



**PETRONAS**

**PETRONAS DAGANGAN BERHAD**

**REGISTRATION NO.: 198201008499 (88222-D)**

**NOMINATION AND REMUNERATION COMMITTEE  
TERMS OF REFERENCE**

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## **1. CONSTITUTION**

The Nomination and Remuneration Committee ("NRC" or "Committee") was established by the Board of Directors ("Board") pursuant to its Resolution passed on 7 August 2014.

## **2. PURPOSE**

The Nomination and Remuneration Committee ("NRC" or "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 candidate(s) for directorship for both the Executives and Non-Executives Directors of the Company and candidate(s) for Key Leadership Team (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 Leadership Team.

## **3. 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.

**4. COMPOSITION**

- (a) The members and Chairman of the Committee shall be appointed by the Board from amongst its members and shall consist of not less than three (3) members, all of whom must be Non-Executive Directors, with a majority of them being independent;
- (b) No Alternate Director shall be appointed as a member of the Committee;
- (c) The Chairman of the Board shall not be a member of the NRC;
- (d) The actual number of members shall be determined from time to time by resolution of the Board;
- (e) The Chairman of all Board Committees shall be one of the members of the NRC; and
- (f) Members of the Committee should be suitably knowledgeable in matters pertaining to Corporate Governance.

**5. CHAIRMAN**

The Chairman, who shall be an Independent Director, may be designated by the Board based upon recommendations by the Committee, if any.

**6. 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);
- (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; and
- (d) The appointment of a Committee member shall automatically be terminated if the member ceases to be a director for any reason whatsoever or as determined by the Board.

## **7. SECRETARY**

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

## **8. MEETINGS AND CIRCULAR RESOLUTION**

### **8.1 Frequency**

- (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.

### **8.2 Attendance**

- (a) The Managing Director/Chief Executive Officer shall normally attend meetings.
- (b) Attendance of other directors, employees and consultants at any particular Committee meeting shall only be at the Committee's invitation, specific to the relevant meeting.

### **8.3 Chairman of the Meeting**

- (a) The Chairman of the Committee shall be the Chairman of the meeting and in the absence of the Chairman, the remaining members present shall elect one of their members as Chairman of the meeting.

### **8.4 Notice and Agenda**

- (a) 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;

- (b) 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;

**8.5 Quorum**

No business shall be transacted at any meeting of the Committee unless a quorum is present. The presence of two (2) members which includes one (1) Independent Non-Executive Director shall form a quorum.

**8.6 Meeting Mode**

Whilst the preference is for meetings to be conducted in a face-to-face manner or physical meetings, meetings may be held by telephone conferencing, video conferencing or by any digital means, and any member participating via the said means shall be deemed to be present in person and counted as quorum for the meeting.

**8.7 Voting**

- (a) 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 (2) members form a quorum. The Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote;
- (b) The Chairman and other Committee members must ensure that they are not in COI situation in respect of any action, submission, request or proposal in question. Where there is actual or perceived conflict of interests, he/she must declare such conflict of interests and abstain from deliberations and voting on the matter. Where the Chairman is in conflict, the other Committee members present shall appoint through simple majority any one of them present at the meeting to preside over the particular meeting as ad hoc chairman.

**8.8 Meeting Minutes**

- (a) 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; and
- (b) Minutes of each meeting shall be distributed to the Board for notation.

**8.9 Circular Resolution**

The Committee may from time to time and if deemed appropriate, consider and approved and/or recommend relevant matters via a Committee's circular resolutions in lieu of formally convening a meeting. A resolution in writing signed or approved by letter and transmitted by any electronic means by all the members who may at the time be present in Malaysia, being not less than two

(2) Directors are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the NRC duly called and constituted; and

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 the meeting of the Committee, following the receipt thereof by the Secretary.

## **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**

### **10.1. Board Appointment**

- (i) The Committee shall make 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;
- (ii) The Committee shall make appropriate recommendations to the Board on matters of renewal or extension of Directors' appointment and reappointment of retiring Directors;
- (iii) The Committee shall be guided by the Directors' Fit and Proper Policy in their review and assessment of candidates that are to be appointed to the Board as well as Directors who are seeking re-election.
- (iv) The Committee shall assess conflict of interest ("COI") and/or potential COI prior to recommending the appointment to the Board and if necessary to escalate the finding of the assessment to the BAC and the Board for further deliberation and decision.

### **10.2. 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;

- (ii) 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.
- (iii) The Committee shall monitor compliance with Board of Directors and Board Committee membership criteria; and
- (iv) 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.

#### **10.3. Board Effectiveness Evaluation:**

- (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;

- (ii) An external consultant shall be engaged to conduct Board Effectiveness Evaluation exercise once every three (3) years to facilitate an objective and candid board evaluation; and
- (iii) The Committee shall provide oversight of the performance and effectiveness of the self-evaluation process for the Board and its Committees.

#### **10.4. Board Succession Planning and Directors' Development:**

- (i) The Committee shall be responsible for overseeing the development of a succession management plan for the Non-Executive Directors.
- (ii) 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
- (iii) The Committee shall keep itself updated on new regulations and requirements in relation to governance.

**10.5. 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 Leadership Team of the Company.

**10.6. CEO and Leadership Team**

The Committee shall also undertake the following in relation to the Company's CEO and Key Leadership Team:

- (i) Review and, if thought appropriate, endorse the appointment of CEO, Chief Operating Officer ("COO"), and Chief Financial Officer ("CFO").
- (ii) At least annually, at a meeting to which all non-executive directors are invited, review and discuss the MD/CEO Scorecard and key performance indicators (KPIs) to drive organisational performance
- (iii) At least annually, at a meeting to which all non-executive directors are invited, evaluate the performance of the CEO, and Key Leadership Team as measured against the goals and objectives of the Company; and
- (iv) Deliberate the succession planning for the CEO, and Key Leadership Team, and to oversee the succession planning for other roles in the Leadership Team.

Key "Leadership Team" is defined as COO and CFO.

Whilst "Leadership Team" is defined as those meeting the following criteria:

- All direct reports to CEO or all direct reports to COO
- At least General Manager ("GM") level

**10.7. General:**

- (i) To 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.

**11. REVISION OF THE TERMS OF REFERENCE**

- 11.1 The Committee may from time to time or at least once every three (3) years review or amend its Terms of Reference, provided always that the said revisions or amendments are in compliance with applicable laws, directives and guidelines and that thereafter shall be recommended to the Board for approval.
- 11.2 A revised Terms of Reference shall be effective upon approval by the Board.