

## **Terms of Reference of the Board Nomination & Remuneration Committee**

### **1.0 OBJECTIVES OF THE COMMITTEE**

1.1 The objectives of the Committee with regard to the nomination role are as follows:

- 1.1.1 to identify and recommend new nominees to the Board as well as the Board Committees, however all decision as to who shall be appointed shall be the responsibility of the Board after considering the recommendations of the Committee;
- 1.1.2 to identify and recommend new nominees to the Board of Subsidiaries and Associates Companies, however all decision as to who shall be appointed shall be the responsibility of the respective Board of the Subsidiaries and Associates Companies after considering the recommendations of the Committee;
- 1.1.3 to assist the Board in reviewing the Board's required mix of skills, experience and other qualities, including core competencies which Non-Executives Directors should bring to the Board;
- 1.1.4 to implement the process formulated by the Board designed to assess the effectiveness of the Board and the Board Committees as a whole;
- 1.1.5 to develop policies, practice and recommend proposals appropriate to facilitate the recruitment, retention and removal of Executive Director and Senior Management as well as the length of service;
- 1.1.6 in carrying out the duties, Members should have no interest direct or indirect with the outcome of the decision and having due regard to the interest of shareholders and to continue financial and commercial health of the Group;
- 1.1.7 to review the Executive Director's objectives, goals and the assessment of performance;
- 1.1.8 to consider and recommend solutions on issues of conflict of interest affecting Directors.

1.2 The objective of the Committee with regard to the remuneration role are as follows:

- 1.2.1 to determine the level and make-up of Executive Director's and Senior Management's remuneration so as to ensure that TNB Group attracts and retains the Directors and Senior Management of the appropriate calibre, experience and quality needed to run TNB Group successfully. The level and make up of the remuneration should be structured so as to link rewards with corporate and individual performance;
- 1.2.2 to determine the remuneration packages of Non-Executive Directors which shall be a decision of the Board as a whole.

## **2.0 AUTHORITIES OF THE COMMITTEE**

The Committee is authorised by the Board:-

- 2.1 to seek assistance from the Company Secretary on matters related to the responsibilities of the Committee under the rules and regulations to which it is subject to and how those responsibilities should be discharged;
- 2.2 full and unrestricted access to the Company's records, properties and personnel; and
- 2.3 to seek independent professional advice and expertise deemed necessary for the performance of its duties.

## **3.0 FUNCTIONS OF THE COMMITTEE**

The functions and responsibilities are as follows:-

### **3.1 Nomination Function:**

#### **(A) The Board**

- 3.1.1 to identify and nominate to the Board suitable candidates for appointment as Directors in TNB Group whilst ensuring that they possess the necessary experience and skills however decision as to who shall be appointed shall be the responsibility of the respective Board;
- 3.1.2 to consider and recommend a policy regarding the period of service of Non-Executive Directors;
- 3.1.3 to recommend the removal of the Director if the Director concerned is ineffective, errant and negligent in discharging their duties;
- 3.1.4 to review annually the structure, size and composition of the Board to ensure that the Board comprises of:-
  - (a) majority of Non-Executive Directors with the appropriate mix of skills, experience and other qualities for the Board to function effectively and efficiently; and
  - (b) one third of the Board are Independent Directors in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 3.1.5 to recommend Directors who are retiring (by rotation) for re-election and termination of membership of individual Directors in accordance with policy, for cause or other appropriate reasons;
- 3.1.6 to recommend to the Board on the appointment and continuation (or otherwise) in service of any Director who has reached the age of 70;

- 3.1.7 to ensure that all Directors undergo Mandatory Accreditation Programme (MAP) and on continuous basis ensures the training needs of the Directors as prescribed by Bursa Malaysia in compliance with paragraph 15.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 3.1.8 to provide adequate training and orientation for new Directors with respect to the business, structure and management of the Company as well as the expectations of the Board with regards to their contribution to TNB Group;
- 3.1.9 to establish and implement processes for assessing the effectiveness of the Board and the Board Committees as a whole;
- 3.1.10 to propose to the Board the duties and responsibilities of Non-Executive Directors, including the membership and chairmanship of Board Committees;
- 3.1.11 to review annually the status of independence of all the Independent Non-Executive Directors; and
- 3.1.12 to consider and recommend solutions on issues of conflict of interest affecting Directors.

