

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD
REGISTRATION NO. 201001000001 (839839-M)**

**TERMS OF REFERENCE OF
NOMINATION AND REMUNERATION COMMITTEE**

I OBJECTIVE

The Nomination and Remuneration Committee (“NRC”) supports the Board of Directors (“the Board”) of the Bank to:-

- (i) provide a formal, transparent and consistent procedure to assess the Board and Board Committees, to supervise the fit and proper assessment, appointment/reappointment or removal as well as performance assessment and development of the directors, Chief Executive Officer (“CEO”), Senior Management, Senior Officers/Heads of control functions and Company Secretary.
- (ii) provide oversight on the design and operation of the Bank’s remuneration system and recommend remuneration and human resource strategies/policies to the Board for approval.

Note:

1. *Senior Management refers to the persons who hold the position of Managing Director or Chief Executive Officer (“CEO”), Deputy/Assistant CEO, Chief Compliance Officer, Chief Risk Officer and Chief Internal Auditor of the Bank.*
2. *Senior Officers of control functions include but are not limited to Deputy Chief Compliance Officer, Deputy Chief Risk Officer, Deputy Chief Internal Auditor or their equivalent.*

II AUTHORITY

The NRC shall have explicit authority for:

- a) approving the revision to relevant policies that pertain merely to administrative matters, with no significant changes to the policy’s approach, framework or standards;
- b) obtaining external legal or other independent professional advice as and when required and the cost of such advice shall be borne by the Bank;
- c) full and unrestricted access to records, reports, documents and information; and
- d) sufficient support and resources to investigate any matter within its terms of reference.

III ROLES AND RESPONSIBILITIES RELATING TO NOMINATION

The roles and responsibilities of the NRC with regard to its nomination role shall include the following:-

1. Appointment/Reappointment/Removal

- (i) Review and recommend the policies or procedures for appointment/reappointment and the removal of directors, CEO, other Senior Management and Senior Officers/Heads of control functions for approval by the Board.
- (ii) Assess and recommend the appointment/reappointment and the removal of directors, CEO, other Senior Management, Senior Officers/Heads of control functions and Company Secretary to the Board for approval.
- (iii) Recommend for the consideration of the Board, the removal of a director or CEO or other Senior Management or Senior Officers/Heads of control functions if he/she is ineffective, errant or negligent in discharging his/her responsibilities.

2. Composition

- (i) Recommend to the Board on the overall composition of the Board and Board Committees in terms of the size, qualification and specific competencies.
- (ii) Review the criteria, mixture of competencies, skill sets and experience required for the Board members, both individually and collectively, to ensure conformity to the strategic direction and emerging challenges faced by the Bank.

3. Evaluations and Development

- (i) Conduct an annual evaluation to assess the overall performance, contribution and effectiveness of the Board, Board Committees and individual directors.
- (ii) Assess annually the performance assessment of the CEO, other Senior Management, Senior Officers/Heads of control functions of the Bank in accordance with the respective procedures or guidelines of the Bank.
- (iii) Assess, on an annual basis, that the Directors and Senior Management are not disqualified under Section 59 of the Financial Services Act 2013 and comply with the fit and proper criteria in accordance with the Bank's Fit and Proper Policy, and as and when the Board becomes aware of information that may materially compromise the individual's fitness and propriety, or any circumstances that suggest that the individual is ineffective, errant or otherwise unsuited to carry out his/her responsibilities.
- (iv) Assess annually the independence of Independent Directors and review the suitability of Independent Directors to remain on the Board and Board Committee, when they have reached the maximum tenure as determined by the Board. The NRC may at its discretion recommend to extend the director for approval of the Board and BNM, where necessary, subject to the approval by the shareholder.

- (v) Ensure directors receive appropriate induction and continuous training programme(s) for keeping abreast of the latest developments.
- (vi) Oversee the succession planning for the Directors, Senior Management and senior officers of control functions of the Bank, as deemed appropriate.
- (vii) Review the expatriates' contributions/performances on an annual basis.
- (viii) Perform any other functions as defined by the Board, as deemed appropriate.

