

## **1.0 PREAMBLE**

The Board of Directors (“Board”) of MBSB Bank Berhad (“the Bank”) has established a Board Nominating & Remuneration Committee (“BNRC”) with authority and duties as specified in these terms of reference.

## **2.0 REFERENCE**

This Terms of Reference is set out as a guide on the principles and operations of the BNRC of MBSB Bank.

## **3.0 COMPOSITION OF THE COMMITTEE**

- 3.1 The Board Nominating & Remuneration Committee (BNRC) shall comprise a minimum of three (3) members, all of whom must be Non-Executive Directors, of which the majority must be Independent Non- Executive Directors.
- 3.2 The BNRC shall be chaired by an Independent Non-Executive Director or the Senior Independent Non-Executive Director as identified by the Board.
- 3.3 The Chairman of the Board shall not be a Chairman or member of the Committee.
- 3.4 The BNRC must not have any Executive Director in its membership.
- 3.5 A member of the BNRC MUST abstain from participating in any discussion, deliberation and decision-making on matters involving himself or herself.
- 3.6 The Board may from time to time appoint to the Committee additional members who are Non-Executive Directors as it deem fit and necessary. The majority of membership composition of Independent Non-Executive Directors must remain intact.
- 3.7 The Committee may invite any director, executive, or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective.
- 3.8 The Committee’s Chairman shall be designated by the Board or, if it does not do so, the Committee members shall elect a Chairman by vote of a majority of the full Committee, subject always to fulfilling the requirement under paragraph 3.2.

3.9 Should at any time the Committee membership fall below the requisite three (3) members, such vacancy must be filled up within a period of three (3) months from the date the vacancy becomes available.

#### **4.0 SECRETARY OF THE COMMITTEE**

The Company Secretary shall be the secretary of the BNRC and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulate the notice of meeting supported by explanatory documentation to members of the BNRC prior to each meeting. The Secretary shall keep the minutes of meetings.

#### **5.0 OBJECTIVE**

5.1 The objective of BNRC is to assist the Board:-

- i. To provide a formal, transparent and consistent procedure for the appointment of Directors, Board Committees and the Chief Executive Officer (“CEO”), C-Suite and Company Secretary of MBSB Bank.
- ii. To assess the effectiveness of individual Directors, the Board as a whole, Board Committees and the performance of the CEO, C-Suite and Company Secretary of the Bank.
- iii. To oversee the design and operation of the Bank’s Remuneration System.

Note: The position of CEO in this context shall include Acting CEO, whichever is applicable at the material time.

#### **6.0 ROLES & RESPONSIBILITIES**

6.1 To nominate, assess and/or review and upon its satisfaction recommends to the Board the following:-

- i. Potential candidates for appointment to the Board (with reference to Annexure 1);
- ii. Board and Board Committee’ composition;
- iii. Potential candidate for appointment as CEO of the Bank;
- iv. Re-appointment/ Re-election of Director;
- v. Removal of a Director;

- vi. Removal of the CEO;
  - vii. Potential candidate for appointment as Shariah Advisory Committee (SAC) members;
  - viii. Removal of Shariah Advisory Committee (SAC) members;
  - ix. Appointment/Promotion/Removal of C-Suites and Company Secretary as defined in the Fit and Proper Requirements Policy; and
  - x. Appointment/removal of a Senior Independent Non-Executive Director.
- 6.2 To identify the most suitable candidates by using variety of approaches and sources including recommendation from the existing Board members, Management, major shareholders as well as other external sources such as independent search firms. In making its recommendations, the BNRC should consider the following aspects/criteria:-
- i. professional experience;
  - ii. skills;
  - iii. knowledge;
  - iv. education and background;
  - v. age;
  - vi. ethnicity;
  - vii. culture;
  - viii. gender; and
  - ix. in the case of candidates for the position of Independent Non-Executive Directors, the BNRC should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from the Independent Non-Executive Directors.
- 6.3 To assess and upon its satisfaction, recommends to the Board the remuneration packages for Directors of the Bank supported by:-
- i. Assessment for Directors' responsibilities and commitment tailored towards the Bank's culture, objectives and strategy;
  - ii. Taking into cognizance, a balance when determining the remuneration package, which should be sufficient to attract and retain Directors.; and
  - iii. Upon being sanctioned by the Board, the remuneration packages, including fees, allowances, bonuses (if any), and benefits-in-kind for all Directors are subject to shareholders' approval.

