

PETRONAS DAGANGAN BERHAD (88222-D)
NOMINATION AND REMUNERATION COMMITTEE'S
TERMS OF REFERENCE

1. Purpose

The Committee is to assist the Board of Directors ("the Board") in the following area:-

- (a) Establish and assess membership qualifications for the Board of Directors, including defining specific criteria for Directors' independence and committee membership criteria;
- (b) Recommend to the Board on candidates for directorship for both the Executives and Non-Executives to the Board of the Company (in consideration of the professionalism, mix of skills, experience, personality, competency and integrity as required therein);
- (c) Periodically assess the performance of the Board as a whole, the various Committees of the Board and the contribution of each individual Director; and
- (d) Review and recommend the remuneration policies and procedures which is used to determine remuneration packages of Directors, including that of the Chief Executive Officer ("CEO") as well as the key Senior Management personnel within the Company.

2. Scope of Authority

- (a) The Committee within the scope of its assigned duties is authorised to seek any information it requires from employees, company officers and external parties;
- (b) The Committee may engage external consultants and other Advisers or otherwise obtain such independent legal or other professional services it requires, at the expense of the Company; and
- (c) The Board will provide the Committee with sufficient resources to undertake its duties, including access to the company secretariat.

3. Composition

- (a) The Committee shall have at least three members;
- (b) Members shall be appointed by the Board from amongst its members and shall comprise exclusively of Non-Executive Directors, a majority of whom must be independent;
- (c) The actual number of members shall be determined from time to time by resolution of the Board;
- (d) Members of the Committee should be suitably knowledgeable in matters pertaining to Corporate Governance; and
- (e) The Chair of all Board Committees shall be one of the members of the NRC.

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4. Removal and Resignation

- (a) The entire Committee or individual member may be removed from office without cause by the affirmed vote of a majority of the Board of Directors;
- (b) Any committee member may resign effective upon giving written notice to the Chairman of the Board of Directors, the Company Secretary or the Board of Directors (unless the notice specifies a later time for the effectiveness of such resignation); and
- (c) If the resignation of a member is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

5. Quorum

The presence of two directors which includes one Independent Non-Executive Director shall form a quorum for the Committee Meetings.

6. Chairman

- (a) The Chairman, who shall be an Independent Director, may be designated by the Board based upon recommendations by the Committee, if any; and
- (a) In the absence of the Chairman, the remaining members present shall elect one of their members as Chairman of the meeting.

7. Secretary

The Secretary to the Committee shall be the Company Secretary or any other person appointed by the Committee.

8. Meetings and Minutes

- (a) The Committee shall meet at least once a year or at such other times as the Chairman of the Committee deems necessary;
- (b) In addition to the regular meeting schedule established by the Committee, the Chairman of the Committee or any other member of the Committee, may call a special meeting at any time;
- (c) Meetings of the Committee shall be arranged by the Secretary at the request of the Committee Chairman or any other member of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting papers;

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- (d) The Committee shall regulate its own detailed procedures, in particular, the calling of meetings, the notice to be given for meetings, the voting and proceedings of meetings, the keeping of minutes and the custody, production and inspection of minutes;
- (e) Minutes of each meeting shall be distributed to each member of the Committee. Meeting minutes shall be confirmed at the next meeting of the Committee and shall be available on request from the Secretary to all Non-Executive Directors;
- (f) Minutes of each meeting shall be distributed to the Board for notation.
- (g) Questions arising shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote provided that where two members form a quorum. The Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote;
- (h) The Committee may also decide by way of the Committee's circular resolutions. A resolution in writing signed or approved by letter by all the members who may at the time be present in Malaysia, being not less than two Directors are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the Nomination and Remuneration Committee duly called and constituted. All such resolutions shall be described as "Nomination and Remuneration Committee Circular Resolutions" and shall be forwarded or otherwise delivered to the Secretary without delay and shall be recorded by the Secretary in the Company's minute book and submitted for confirmation at a meeting of the Board next, following the receipt thereof by the Secretary; and
- (i) Attendance of other directors and employees at any particular Committee meeting shall only be at the Committee's invitation, specific to the relevant meeting.

