
HONG LEONG BANK BERHAD
TERMS OF REFERENCE OF THE NOMINATION AND REMUNERATION COMMITTEE
(“NRC”)

1. Composition

The NRC shall –

- 1.1 have at least three directors;
- 1.2 comprise only non-executive directors, with a majority of them being independent directors;
- 1.3 be chaired by an independent director who is not the Chairman of the Board; and
- 1.4 comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the NRC.

2. Secretary

The Secretary(ies) to the NRC are the Company Secretary(ies) of the Bank.

3. Terms and Reference**3.1 Nomination**

- 3.1.1 To establish clear, formal and transparent policies and procedures for the appointment and re-appointment of members of the Board, Board Committees, CEO and Senior Officers of the Bank.
- 3.1.2 To recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board Committees and for the position of CEO of the Bank.
- 3.1.3 To review and recommend to the Board all Board appointments, and re-appointments of the Bank including the CEO.
- 3.1.4 To review and recommend to the Board suitable persons for appointment as member of the Board Committees of the Bank.

3.2 Fit and Proper Assessment

- 3.2.1 To assess the fitness and propriety of Directors, CEO and Company Secretary of the Bank in accordance with the relevant Fit and Proper Policy of the Bank to ensure that they are not disqualified and comply with the fit and proper requirements as may be specified under the FSA 2013 and CA 2016, and to make the necessary recommendation to the Board of the Bank.

3.2.2 To recommend to the Board the termination or removal of a Director, CEO, or Company Secretary of the Bank, if the individual concerned is ineffective, errant, or negligent in discharging his duties or if a Director, CEO, or Company Secretary becomes disqualified and no longer complies with any of the fit and proper requirements as may be specified under the FSA 2013 and CA 2016.

3.2.3 To oversee the fit and proper assessment of Senior Officers of the Bank in accordance with the relevant Fit and Proper Policy of the Bank to ensure that they are not disqualified and comply with the fit and proper requirements as may be specified under the FSA 2013[#].

Notes[#]:

- i) *The Board had on 25 April 2011 delegated the authority for assessment of the Senior Officers of the Bank, and to determine the list of Senior Officers from time to time as deemed appropriate, to the GMD/CEO of the Bank. The Board had also delegated the authority for assessment of CIA and CRO to the BAC and BRMC respectively.*
- ii) *The Board had on 25 July 2016 delegated the authority for assessment of CCO of the Bank to the GMD/CEO and BRMC of the Bank.*

3.3 Annual Evaluation

3.3.1 To review the overall composition of the Board in terms of the appropriate size, skills, diversity, the balance between executive directors, non-executive and independent directors, mix of skills and other core competencies required.

3.3.2 To assess annually the performance and effectiveness of the Board, Board Committees and each individual director.

3.3.3 To review annually the term of office and performance of the BAC of the Bank and each of its members to determine whether the BAC and its members have carried out their duties in accordance with the Terms of Reference of the BAC.

3.3.4 To oversee the review and performance evaluation of the CEO of the Bank, the Senior Officers and Other Material Risk Takers of the Bank.

3.4 Remuneration

3.4.1 To recommend to the Board the framework and policies governing the remuneration of the:

- Directors;
- CEO;
- Senior Officers; and
- Other Material Risk Takers.

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- 3.4.2 To review and recommend to the Board for approval the specific remuneration packages for the appointment of the executive director(s) and CEO of the Bank.
- 3.4.3 To review annually and recommend to the Board for approval the remuneration of CEO, Senior Officers and Other Material Risk Takers of the Bank.
- 3.4.4 To periodically review the remuneration of Directors on the Board, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.
- 3.5 Succession Management**
- 3.5.1 To regularly review succession plans for the Board of the Bank to promote Board renewal and address any vacancies.
- 3.5.2 To oversee the succession planning and talent management of key senior management officers of the Group.
- 3.6 Directors' Development**
- 3.6.1 To evaluate the training needs of each Director, and to ensure that all Directors of the Bank receive appropriate and continuous training to keep abreast of the latest development in the industry.
- 3.6.2 To ensure that sufficient resources are dedicated toward the on-going development of the Directors of the Bank.
- 3.7 Executive Share Scheme ("ESS")**
- 3.7.1 To review and recommend to the Board the financial and performance targets/ criteria prior to implementation of the ESS, and to include other conditions relevant thereto, as it deem fit.
- 3.7.2 To review and recommend to the Board the vesting period and criteria for the ESS.
- 3.7.3 To review and recommend to the Board the allocation of shares to eligible executives, for each grant to be made throughout the duration of the ESS.
- 3.7.4 To review and recommend to the Board the regulations relating to the ESS, including any changes thereof, provided that such regulations are not inconsistent with the provisions of the ESS Bye-Laws.