(B) Executive Director and Senior Management

- 3.1.13 review and recommend to the Board the appointment, upgrading and promotion of Executive Director and Senior Management of TNB Group;
- 3.1.14 to consider and recommend a policy regarding the period of service of Executive Directors;
- 3.1.15 to consider the Executive Director and Senior Management's succession planning, and
- 3.1.16 to recommend the removal of the Executive Director and Senior Management if they are found to be ineffective, errant and negligent in discharging their duties.

3.2 Remuneration Function:

(A) The Board

- 3.2.1 to make recommendations to the Board on the remuneration package of Non-Executive Directors.

(B) Executive Director and Senior Management

- 3.2.2 to determine remuneration and terms of employment of the Executive Director;
- 3.2.3 to determine performance contracts and targets and the structure of the rewards for the Executive Director and to assess the Executive Director's performance against these targets;
- 3.2.4 to recommend to the Board the remuneration framework of the Executive Director and the Senior Management. The Committee may obtain independent professional advice and any other information necessary in determining the framework;

- 3.2.5 to recommend to the Board any proposals of the Executive Director and Senior Management (if any) remuneration and benefit including pension, share option, service contracts and compensation payment for approval;
  - 3.2.6 to establish a formal and transparent procedure for developing policy on the Executive Director and Senior Management (if any) remuneration and for fixing their individual remuneration packages;
  - 3.2.7 to review all benefits and entitlements of the Executive Director and Senior Management (if any) of TNB Group; and
  - 3.2.8 to consider compensation commitments/ severance payments for Executive Director in the event of early termination of the employment/service contracts.
- 3.3 To consider any other matter referred by the Board to the Committee.
- 3.4 In discharging its duties, the Committee shall at all times be mindful of the provisions of all applicable laws, regulations and guidelines.

#### **4.0 COMPOSITION OF THE COMMITTEE**

- 4.1 The Committee shall be composed exclusively of Non-Executive Directors, a majority of whom are independent.
- 4.2 The composition of the Committee shall not be less than three (3) members.
- 4.3 Where the Members for any reason are reduced to less than three (3), the Board shall appoint such number of new Members as may be required to make up the minimum number of three (3) Members.
- 4.4 The Board shall elect a Chairman from the Committee.
- 4.5 All members shall hold office only for so long as they serve as Directors of the Company.

#### **5.0 COMMITTEE MEETINGS**

- 5.1 The Chairman shall convene meetings as and when required. The Committee shall meet as required to report and make recommendation to the Board.
- 5.2 The number of Committee meetings held in a year and the details of attendance of each individual Member in respect of meetings held should be disclosed annually in the Annual Report.
- 5.3 The Chairman of the Committee, or the Secretary on the requisition of the Members, shall at any time summon a meeting of the Members by giving reasonable notice. It shall not be necessary to give notice of a Committee meeting to any Member for the time being absent from Malaysia.
- 5.4 No business shall be transacted at any meeting of the Committee unless a quorum is present. The quorum for each business shall be three (3) Members.
- 5.5 The Chairman of the Committee shall chair the Committee meetings and in his absence, the Members present shall elect one (1) of the Members to be Chairman of the meeting.

- 5.6 In appropriate circumstances, the Committee may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting.
- 5.7 Senior Management of the Company or professional advisors may be invited to attend meetings where the Committee considers their presence necessary.
- 5.8 All recommendations and findings of the Committee shall be submitted to the Board for approval.
- 5.9 Subject to the provisions of this Terms of Reference, the Committee shall establish its own procedures for meetings.

## **6.0 SECRETARY OF THE COMMITTEE**

- 6.1 The Secretary of the Committee shall be the Company Secretary.
- 6.2 The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The Agenda shall be sent to all Members of the Committee and any other persons who may be required to attend the meeting.
- 6.3 The Secretary shall promptly prepare the written minutes of the meeting and distribute it to each Member. The minutes of the Committee shall be confirmed and signed by the Chairman of the Committee or the presiding Chairman of the next succeeding meeting.
- 6.4 The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custodian of the Company Secretary. The minutes book shall be open for inspection of the Board, external auditor, internal auditor, management and other persons deemed appropriate by the Company Secretary.

## **7.0 DISCLOSURE**

- 7.1 The Committee shall assist the Board in making certain disclosures concerning the activities of the Committee such as in the Corporate Governance Statement to be issued in the Annual Report.
- 7.2 The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of the Committee as and when required with a copy to the Company Secretary.

## **8.0 REVISION OF THE TERMS OF REFERENCE**

- 8.1 Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval.
- 8.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.