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MALAYSIAN  
SMEs

## CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

### TERMS OF REFERENCE

#### BOARD NOMINATION AND REMUNERATION COMMITTEE

#### 1. Mandate

1.1 Pursuant to Article 95 of CGC's Constitution, the Board of Directors ("Board") may delegate any of its powers to committees, consisting of such member or members of the Board as it thinks fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.

#### 2. Objective

2.1 In line with the mandate, the Board Nomination and Remuneration Committee ("BNRC") is formed with the objectives to assist the Board on:-

- (i) the appointment and remuneration of Directors and Chief Executive Officer and/or Executive Director (if any) (*shall refer to Managing Director, President / Chief Executive Officer or any other designation thereof*) as well as the assessment of effectiveness of individual Directors, Board, Board Oversight Committees and the assessment on the performance of Chief Executive Officers and/or Executive Directors (if any) and Senior Management Officers; and
- (ii) CGC's key policies, strategies and practices on human resources, management succession plans, performance and reward system, business conduct and ethical behaviour of the employees.

### **3. Composition**

- 3.1 The appointments to the BNRC shall be made by the Board.
- 3.2 The BNRC shall comprise at least three (3) Non-Executive Directors as its Members ("BNRC Member/s"), of which the majority shall be independent.
- 3.3 The Board shall appoint the Chairman of the BNRC ("Chairman") who is either the Chairman of the Board or other Independent Non-Executive Director.
- 3.4 In the absence of the Chairman, the BNRC Members present shall elect an Independent Non-Executive Director among themselves to chair the BNRC Meeting.
- 3.5 The Chief Executive Officer and/or Executive Director (if any) or any other persons may be invited to attend the BNRC Meeting as the BNRC may deem appropriate and necessary.

### **4. Secretary**

- 4.1 The General Counsel & Company Secretary or his/her nominee shall act as the Secretary of the BNRC ("Secretary").

### **5. Quorum**

- 5.1 The quorum necessary for the transaction of business shall be three (3) BNRC Members present at the BNRC Meeting.

## **6. Frequency and Attendance**

- 6.1 The BNRC shall meet sufficiently regularly to discharge its duties effectively. The regularly scheduled BNRC Meetings shall be held at least two (2) times in each financial year, one (1) in every six (6) months or at any such number of time(s) as the Board requires or as the BNRC Members may deem necessary to fulfill the BNRC's responsibilities.
- 6.2 Additional meetings may be convened as and when urgent issues and important decisions are required to be taken between the scheduled BNRC Meetings.
- 6.3 BNRC Meetings will be scheduled in advance before the end of the current financial year to enable the BNRC Members to plan ahead and accommodate next year's BNRC Meetings into their respective meeting schedules.
- 6.4 A BNRC Meeting may be summoned by the Chairman or the Secretary on requisition of any BNRC Members.
- 6.5 The BNRC Member must attend at least 75% out of the BNRC Meetings held in each financial year.

## **7. Proceedings**

- 7.1 BNRC Meetings shall be governed as follows:-
- (i) The time and place of the BNRC Meeting will be determined from time to time by the BNRC Members.

- (ii) A reasonable prior written Notice of Meeting shall be given to each BNRC Member, preferably seven (7) working days before the date of the BNRC Meeting. The Notice of Meeting may be waived subject to the written consent of all BNRC Members.
- (iii) The Secretary, in consultation with the Chairman, shall draw up the BNRC Meeting Agenda (together with associated material) for circulation to each BNRC Member, preferably seven (7) working days before the date of the BNRC Meeting.
- (iv) The BNRC papers, proposal and reports shall clearly address the background, objective, key issues, rationale, impact and other relevant information to enable the BNRC Members to make an informed and effective decision or recommendation to the Board.
- (v) The BNRC Members shall have full and unrestricted access to all information within CGC and may obtain the resources which it requires including but not limited to expert advice, both internal and external, to enable the BNRC to fulfill its objectives.
- (vi) BNRC Meetings may be convened by way of instantaneous telecommunication device such as telephone, video conferencing or other electronic means of audio or audio-visual communications.

Participation by a BNRC Member in a meeting by way of instantaneous telecommunication device shall be treated as presence in person by that BNRC Member at the said meeting and shall be counted towards the quorum notwithstanding the fact that he is not physically present at the meeting venue where the meeting is to be held.

