



TAKAFULmalaysia

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

(198401019089 (131646-K))

(Incorporated in Malaysia)

**TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE
("NRC")**

1.0 OBJECTIVES

The primary objectives of NRC are as follows:-

- (i) Support the Board in carrying out its functions in the following matters concerning the Board, Shariah Advisory Body, Senior Management and Company Secretary:-
 - (a) Appointments and removals;
 - (b) Composition;
 - (c) Performance evaluation and development; and
 - (d) Fit and proper assessments.

Senior Management refers to General Manager position and above including Group Chief Executive Officer, Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Appointed Actuary and such other designation as determined by the Board from time to time.

- (ii) Support the Board in actively overseeing the design and operation of the Company's remuneration system.
- (iii) Periodically review Director's remuneration, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account level of expertise, commitment and responsibilities undertaken.
- (iv) Should ensure that composition of the Board is refreshed periodically. The tenure of each Director should be reviewed by NRC and annual re-election of Director should be contingent on satisfactory evaluation of the Director's performance and contribution to the Board.

2.0 AUTHORITIES

NRC shall have the authority to deliberate and approve on matters within its primary duties and responsibilities as may be determined by the Board from time to time. In the discharge of duties and responsibilities, NRC shall:-

- (i) Have the resources as well as full and unrestricted access to any information which are required to perform its duties.
- (ii) Obtain, if it is deemed necessary, independent professional advice on any matter within its terms of reference.



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- (iii) Have access to advice and services of the Company Secretary.

3.0 DUTIES AND RESPONSIBILITIES

In fulfilling its primary objectives, NRC shall undertake the following duties and responsibilities:-

Nomination

- (i) Establish minimum requirements for the Board and Group Chief Executive Officer/Chief Executive Officer to perform their responsibilities effectively. NRC is also responsible for overseeing the overall composition of the Board in terms of:-
 - (a) The appropriate size and mix of skills;
 - (b) The balance between Executive Directors, Non-Executive Directors and Independent Directors; and
 - (c) Other core competencies required, through annual review, etc.
- (ii) Recommend and assess the nominees for Directorship, the Directors to fill Board Committees, as well as nominees for the Group Chief Executive Officer/Chief Executive Officer, Shariah Advisory Body and Senior Management's position including assessing Directors, Group Chief Executive Officer/Chief Executive Officer and Shariah Advisory Body members proposed for re-appointment before an application for approval is submitted to Bank Negara Malaysia.
- (iii) Establish the mechanism for formal assessment and assessing on an annual basis:-
 - (a) The effectiveness of the Board as a whole;
 - (b) The contribution by each Director to the effectiveness of the Board;
 - (c) The contribution of the Board's various Committees;
 - (d) The performance of the Group Chief Executive Officer/Chief Executive Officer; and
 - (e) The term of office and performance of Audit Committee ("AC") and each of its members to determine whether AC members have carried out their duties in accordance with their terms of reference.

The assessments will also include ascertaining that the Director is not disqualified under the relevant law and fulfills the 'fit and proper' criteria. For this purpose, the Company may require the directors to make a quarterly declaration, using a standard format, that they are not disqualified under the relevant law and fulfil the 'fit and proper' criteria.



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- (iv) Recommend to the Board on removal of Director/Group Chief Executive Officer/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities.
- (v) Ensure that all Directors undergo appropriate induction programme and receive continuous training.
- (vi) Oversee the appointment, management succession planning and performance evaluation of Senior Management and recommending to the Board on removal of Senior Management if they are ineffective, errant or negligent in discharging their responsibilities.

NRC, upon receiving notice of resignation of Senior Management shall conduct exit interview and share their findings with the Board thereafter.

- (vii) Assist the Board in considering and approving matters on employment, which include:-
 - a) Review on talent management and succession plan framework or strategies in line with the Company's strategic goals and BNM's requirements; and
 - b) Counsel on development programs and practices that provide for leadership development, performance management, talent acquisition and succession plan for Group Chief Executive Officer, Chief Executive Officer and Head of Control Functions.
- (viii) In identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from the existing Directors, Management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates. If the selection of candidates was based on recommendations made by the existing Directors, Management or major shareholders, NRC should explain why these source(s) suffice and other sources were not used.
- (ix) The procedures for appointment and assessment of a Director must be approved by the full Board and disclosed to the shareholders of the Company. NRC should not be delegated with decision-making powers but should report its recommendations to the Board for decision.