- 6.4 To consider and to recommend to the Board the appointment, resignation, retirement and other related issues involving the CEO of the Bank.
- 6.5 To consider and recommend to the Board the appointment, resignation, retirement, removal and other related issues involving the C-Suites position including Company Secretary as defined under Section 3.0 of the Fit and Proper Requirements Policy.
- 6.6 To delegate to the CEO the responsibility for fit and proper assessment and decision on appointment, promotion, resignation, retirement, removal and other related issues involving other key responsible persons as defined in the Fit and Proper Requirements Policy.
- 6.7 To consider and to recommend to the Board the renewal of contract, remuneration package, increment, bonuses and other related matters involving the CEO.
- 6.8 To consider and recommend to the Board the promotion, remuneration package, increment, bonuses and other related matters involving the C-Suites position and Company Secretary as defined in the Fit and Proper Requirements Policy.
- 6.9 To delegate to the CEO the decision on the promotion, remuneration package, increment, bonuses and other related matters involving other key responsible persons as defined in the Fit and Proper Requirements Policy.
- 6.10 To recommend to the Board, candidates for the appointment as Shariah Advisory Committee (SAC) members. In making the recommendation, the BNRC should consider the following criteria:-
  - i. The candidate considered should be a Muslim;
  - ii. The skills set of the candidates for the position; and
  - iii. Fulfil the fit and proper criteria as per the applicable guidelines by the relevant authorities.
- 6.11 To conduct the annual review on the Performance of the Shariah Advisory Committee (SAC) members.
- 6.12 To consider and recommend to the Board, the remuneration package and other related matters involving the Shariah Advisory Committee (SAC).

## **7.0 OTHER FUNCTIONS OF BNRC**

- 7.1 To establish clear, formal and transparent procedures for the re-election and re-appointment of the Directors and to ensure that the re-election and re-appointment of a director should be contingent on satisfactory evaluation of director's performance and contribution to the Board.
- 7.2 To conduct annual review and establishing minimum requirements for assembling the Board, namely required mix of skills, experience, qualification, diversity and other core competencies required of each Director. The BNRC is also responsible for establishing the minimum requirements for the CEO. The requirements and criteria should be approved by the Board.
- 7.3 To provide oversight for the overall composition of the Board and the Board Committees in terms of the appropriate size and skills, gender diversity and the balance between executive directors, non-executive directors and independent directors through annual reviews and to ensure that the composition of the Board is refreshed periodically.
- 7.4 To ensure compliance with Section 68 (1) of the Islamic Financial Services Act, 2013 when assessing Directors for reappointment, before an application for approval is submitted to BNM. The decision as to who shall be nominated should be the responsibility of the Board.
- 7.5 To assess the independence of Independent Directors on an annual basis and recommend the same to the Board.
- 7.6 To review the tenure of each director and to assess and evaluate the suitability of Directors (save for Director who is a Board representative of a major shareholder) to remain on the Board when they have reached a consecutive or cumulative term of nine (9) years.
- 7.7 To implement a process with the Board, for assessing the effectiveness of the Board as a whole, the committees of the Board, and for assessing the contribution of each individual Director, including Independent Non-Executive Directors, as well as the CEO. All assessment and evaluations carried out in the discharge of all its functions should be conducted annually and properly documented.