(vii) A BNRC Member must declare at the BNRC Meeting if the BNRC Member or his/her family (whether directly or indirectly):-

(a) has interest in CGC's contract or proposed contract; or

(b) holds any interests, offices or possesses properties relating to any matters deliberated in the BNRC Meeting which will be or is in conflict with his/her duties as a Director of CGC (conflict of interest).

*("family" shall include the BNRC Member's spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his/her child, brother or sister.)*

(viii) In the event of declared interest by the BNRC Member:-

(a) the Secretary shall minute the declaration;

(b) the relevant BNRC Member shall not participate in the discussion at the BNRC Meeting; and

(c) the relevant BNRC Member shall not vote on the interested matter (but will still be counted for quorum)

(ix) Each BNRC Member is entitled to one (1) vote in deciding the matters deliberated in the BNRC Meeting.

(x) The decision that gained the majority votes shall be the decision of the BNRC.

(xi) In the event of an equality of votes, the Chairman of the BNRC Meeting shall be entitled to a second or casting vote.

(xii) Unless otherwise decided by the BNRC Members, the BNRC Meeting session shall be electronically recorded.

## **8. Minutes of BNRC Meetings**

- 8.1 The minutes of the BNRC Meeting, where required, shall incorporate the proceeding, deliberation and resolution made at the BNRC Meeting including dissenting view, recommendation, decision and directive.
- 8.2 The draft minutes of the BNRC Meeting (“BNRC Minutes”) duly approved by the Chairman shall be circulated to the BNRC Members preferably within seven (7) working days from the date of the BNRC Meeting.
- 8.3 Upon confirmation by the BNRC, the fair copy of the BNRC Minutes shall be executed by the Chairman of the BNRC Meeting or the next BNRC Meeting.
- 8.4 The duly executed Board Minutes will be entered in CGC’s BNRC Minutes Book within fourteen (14) working days from the date of the BNRC Meeting.
- 8.5 Reproduction of any part of the BNRC Minutes can only be performed through/by the Secretary.

## **9. Circular Resolution**

- 9.1 In between BNRC Meetings, approvals or recommendations by the BNRC on urgent or important business matters may be made via Circular Resolution enclosing all relevant information to enable the BNRC Members to make informed decisions.

- 9.2 The Circular Resolution in writing duly signed by all BNRC Members save for BNRC Member who is precluded or prohibited from voting on same shall be as effective for all purposes as a resolution passed at a BNRC Meeting duly convened, held and constituted. For avoidance of doubt, electronic signatures, whether digital or encrypted, shall have the same force and effect as original signatures.
- 9.3 The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, telex, cable, telegram or other forms of electronic communications.
- 9.4 The date of the Circular Resolution shall be the date on which the last BNRC Member signed the Circular Resolution.
- 9.5 All Circular Resolutions signed by the BNRC Members shall be tabled for notation at the next BNRC Meeting.

## **10. Duties and Responsibilities**

- 10.1 The BNRC's duties and responsibilities can be categorised into the following:-
- (i) conducting review, assessment and making recommendation to the Board for decision on matters covered under this Terms of Reference ("TOR") or on any other such matters as may be directed by the Board; and
  - (ii) exercising its power to decide on behalf of the Board as mandated under this TOR.

## 10.2 Review, Assessment and Recommendation

The BNRC is responsible to report to the Board on the review, assessment and recommendation of the following matters:-

- (i) overall composition of the Board, in terms of the appropriate size, skills and the balance between Chief Executive Officer and/or Executive Director (if any), Non-Executive Directors and Independent Directors;
- (ii) minimum requirements for the Board, the required mix of skills, experience, qualification and other core competencies required of a Director;
- (iii) fitness and propriety of Directors, Chief Executive Officer and/or Executive Director (if any) as well as Company Secretary in accordance with BNM's Fit and Proper Guideline.;
- (iv) minimum requirements for the Chief Executive Officer and/or Executive Director (if any), the required mix of skills, experience, qualification and other core competencies required of a Chief Executive Officer and/or Executive Director (if any);
- (v) nominees for Directorship, Board Oversight Committees Membership, Chief Executive Officer and/or Executive Director (if any) and the Company Secretary (where applicable the assessments for reappointment);
- (vi) suitability of Independent Non-Executive Director whether such Independent Non-Executive Director can continue to be independent in character and judgement, and also to take into account the need for progressive refreshing of the Board;



