysia ("BNM") on the application for verification of 'fit and proper' criteria³ ;
- ii. To establish a rigorous process for the appointment, re-appointment and removal of the Board members, the SC members and the P/CEO which include the engagement between NRC and the candidate to ascertain the suitability of each candidate for the appointment of the Board members, the SC members and the P/CEO. Such a process must involve the assessment of candidates against the minimum requirements as set out in BNM Guideline on Corporate Governance for DFI⁴ and Shariah Governance⁵, fit and proper requirements⁶ and disqualification factors in DFIA⁷ (collectively referred to as "Regulatory Requirements");
- iii. To develop and maintain the Board members profile, detailing the desired size and composition mix of skills, experience, and core competencies, taking into account the Bank's mandate and the required expertise and background of the Directors for the Board and to effectively discharge its responsibilities. The profile must be updated from time to time⁸;
- iv. To establish and maintain potential pool of qualified individuals ready to serve as independent Board⁹ members, as for the SC members, the P/CEO, the Senior Management and the CoSec, to establish as the needs arises;
- v. To establish and regularly review comprehensive succession planning for the Board members, the SC members, the P/CEO and the Senior Management, to promote renewal and address any vacancies, if any, consistent with the needs and priorities of the Bank¹⁰;

3 Part B of BNM Guidelines on Fit & Proper Criteria

4 Para 10.2 to 10.5 BNM Guidelines on Corporate Governance for DFI

5 Para 12.1 to 12.8 BNM Guidelines on Shariah Governance

6 Para 10.8 BNM Guidelines on Corporate Governance for DFI

7 Section 7 of the Development Financial Institutions Act, 2002

8 Para 2(a) Appendix 1 BNM Guidelines on Corporate Governance for DFI

9 Para2(b) Appendix 1 BNM Guidelines on Corporate Governance for DFI

10 Para 2(c) Appendix 1 BNM Guidelines on Corporate Governance for DFI

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- vi. To assess against the Regulatory Requirements, on annual basis, as and when the Board becomes aware of information that may materially compromise the Director's fitness and propriety, or any circumstances that suggests that the Board members or the SC members or the P/CEO or the CoSec is ineffective, errant, or otherwise unsuited to carry out his or her responsibilities¹¹;
- vii. To ensure proper notification to be made to BNM in relation to the following: -
- a) the removal or resignation of an independent Director which shall include reasons for such removal or resignation including where relevant, detailing specific circumstances leading to the removal or resignation. The removal or resignation of the independent Director shall not take effect unless BNM has communicated to the Bank that it has no objection to the removal or resignation¹²; and
- b) the resignation or disqualification of the SC member pursuant to the relevant paragraphs in BNM's Guideline on Shariah Governance, which shall include the reason for such resignation or disqualification, made by the SC member, immediately or in any cases no later than fourteen (14) days of such circumstance¹³;
- viii. To ensure that the Bank must not make an application to BNM to appoint or re-appoint the Board members, the SC member and the P/CEO unless NRC and the Board is fully satisfied, based on its objective assessment, that the candidate meets the minimum requirements set out in the Regulatory Requirements;
- ix. To assess the fitness and propriety of the CoSec and recommend for the appointment or removal of the CoSec and in the case of any removal of the CoSec, to ensure that the Bank inform BNM in writing within seven (7) days of such removal. In the case of resignation of CoSec, to ensure that the Bank inform the Registrar of the Companies Commission of Malaysia within fourteen (14) days from the date the CoSec ceases to be the CoSec and to ensure that the office of the CoSec shall not be vacant for more than thirty (30) days at any one time¹⁴; and

¹¹ Para 9.6 and 10.8 BNM Guidelines on Shariah Governance & Corporate Governance for DFI

¹² Para 10.14 BNM Guidelines on Corporate Governance for DFI

¹³ Para 12.17 BNM Guidelines on Shariah Governance

¹⁴ Para 9.5 BNM Guidelines on Fit & Proper Criteria

3.1 COMPOSITION

- i. To oversee the overall composition of the Board members and the SC members, in terms of the appropriate size and required mix of skills, experience and core competencies as well as the balance between Non-Executive Directors and Independent Directors through annual review;
- ii. To ensure no appointment of alternate director¹⁵ is allowed and a Director of the Bank must not be an active politician¹⁶;
- iii. To ensure the Board comprises of Directors who as a group provide a mixture of core competencies such as banking, finance, accounting, legal, business management, agriculture, information technology and investment management, knowledge or target market or sector and socio-economic perspective¹⁷; and
- iv. To ensure majority of the SC members possess strong knowledge in Shariah and with the appropriate qualifications in the area as per Shariah Governance Framework for Islamic Financial Institution¹⁸.