- 7.8 To assess and recommend accordingly the training needs of the Board members and any proposed changes to the training budget.
- 7.9 To ensure the Bank has a developed succession policy and that such policy is kept under review.
- 7.10 To assess, on an annual basis, to ensure that the Directors and the CEO remain in compliance with the “fit and proper” criteria.
- 7.11 On a yearly basis, review and recommend to the Board the remuneration framework to ensure that the remuneration packages support the Bank’s culture, objectives and strategy and should reflect the responsibility and commitment of the Directors and employees so as to remain competitive in the industry to retain and also attract talents and high calibre individuals to the Bank.
- 7.12 To deliberate and recommend to the Board for disciplinary cases involving CEO, C-Suites and Company Secretary.
- 7.13 To oversee and approved the methodology or matrix for remuneration, performance rewards (inclusive of bonus payout) and benefits matters for other employees (as delegated by the Board).
- 7.14 As empowered by the Board, the BNRC shall;
  - i. Recommend all new policies and framework to Board for approval and approve revisions to all existing policies and framework for human capital related;
  - ii. Deliberate and approve contract values for procurement, engagement of third parties and contracting of services above Management Committee’s limit for human capital related matters;
  - iii. Deliberate and approve budgeted OPEX/CAPEX expenditure above Management Committee’s limit for human capital related expenses; and
  - iv. Deliberate and approve the appointment and termination of Outsourced Serviced Providers involving human capital related matters (regardless of contract values).

## **8.0 ROLES & RESPONSIBILITIES OF THE BNRC CHAIR**

8.1 The Chair of the BNRC shall:-

- i. lead the succession planning and appointment of directors, and oversee the development of a diverse pipeline for Board and Management succession, including the future Chairman, Directors and CEO; and
- ii. lead the annual review of Board effectiveness, ensuring that the performance of each individual director and Chairman of the Board are independently assessed.

*[Refer to Malaysian Code of Corporate Governance 2021: G5.8]*

## **9.0 RIGHTS OF THE COMMITTEE**

9.1 The Bank and the Board must ensure that whenever necessary and reasonable for the performance and its functions, the BNRC shall –

- i. be accorded the resources which are required to perform its duties;
- ii. have full and unrestricted access to any information pertaining to the Directors;
- iii. have direct communication channel with the key management staff of the Human Resources Division and independent consultants engaged by the Bank.
- iv. be able to obtain independent professional or other advice or survey results on the remuneration packages for the Board, Shariah Advisory Committee (SAC) members or employees in similar industry on an annual basis (where applicable);
- v. the Committee is authorised to approve the expenses in connection with the appointment of independent professional advisors, the appointment of which shall be implemented by Company Secretary; and
- vi. be allowed to invite any director, executive, or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective.

## **10.0 EVALUATION OF BNRC**

10.1 An evaluation will be carried out annually to assess the performance and effectiveness of the Committee in line with the need for Board effectiveness evaluation;

- 10.2 Where necessary, an external consultant will be engaged to assist in and to lend objectivity to the annual assessment.

## **11.0 QUORUM**

- 11.1 The quorum for a meeting shall be majority of the committee members whereby the members present must be independent Non-Executive Directors and the quorum must be maintained throughout the meeting. As part of its duty to foster communication, the Chief Executive Officer (CEO), the Management Team, Chief Internal Auditor (CIA) and Chief Compliance Officer (CCO) or any other person(s) who may be requested by the Committee are invited to attend the meetings for the purpose of briefing the Committee on the activities involving their areas of responsibilities;
- 11.2 The attendance sheet may be also circulated in hard copy or electronic form signed physically or digitally signed for record.

## **12.0 MEETING**

### **12.1 Frequency Of Meeting**

- i. Meetings shall be held at least twice a year or as and when required.
- ii. Apart from the scheduled meetings, the Chairman may call for meetings whenever necessary, or to call a meeting if requested to do so by the Board or any Committee member or can be based on the advice of the Chief Executive Officer (CEO).

