

**TERMS OF REFERENCE OF
NOMINATION AND REMUNERATION COMMITTEE (“NRC”)
BANK ISLAM MALAYSIA BERHAD (“Bank Islam” or “The Bank”)**

1. Introduction

Nomination and Remuneration Committee (“NRC” or “the Committee”) is a Committee of the Board. The NRC is to support the Board in carrying out its function on the following:-

- (a) the appointments and removals, composition, performance evaluation & development and fit & proper assessments concerning the Board of Directors, the Shariah Supervisory Council (SSC) members, the Managing Director and ¹key senior management personnel including the Company Secretary; and
- (b) overseeing the design and operation of the Bank’s remuneration system and periodically review the remuneration of the Board of Directors, the SSC members, the Managing Director, ¹key senior management personnel and such other personnel as determined by the Board.

¹ *Key senior management refers to General Manager position and above including the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and such other designation as determined by the Board from time to time.*

2. Authority

The Committee shall have the authority to deliberate and approve on matters within its primary duties and responsibilities in line with the Authority Limits document or such limits as may be determined by the Board of Directors from time to time. During the discharge of such duties, the Committee shall have access :-

- (a) to the full company records, properties and personnel;
 - (b) to independent professional advice and expertise necessary to perform its duties; and
 - (c) to advice and services of the Company Secretary.
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3. Primary Duties and Responsibilities

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

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1. NOMINATION

- (a) Review the structure, size and composition of the Board and make recommendations to the Board on any adjustments that are deemed necessary including in terms of the appropriate size and skills, and the balance between Executive Directors, Non-executive Directors and Independent Directors regularly.
 - (b) Review and recommend to the Board the fit and proper criteria of a director, SSC member, the Managing Director and key senior management.
 - (c) Perform the fit and proper assessment on the nominees for directorship, membership in Board committees and SSC, the Managing Director and key senior management and make appropriate recommendation to the Board.
 - (d) Recommend to the Board the removal of any directors, SSC members, the Managing Director and key senior management from the Board/Committee/Management if they are ineffective, errant and negligent in discharging their responsibilities.
 - (e) In consultation with the Chairman, regularly or at least once a year, review the performance of individual directors, SSC members, the Managing Director and key senior management and evaluate the effectiveness of the Board and the SSC as a whole and report to the Board as may be necessary.
 - (f) Make recommendations to the Board on:
 - (i) review to the organisation structure of the Bank;
 - (ii) succession plan for directors, Managing Director, SSC members and key senior management personnel;
 - (iii) re-appointment of any directors or SSC members at the conclusion of his specified term of office as approved by BNM;
 - (iv) re-appointment of independent director who has served a cumulative period of nine (9) years;
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- (v) the continuation (or discontinuance) in service of any director who has attained the age of 70 years; and
- (vi) any policies related to directors including policies on Tenure of Directorship and Directors’ Training.
- (g) 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 re-appointment.
- (h) Approve any request for directors to attend training overseas.

2. REMUNERATION

- (a) Review and recommend to the Board the overall remuneration policy for directors, SSC members, Managing Director, key senior management personnel and such functions as determined by the Board to ensure appropriate incentives to encourage enhanced performance and the incentives commensurate with their contribution and level of responsibility and is sufficient to attract and retain directors / Managing Director / key senior management of calibre.
- (b) Review and recommend to the Board specific remuneration package for the directors, SSC members, Managing Director and key senior management personnel..
- (c) Within the terms of the agreed remuneration policy and based on the individual performance, determine the total individual remuneration package for the personnel including where appropriate bonuses, incentive payments, etc.
- (d) Make recommendation to the Board in relation to any review to employee remuneration and benefit structures including bonuses and performance related pay schemes to ensure alignment throughout the Bank.

The Committee shall also undertake such other duties and responsibilities as determined by the Board of Directors of the Bank.

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4. Composition and Membership

- (a) The Committee members shall be appointed by the Board.
 - (b) Pursuant to Bank Negara Malaysia (BNM) Corporate Governance Policy issued on 3 August 2016, the Committee must:-
 - (i) have at least three (3) directors;
 - (ii) have a majority of independent directors;
 - (iii) be chaired by an independent director, who is not the Chairman of the Board; and
 - (iv) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the Committee.
 - (c) The Managing Director and the Head of Human Resources Division or any other officer of the Bank may be invited to attend the Committee meeting as and when considered appropriate by the Committee.
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5. Secretary

The Secretary shall be the Company Secretary of the Bank or such other person as appointed by the Committee.

6. Frequency of meetings

The Committee meeting shall be convened as and when necessary, to coincide with the Board meetings or such time as the Chairman of the Committee shall require. In any event, the NRC shall meet at least once a year to deliberate on its responsibilities.

7. Notice of Meetings

- (a) Unless otherwise agreed by the members, the notice for each meeting confirming the venue, date and time together with the agenda of the meetings shall be forwarded to each member of the Committee at least three (3) days prior to the date of the meeting.
 - (b) In addition to the scheduled meeting, the Secretary shall convene any special meeting upon receipt of request from the Chairman/directors by giving due notice.
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8. Quorum for meetings

- (a) The quorum for meeting shall be at least 50% of the total members.
 - (b) In the event the Chairman is unable to attend the Committee meeting, the members present may elect any one of the independent directors present (who is not the Chairman of the Board) to be the Chairman of the meeting.
 - (c) A member of the Committee shall abstain from participating in discussions and decisions on matters directly involving him and shall not be counted for the purpose of determining a quorum.
 - (d) Any member who participates in the meeting via tele-conferencing device shall be counted for the purpose of determining a quorum.
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9. Decision-Making

- (a) All decisions and/or approvals are to be made on unanimous basis, whilst always adhering to the quorum for meeting.
 - (b) A member who is an executive director shall not have voting rights.
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10. Attendance

Each member of the Committee is required to attend at least 75% of the Committee meetings held in each financial year.

11. Circular Resolution

- (a) Decision by the Committee may be made via circular resolution.
 - (b) Decision made via circular resolution is deemed effective after being executed by all members who are present in Malaysia.
 - (c) All decisions and/or approvals made via circular resolution shall be presented at the subsequent Committee meeting for notation.
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12. Minutes of Meetings

- (a) The Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The minutes must record the decisions of the Committee, 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.

 - (b) Minutes of meetings shall be submitted to the Board for notification in such format as determined by the Board.
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13. Review of the Terms of Reference

The Board of Directors may review the Terms of Reference of the Committee once every two years or as and when is necessary.