Remuneration

- (i) Recommend a framework for the remuneration of Directors, Group Chief Executive Officer/Chief Executive Officer, Shariah Advisory Body members and Senior Management. The remuneration policy should:-
 - (a) Be documented and approved by the full Board and any changes thereto should be subject to endorsement of the full Board;



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- (b) Reflect the experience and level of responsibility borne by individual directors, Group Chief Executive Officer/Chief Executive Officer, Shariah Advisory Body members and Senior Management;
 - (c) Be sufficient to attract and retain Directors, Group Chief Executive Officer/Chief Executive Officer, Shariah Advisory Body members and Senior Management of calibre needed to manage the Company successfully; and
 - (d) Be balanced against the need to ensure that the funds of the Company are not subsidise excessive remuneration packages and should not create incentives for irresponsible behaviour or insider excesses.
- (ii) Recommend specific remuneration packages for Directors, Group Chief Executive Officer/Chief Executive Officer, Shariah Advisory Body members and Senior Management. The remuneration packages should:-
- (a) Be based on an objective consideration and approved by the full Board;
 - (b) Take due consideration of assessments by Nomination Committee of effectiveness and contribution of Director, Group Chief Executive Officer/Chief Executive Officer, Shariah Advisory Body members and Senior Management concerned;
 - (c) Not be decided by exercise of sole discretion of any one (1) individual or restricted group of individuals; and
 - (d) Be competitive and is consistent with the Company's culture, objective and strategy.
- (iii) The remuneration packages for Executive Directors should be structured to link rewards to corporate and individual performances to encourage high performance standards while at the same time is aligned with prudent risk-taking. However, the rewards-to-performance linkages should not create incentives for irresponsible behaviour and insider excesses. As for Non-Executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. Non-Executive Chairman should not expect executive pay.
- (iv) The remuneration of Group Chief Executive Officer/Chief Executive Officer, should not be out of line with the scale of business operations and activities of the Company. Group Chief Executive Officer/Chief Executive Officer should not avail himself of self-serving remuneration with excessive bonuses and fringe benefits relative to the profits and operations of the Company. The entitlement of Group Chief Executive Officer/Chief Executive Officer to receive director's fees from subsidiaries of the Company in which he is a director should be nominal and not excessive.



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- (v) The Board has remuneration policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of Non-Executive Directors, Executive Directors and Senior Management. The policies and procedures are periodically reviewed and made available on the Company's website.
- (vi) The Board has NRC to implement remuneration policies and procedures including reviewing and recommending matters relating to the remuneration of Board and Senior Management. NRC has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the Company's website.

NRC shall also undertake such other duties and responsibilities as determined by the Board of the Company.

4.0 COMPOSITION

- 4.1 NRC shall consist of at least three (3) Non-Executive Directors, a majority of whom are Independent Directors.
- 4.2 NRC shall comprise directors who have the skills, knowledge and experience relevant to the responsibilities of NRC.
- 4.3 A member of NRC shall abstain from participating in discussions and decisions on matters directly involving him/her in order to avoid conflicts of interest.

5.0 CHAIRMAN

The Chairman of NRC must be an Independent Non-Executive Director or Senior Independent Non-Executive Director and cannot be the Chairman of the Board.

6.0 SECRETARY

The Secretary of NRC shall be the Company Secretary of the Company or such other person(s) appointed by the Board.

7.0 MEETINGS

- 7.1 NRC may meet regularly as and when required, together for despatch of business, adjourn and otherwise regulate their meetings.



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The Chairman may call for additional meetings at any time at the Chairman's discretion.

- 7.2 NRC may invite other Directors, employee or adviser to the Company to attend NRC meeting (or any part of it) as it may determine.
- 7.3 A meeting of NRC may be held either:-
- (a) By a number of NRC members who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
 - (b) By means of audio, or audio and visual, communication by which all NRC members participating and constituting a quorum can simultaneously hear each other throughout the meeting.
- 7.4 Participation by a person in a meeting by means of audio, or audio and visual, communication facilities shall be treated as presence in person by that person at the said meeting and shall be counted towards the quorum notwithstanding the fact that he is not physically present at the venue where the meeting is to be held.
- 7.5 For avoidance of doubt, such a meeting shall be deemed to be held at the place where the Chairman of the meeting is at the start of the meeting.
- 7.6 Such a meeting shall not be deemed to have proceeded for such period or periods where the audio, or audio and visual, communication facilities have been disconnected.
- 7.7 The chairperson shall have the discretion to postpone the meeting which had been disconnected and which cannot be reconnected within a reasonable time, to another date and time to be agreed by the participants of the meeting.

8.0 QUORUM

- 8.1 The quorum for NRC meeting shall be two (2) members with Independent Directors forming the majority.
- 8.2 In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the meeting, who must be an Independent Director.



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9.0 CIRCULAR RESOLUTIONS

- 9.1 A resolution in writing signed by all NRC members for the time being present in Malaysia shall be as valid and effectual as if it had been passed at a meeting of NRC duly called and constituted.
- 9.2 Any such resolution may consist of several documents in like form each signed by one (1) or more NRC members.
- 9.3 All decisions and/or approvals made via circular resolution shall be presented at the subsequent NRC meeting for notation.

10.0 MINUTES OF MEETINGS

- 10.1 The Secretary shall minute the proceedings and resolutions of all meetings of NRC. The minutes must record the decisions of NRC, including key deliberations, rationale for decision made, and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself/herself from deliberating on a particular matter.
- 10.2 Minutes of meetings shall be submitted to the Board for notification.

11.0 REPORTING

NRC shall report to the Board either in writing or verbally, as it considers appropriate on the matters within its terms of reference.

12.0 REVIEW OF THE TERMS OF REFERENCE

The Terms of Reference shall be reviewed and updated from time to time as and when required.

Dated this 1st November 2022.