3.2 PERFORMANCE EVALUATION AND DEVELOPMENT

- i. To establish and recommend to the Board a mechanism for the formal assessment and performance criteria to objectively assess the performance and effectiveness of the Board, the Board Committees, the SC and their respective individual members and also on the performance of the P/CEO and other Senior Management. This is to enable to identify areas for professional development and process improvements, having regard to changing needs of the Bank¹⁹;
- ii. The evaluation criteria are in accordance with Minister of Finance (Incorporated)'s ("MoF") Guideline "*Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*" which covers Directors Peer Evaluation and Board Self Evaluation Questionnaires; and
- iii. To ensure that all Directors and the SC receive an appropriate continuous training program in order to keep abreast with the latest developments in the industry.

¹⁵ Para 9.3 BNM Guidelines on Corporate Governance for DFI

¹⁶ Para 10.4 BNM Guidelines on Corporate Governance for DFI

¹⁷ Para 2.4 (b) *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*

¹⁸ Para 8.2 BNM Guidelines on Shariah Governance

¹⁹ Para 13.1 BNM Guidelines on Corporate Governance for DFI

3.3 FIT AND PROPER CRITERIA ASSESSMENT

- i. To assess the fitness and propriety of the Board members, the SC members, the P/CEO and the CoSec²⁰; and
- ii. To oversee and whenever necessary, delegate the responsibility for fit and proper assessments and decisions on the appointment, management succession planning and performance evaluation of the Senior Management to the P/CEO or a designated management committee.²¹

3.4 REMUNERATION

- i. To recommend to the Board the remuneration framework and specific remuneration package for the SC members and the Senior Management for the Board's approval, subject to periodic review. Remuneration for the Directors and the P/CEO will be subject to MOF's directive;
- ii. The remuneration framework/package shall be guided by the following principles: -
 - a) Be competitive and consistent with the Bank's culture, objectives and strategy;
 - b) Reflect the responsibility and commitment which in line with the membership and responsibilities of the SC, the P/CEO and the Senior Management;
 - c) Remuneration package should be sufficient to attract and retain the Directors, the SC members, the P/CEO and the Senior Management of calibre, and yet not excessive to the extent the Bank's funds are used to subsidize excessive remuneration packages, including the Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind;
 - d) For Non-Executive Directors and Independent Directors, the level of remuneration may be linked to the level of responsibilities undertaken and contribution to the effective functioning of the Board based on expertise, knowledge and experience;
 - e) Salary scales for the Senior Management be drawn up within the scope of the general business policy and not be dependent on short term performance to avoid incentives for excessive risk-taking; and

²⁰ Para 9.1 BNM Guidelines on Fit & Proper Criteria

²¹ Para 9.2 BNM Guidelines on Fit & Proper Criteria

- f) Periodically review on the remuneration of Directors on the Board and the Board Committees particularly on whether the remuneration remains appropriate for each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken;

3.5 OTHER ROLES AND RESPONSIBILITIES

The NRC shall: -

- i. Review the list of the Senior Management and confirm that the list has included all key positions within the Bank;²²
- ii. Oversee key Human Resource initiatives for the Bank, to include the following but not limited to: -
 - a. Consider and to recommend to the Board the promotion, remuneration package, increment, bonus and other related matters involving the P/CEO and the Senior Management as defined in the policy for the Fit and Proper Requirements;
 - b. Recommend to the Board the organisational structure and commensurate with job grades and ranges framework; and
 - c. Delegate to the P/CEO the decision on the promotion, remuneration package, increment, bonus and other related matters involving all staff (except the Senior Management) as defined in the policy for the Fit and Proper Requirements;
- iii. Invite any independent expert to advise the Committee on certain technical matters as and when required;
- iv. Undertake other duties as directed by the Board from time to time; and

²² Para 10.3 BNM Guidelines on Fit & Proper Criteria