- (vii) framework of remuneration for Directors and Chief Executive Officer and/or Executive Director (if any) for the Board's approval whereby the framework will cover all aspects of remuneration including director's fees, salaries, allowances, bonuses and benefits-in-kind;
- (viii) mechanism for formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board Oversight Committees and the performance of the Chief Executive Officer and/or Executive Director (if any) whereby the annual assessment will be conducted based on objective performance criteria which is approved by the Board;
- (ix) removal of Director or Chief Executive Officer and/or Executive Director (if any) from the Board or Management if the Director or Chief Executive Officer and/or Executive Director (if any) is ineffective, errant and negligent in discharging his/her responsibilities;
- (x) solutions on issues of conflict of interest affecting directors;
- (xi) termination or removal of Company Secretary if such Company Secretary becomes disqualified and no longer complies with any fit and proper requirements specified by Bank Negara Malaysia or any law/regulations;
- (xii) yearly Corporate Key Performance Indicators including the setting of the appropriate performance target parameters;
- (xiii) CGC's key human resources strategies, policies, performance and reward system for CGC employees to foster and promote ethical business conduct and behaviour, employee commitment to the operations of CGC and a high degree of employee engagement; and

(xiv) to ensure that the Corporation's total remuneration practices are regularly reviewed and benchmarked against industry standards.

For avoidance of doubt, the BNRC is not delegated with decision-making powers for the above matters but is required to report its recommendation to the Board for decision.

### 10.3 **Decision Making Mandates**

The BNRC is empowered by the Board to review, decide on and/or approve the following matters:-

(i) minimum requirements, required mix of skills, experience, qualification, core competencies, terms & conditions of the employment contracts for the Senior Management Officers;

*("Senior Management Officers" shall refer to the Chief Officers or any other officers who report directly to Chief Executive Officer and/or Executive Director. For avoidance of doubt, Senior Management Officers do not include Chief Executive Officer and/or Executive Director, Chief Internal Auditor and Chief Risk Officer.)*

(ii) appointment/re-appointment, termination or renewal of the contract of employment, the management of succession planning and the performance evaluation of Senior Management Officers;

(iii) fitness and propriety of Senior Management Officers in accordance with BNM's Fit and Proper Guideline;

(iv) minimum requirement, appointment/re-appointment, termination, contract of employment, the succession planning and the performance evaluation of Senior Vice President which are duly delegated to the Chairman of the BNRC and the Chief Executive Officer and/or Executive Director;

- (v) minimum requirement, appointment/re-appointment, termination, contract of employment, the succession planning and the performance evaluation of permanent contract employees which are duly delegated to the Chief Executive Officer and/or Executive Director;
- (vi) implementation and review on the Directors' Training Program in order for the Directors to keep abreast with the latest developments in the industry; and
- (vii) engagement of consultant / advisor to provide professional service and information in the furtherance of the BNRC's duties at CGC's expense, so as to ensure the BNRC Members are able to make informed decisions and recommendation to the Board.

For avoidance of doubt, any matters not covered under the Decision Making Mandates will be recommended by the BNRC for Board's decision.

## **11. Reporting to the Board**

11.1 The Chairman shall report to the Board on material matters arising at BNRC Meetings, on all matters within the BNRC's purviews and, where applicable, shall present BNRC's recommendations to the Board for decision / approval.

## **12. Annual General Meeting**

12.1 The Chairman is required to attend CGC's Annual General Meeting (or Extraordinary General Meeting) to answer any Shareholder's questions on the BNRC's activities.

### **13. Communication to the Management**

13.1 Decision made by the BNRC shall be communicated to the Management in due course to ensure that the decisions and directions are executed in a timely manner.

13.2 The Management shall take immediate action on all matters arising from the BNRC Meeting and update the BNRC Members on the status of these matters at the next BNRC Meeting or if deemed urgent via circulation of memorandum.

### **14. Other Provisions**

14.1 This TOR may be amended by the Board from time to time in order to retain its usefulness.

14.2 Unless otherwise restricted under the law, CGC's Constitution or by the Board, nothing herein shall restrict the BNRC from delegating specific responsibilities to the Management or any person.