3.8 Others

3.8.1 To review and recommend to the Board the performance management framework and policies of the Bank.

3.8.2 Such other responsibilities as may be delegated to the NRC by the Board of the Bank from time to time.

4. Authority

4.1 The NRC is authorised by the Board to:

- a) review any activity of the Group within its Terms of Reference;
- b) seek any information it requires from any Director or member of Senior Officers, and all employees are directed to co-operate with any request made by the NRC, including but not limited to providing the NRC with sufficient support and resources required to investigate any matter within the mandates of the NRC; and
- c) obtain independent legal or other professional advice as it considers necessary.

4.2 The Board remains fully accountable for any authority delegated to the NRC.

5. Group Governance

- 5.1 HLFG as an apex entity has overall responsibility for ensuring the –
- (i) establishment and operation of a clear governance structure within the Group; and
 - (ii) implementation of prudential standards in a manner providing sufficient coverage of material risks arising from the activities of the Group.
- 5.2 Subject to relevant regulatory requirements, HLB shall provide relevant information to HLFG on matters which present material risks to itself or to the HLFG Group as a whole, and consider the remedial or corrective actions recommended by HLFG to address such materials risks.
- 5.3 HLFG's Human Resource function may propose objectives, strategies, plans, governance framework and policies for adoption and implementation throughout the Group.

- 5.4 The respective subsidiaries' board of directors and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of Group-wide policies.

6. Convening of Meetings

- 6.1 The NRC shall hold at least two (2) meetings (which may include meetings conducted via telephonic and video conference) in each financial year to be convened by the Secretary to the NRC.
- 6.2 Upon the request of any NRC Member, the Chairman shall convene a meeting of the NRC to consider any matters which the NRC Member believe should be brought to the attention of the NRC.
- 6.3 The CEO, representatives of Human Resources Department and other employees are invited to attend the NRC meetings, whenever required.

7. Notice of Meetings

- 7.1 The notice and agenda for each meeting shall be circulated to all NRC Members specifying the date, time and venue of the meeting and setting out the matters to be discussed.
- 7.2 The NRC may invite such other persons as they deem necessary to the meetings.

8. Recording of Proceedings

- 8.1 The NRC Members shall cause minutes to be made of all proceedings and decisions taken at NRC meetings, and of the attendances thereat.
- 8.2 A copy of the minutes of each meeting shall be circulated to every member of the Board.
- 8.3 The minutes are to be signed by the Chairman at the next succeeding meeting. Any minutes signed by the Chairman of the meeting to which they relate or of the meeting at which they are read, shall be sufficient evidence without any further proof of the facts stated therein.

- 8.4 The minutes of the NRC shall be kept by the Secretary to the NRC at the registered office of the Bank and shall be opened for inspection of the Board at any time.
- 8.5 After each NRC meeting, the NRC shall report and update the Board on significant issues and concerns discussed during the NRC meetings and where appropriate, make the necessary recommendations to the Board.

9. Quorum

At least half of the number of the NRC Members shall form a quorum.

10. Decisions

- 10.1 Any decision to be taken by the NRC or questions arising at any meeting shall be determined by a majority of votes of the NRC Members present and in the case of an equality of votes, the Chairman shall have a second or casting vote.
- 10.2 A member of the NRC who has, directly or indirectly, an interest in a matter presented to the NRC shall not be present at the NRC meeting where such matter is being deliberated by the NRC. The interested NRC member may be counted in the quorum present at the NRC meeting.

11. Circular Resolutions

- 11.1 A resolution in writing signed by a majority of NRC Members shall be as valid and effectual as if it had been passed at a meeting of the NRC duly convened and held. Any such resolution may be contained in a single document or may consist of several documents in like form, each signed by one or more NRC Members.
- 11.2 For the purpose of this provision, “in writing” and “signed” include approval by facsimile, email and other electronic means.

Definition

“BAC”	refers to Board Audit Committee.
“BNM”	refers to Bank Negara Malaysia.
“BNM CG Policy”	refers to BNM policy document on Corporate Governance.
“BNM F&P Policy”	refers to BNM policy document on Fit and Proper Criteria.
“CA 2016”	refers to Companies Act, 2016.
“CCO”	refers to Chief Compliance Officer.
“GMD/CEO”	refers to Group Managing Director/ Chief Executive Officer.
“CIA”	refers to Chief Internal Auditor.
“CRO”	refers to Chief Risk Officer.
“Bank” or “HLB”	refers to Hong Leong Bank Berhad.
“FSA 2013”	refers to Financial Services Act, 2013.
“Group”	refers to HLB and its subsidiaries.
“MMLR”	refers to Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
“Other Material Risk Takers”	<p>refer to officers who are not members of Senior Officers and who:</p> <ul style="list-style-type: none">i) can materially commit or control significant amounts of the Bank’s resources or whose actions are likely to have a significant impact on its risk profile; orii) is among the most highly remunerated officers in the Bank. <p>The list of Other Material Risk Takers is reviewed regularly by GMD/CEO.</p>
“Senior Officers”	<p>refer to officers who:</p> <ul style="list-style-type: none">i) are performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities of the Bank; orii) assume primary or significant responsibility for key control functions. <p>The list of Senior Officers is reviewed regularly by GMD/CEO.</p>