### **12.2 Invitees**

- i. As part of its duty to foster communication, the CEO or other C-Suites may be invited to attend the meetings for the purpose of briefing the Committee on the activities involving their areas of responsibilities.
- ii. While the Committee may invite any person to be in attendance to assist it in its deliberations, the Committee should also ensure that the Members meet exclusively when necessary.



### **12.3 Decision Making**

- i. The Chairman and the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.
- ii. Questions arising at any Meeting of the Committee shall be decided by a majority of votes by members present at said Meeting.
- iii. The Chairman shall not have a casting vote. In the event of an equality of votes, the Chairman shall refer the matter to the Board for its ultimate decision.

### **13.0 CONFIRMATION OF MEETING**

- 13.1 Confirmation of each meeting is by way of minutes of meeting.
- 13.2 The Committee is to keep proper records of all decisions/recommendations made in each meeting, in which case minutes of each meeting must be confirmed by the Chairman and retained by the Committee's secretary as the Committee's records.

### **14.0 CIRCULAR RESOLUTION**

- 14.1 A Circular Resolution in writing circulated in hard copy or electronic form signed physically or digitally signed and approved by all Members of the Committee shall be effective for all purpose as a resolution of the Committee passed at a Meeting duly convened and constituted.
- 14.2 All decisions obtained via Circular Resolutions must be recorded and notified at the subsequent Meeting by the Secretary.

### **15.0 CONFIDENTIALITY**

- 15.1 No member of the Committee or any officer, employee or any person attending any meeting of the Committee shall disclose any information which has been obtained by him/her in the course of his/her duties or in the course of the Committee meeting and which is not made public except:
  - i. For any purposes of any civil or criminal proceedings under any written law;

- ii. For any purposes as required by any authority with regulatory powers over MBSB Bank which includes but not limited to Bank Negara Malaysia, Securities Commission and Companies Commission Malaysia;
  - iii. In respect of any information available to the public; or
  - iv. Where otherwise authorised by the Board or the CEO (or in his/her absence, the designated person authorized to hold the post or act on his/her behalf).
- 15.2 In relation to the confidentiality of information, the members must not misuse information obtained in the course of duties to derive personal gains or for any purpose other than that intended by MBSB Bank.

## **16.0 CONFLICT OF INTEREST**

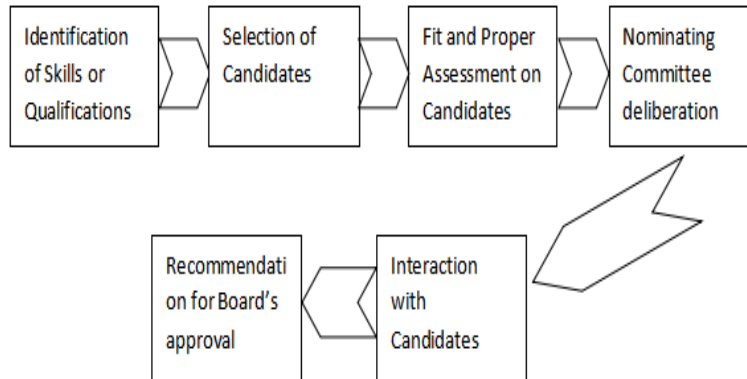
- 16.1 Members must disclose all circumstances in which there may be a conflict of interest in any issues deliberated during meetings.
- 16.2 The interested member shall abstain from participating directly or indirectly in deliberating and decision making process involving issues of which he/ she has an interest.

## **17.0 REVIEW OF TERMS AND REFERENCES**

- 17.1 This Terms of Reference is required to be reviewed every three (3) years or as and when required.
- 17.2 The amendment to this Terms of Reference is subject to recommendation by BNRC and approval by Board.

Annexure 1

Process for the Appointment of Directors



\*\*\* End \*\*\*