9. Committee Evaluation

The Committee will annually complete a self-evaluation of the Committee's own performance and effectiveness, and will also consider whether any changes to the Committee's Terms of Reference are appropriate.

10. Duties and Responsibilities

The following shall be the common recurring duties and responsibilities of the Committee in carrying out its purposes. These duties and responsibilities are set forth as a guide to the Committee with the understanding that the Committee may alter or supplement them as deemed appropriate under the circumstances to the extent permitted by applicable laws.

(a) Board Composition:

- (i) The Committee shall review and assess the mix of skills, expertise, composition, size and experience of the Board, including core competencies of the Non-Executive Directors, as well as consider aspects of boardroom diversity, including gender, age and ethnicity;

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- (ii) The Committee shall make recommendations with regard to any adjustments that are deemed necessary as an outcome of the review and assessment of the Board structure, size and composition;
- (iii) The Committee shall make appropriate recommendations to the Board on matters of renewal or extension of Directors' appointment and reappointment of retiring Directors;
- (iv) The Committee shall be responsible for making the recommendation, including shareholder's nominations to the Board and reviewing potential candidates for both Executive and Non-Executive Directorship on the Board of the Company, as required, to provide an appropriate balance of knowledge, skills, experience, capability and diverse background, including gender, age and ethnicity in meeting the needs of the Company;
- (v) The Committee shall establish and provide an on-going review of the membership qualifications for the Board of Directors and all Board Committees, including defining specific criteria for Director's independence and committee membership criteria;
- (vi) The Committee shall monitor compliance with Board of Directors and Board Committee membership criteria; and
- (vii) The Committee shall be responsible for overseeing the development of a succession management plan for the Non-Executive Directors.

(b) Board Effectiveness Review:

- (i) The Committee shall assess and evaluate the effectiveness:
 - a) of the Board as a whole;
 - b) the Committees of the Board; and
 - c) the contribution of each individual Director.

All assessments and evaluations carried out by the Committee in the discharge of all its functions shall be properly documented; and

- (ii) The Committee shall provide oversight of the performance and effectiveness of the self-evaluation process for the Board and its Committees.

(c) Directors' Development:

- (i) The Committee shall undertake the assessment of Directors' training and development needs (e.g. seminars, training, programmes, workshops and conferences) to further enhance business acumen and professionalism in discharging their duties to the Company; and
- (ii) The Committee shall keep itself updated on new regulations and requirements in relation to governance.

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(d) Remuneration:

- (i) The Committee shall review and recommend the Company's framework, relating to the policies and procedures in determining the remuneration and compensation packages of the Directors to attract and retain Directors;
- (ii) The Committee shall review and recommend the remuneration of Non-Executive Directors to ensure that it is aligned to the market and reflective of experience and expertise that commensurate with the duties and responsibilities; and
- (iii) The Committee shall review the remuneration framework of the CEO and key Senior Management personnel of the Company.

(e) The Committee shall also undertake the following in relation to the Company's Chief Executive Officer and key Senior Management:-

- (i) The Committee shall, at least annually, evaluate the CEO and Senior Management's performance as measured against the goals and objectives of the Company;
- (ii) The Committee shall oversee the development of a succession management plan for the CEO and Senior Management and shall make an annual report to the Board; and
- (iii) At least annually, at a meeting to which all Independent Directors are invited, evaluate the CEO and Senior Management's performance as measured against the goals and objectives of the Company.

(f) General:

- (i) The Committee shall consider the appointment of the service of such Advisors or Consultants as it deems necessary to fulfil its functions;
- (ii) To review the proposed terms of any major new plans, programmes and arrangement for benefits of employees of the Company; and
- (iii) To monitor compliance with corporate governance standard.