IV ROLES AND RESPONSIBILITIES RELATING TO REMUNERATION

The roles and responsibilities of the NRC with regard to its remuneration role shall include the following:-

- (i) Ensure the establishment of formal and transparent procedures for developing remuneration and human resource policies, strategies and frameworks for Directors, Senior Management and employees of the Bank, and recommend for approval by the Board.
- (ii) Review periodically the remuneration of directors on the board, particularly on whether the remuneration remains appropriate to each director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.
- (iii) Ensure that the overall remuneration framework comprises, at minimum, the following elements:
 - in line with the business and risk strategies, corporate values and long-term interests of the Bank;
 - promote prudent risk-taking behaviour and ensure individuals act in the interests of the Bank as a whole; and
 - ensure risk exposures and risk outcomes are adequately considered, taking into input from the control functions and the Board Risk Management Committee.

The framework covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses and benefit-in-kind.

- (iv) Ensure that remuneration outcomes are symmetric with risk outcomes for individuals within the Bank, which include:
 - remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement;
 - the size of the bonus pool is linked to the overall performance of the Bank;
 - the incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Bank; and
 - variables used to measure risk and performance outcomes of an individual relate closely to the level of accountability of that individual.

- (v) Recommend the actual annual total cash allocation of the Bank for approval by the Board annually.
- (vi) Ensure remuneration payout schedules reflect the time horizon of risks and take into account the potential for financial risks to crystallise over a longer period of time.
- (vii) Ensure that the remuneration of individuals engaged in control functions is based principally on the achievement of the control functions' objectives to safeguard the independence and authority.
- (viii) Perform any other functions as defined by the Board.

IV OTHERS

The NRC should not be delegated with decision making powers but should report its recommendations to the Board for its consideration/decision.

V COMPOSITION

The NRC shall consist of: -

- (i) at least three (3) members, all of whom must be non-executive directors;
- (ii) a majority of independent directors; and
- (iii) directors who have the skills, knowledge and experience relevant to the responsibilities of the NRC.

VI PROCEDURES AND MEETINGS

1. Frequency of meetings

The NRC shall meet as frequently as may be necessary, subject to a minimum of two (2) meetings a year and in any case upon requisition of any member of the NRC to transact such matters as are set out in its terms of reference.

2. Quorum

The quorum shall be two (2) members present in person.

3. Voting

- (i) A majority of votes shall be required to pass or defeat any resolution. In the event of an equality of votes, the Chairman shall have a second or casting vote.
- (ii) Alternatively, the matter may be referred to the Board for decision; and any delegation of authority to the Chairperson of the Board to handle the matter will be at the discretion of the Board.

- (iii) In order to avoid conflict of interest, a member of the NRC shall abstain from participating in the discussions and decisions on matters involving his/her interest.

4. Chairman of the meeting

- (i) The meeting should be chaired by an independent director. The Chairman of the NRC shall be appointed by the Board.
- (ii) In the absence of the Chairman of the NRC, other members may elect one amongst themselves who is an independent director to chair the meeting.

5. Attendance at meetings

- (i) The NRC may invite other directors, the Chief Executive Officer and any other employees to its meetings to assist in the discharge of its responsibilities.
- (ii) The meeting could either take place in a single physical location or by means of tele/video-conferencing or similar communication facilities available whereby all the participants can hear and communicate with each other simultaneously and instantaneously.

6. Secretary

- (i) The Company Secretary shall be the secretary of the NRC.
- (ii) In the absence of the Company Secretary, Head of HR & Corporate Services or such other person as may be agreed to by the members of the NRC will act as the secretary of the meeting for minutes-taking purposes.

7. Notices and Materials of meetings

- (i) At least one (1) week notice is required for any meeting but may be shortened/waived subject to the consent of all NRC members.
- (ii) The notice and agenda of meeting together with meeting materials should be circulated by the Company Secretary.

8. Minutes

- (i) The minutes of each meeting will be prepared in sufficient detail to convey the substance of all discussions held in order to:
 - (a) document the steps that have been taken by the NRC to discharge their duties and responsibilities; and
 - (b) provide an effective means of reporting NRC meetings to the Board.

- (ii) Minutes of each meeting should be properly recorded and distributed to all the members of the NRC. The minutes of a meeting shall be signed by the Chairman or in the absence of the Chairman, by the Chairman of the Meeting.
- (iii) The minutes of the NRC meeting shall be tabled to the Board for information.
- (iv) A resolution in writing, signed by all members of the NRC, shall be as valid and effectual as if it had been passed at a meeting of the NRC duly convened and held.

VII REVIEW OF THE TERMS OF REFERENCE

The Terms of Reference of the NRC will be reviewed as and when deemed appropriate so as to maintain its relevancy with the business operation of the Bank and in line with the regulatory requirements and shall be subject to the approval of the Board.

(Approved by the Board at its Meeting No. 8/2023 held on 12 December 2023)