



# **TELEKOM MALAYSIA BERHAD**



# CONTENTS

<b>1. DEFINITIONS AND INTERPRETATION</b> .....	<b>3</b>
<b>2. BOARD OF DIRECTORS</b> .....	<b>6</b>
2.1. PRINCIPAL RESPONSIBILITIES OF THE BOARD .....	6
CONFLICT OF INTEREST .....	9
2.2. A) BOARD COMPOSITION AND BALANCE .....	9
2.3. BOARD APPOINTMENT PROCESS.....	10
2.4. BOARD TRAINING AND KNOWLEDGE ACQUISITION .....	11
2.5. BOARD EFFECTIVENESS EVALUATION (BEE) .....	11
2.6. RE-ELECTION OF DIRECTORS .....	12
2.7. BOARD OPERATING MODE AND INTERACTIONS .....	12
<b>3. DIVISION OF POWER</b> .....	<b>14</b>
3.1. DIVISION OF ROLES OF THE BOARD AND MANAGEMENT.....	14
3.2. DIVISION OF ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND EXECUTIVE DIRECTORS .....	14
<b>4. CHAIRMAN, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS</b> .....	<b>15</b>
4.1. CHAIRMAN .....	15
4.2. EXECUTIVE DIRECTORS.....	16
4.3. NON-EXECUTIVE DIRECTORS (NEDs) .....	16
4.4. SID.....	17
<b>5. BOARD COMMITTEES</b> .....	<b>19</b>
5.1. BAC .....	19
5.2. NRC .....	29
5.3. BTC.....	38
5.4. BRIC .....	42
5.5. BOARD SUB-COMMITTEES .....	48
<b>6. REMUNERATION LEVELS OF DIRECTORS</b> .....	<b>49</b>
<b>7. BOARD’S ACCESS TO INFORMATION</b> .....	<b>50</b>
<b>8. ACCOUNTABILITY AND AUDIT</b> .....	<b>51</b>
8.1. FINANCIAL REPORTING .....	51
8.2. COMPANY AUDITORS .....	51
8.3. INTERNAL CONTROLS AND RISK MANAGEMENT .....	51
<b>9. GENERAL MEETINGS</b> .....	<b>53</b>
9.1. NOTICE OF GENERAL MEETING .....	53
9.2. INTERACTION AND COMMUNICATION DURING THE GENERAL MEETING .....	53
9.3. ATTENDANCE AND VOTING AT THE GENERAL MEETING .....	53
9.4. ANNUAL GENERAL MEETING (AGM) AND EXTRAORDINARY GENERAL MEETING (EGM).....	54
<b>10. CORPORATE DISCLOSURE POLICIES AND PROCEDURES</b> .....	<b>55</b>
<b>11. RELATIONSHIP AND COMMUNICATION WITH STAKEHOLDERS</b> .....	<b>56</b>
11.1. BOARD’S GUIDELINE ON CREATING RELATIONSHIP AND COMMUNICATION WITH STAKEHOLDERS .....	56
11.2. SHAREHOLDERS AND INVESTORS .....	56
11.3. EMPLOYEES .....	57
11.4. RELATIONSHIP WITH OTHER STAKEHOLDERS .....	57
11.5. ENVIRONMENT.....	57
<b>12. STRATEGY TOWARDS PROMOTING SUSTAINABILITY</b> .....	<b>58</b>
<b>13. COMPANY SECRETARY</b> .....	<b>59</b>

14. APPLICATION .....	60
15. REVISION OF THE CHARTER .....	60

## 1. DEFINITIONS AND INTERPRETATION

### 1.1. In this Board Charter, where the context so admits the following expressions shall have the following meanings:

Act	Companies Act 2016 and every statutory modification or enactment thereof for the time being in force and includes all subsidiary legislation made thereunder;
AGM	Annual General Meeting of the Company;
Appointed Directors	Directors appointed by the Special Shareholder;
Blue Book	Blue Book Version 2 on the “Intensifying Performance Management Practices” launched in July 2005 by the PCG to encourage adoption of performance management best practices at GLCs;
Board or Board of Directors	Board of Directors of the Company from time to time;
BAC	Board Audit Committee;
BTC	Board Tender Committee;
BRIC	Board Risk and Investment Committee;
Bursa Securities or Exchange	Bursa Malaysia Securities Berhad and shall include any other exchanges on which the Company’s shares may for the time being listed;
CBE	Code of Business Ethics of TM including any amendments that may be made from time to time;
Chairman	Chairman of the Board;
CIA	Chief Internal Auditor;
Charter	This Board of Directors’ Charter;
COI	Conflict of Interest
Company or TM	Telekom Malaysia Berhad (198401016183 [128740-P]);
Company Secretary or Secretary	Any person or persons appointed to perform the duties of a secretary of a Company and (subject to the provisions of the Act) includes an Assistant, Deputy, or Joint Secretary, and any person appointed by the Board to perform any of the duties of the Secretary;
Constitution	The Constitution of the Company as originally framed or as from time to time altered by special resolution;
Cosec	Executives from the Group Company Secretarial Division;
CR	Circular Resolution;
Deputy Group CEO	Deputy Group Chief Executive Officer or by any other nomenclature that preside the office of the deputy of the head of management in the Company;

Directors	Directors of the Company holding office for the time being, and, unless otherwise stated, includes their duly appointed alternates;
ESS	Employee Share Scheme;
Executive Director	A Director appointed by the Special Shareholder to hold such a position and attends to the day to day business of the Company;
GIA	Group Internal Audit;
GP	Group Procurement Division;
Group CEO	Group Chief Executive Officer or by any other nomenclature that preside the office of the head of management in the Company;
Group CFO	Group Chief Financial Officer or by any other nomenclature that preside the office of the head of finance in the Company;
Independent Director	A Director who does not participate in the management of the Company and who satisfies the criteria for “independence” sets out in Chapter 1 of the Main LR;
INED	Independent Non-Executive Director;
LOB	Line of Business;
LTIP or Plan	The long term incentive plan established by the Company which shall be known as the “Telekom Malaysia Berhad Long Term Incentive Plan” to be administered in accordance with the LTIP By-Laws;
LTIP By-Laws	Means, collectively the terms and conditions governing the LTIP as amended, modified and/or supplemented from time to time;
LTIP Committee	means a committee established pursuant to By-Law 12.1 to implement and administer the Plan in accordance with LTIP By-Laws;
Main LR	Main Market Listing Requirements of Bursa Malaysia Securities Berhad including any amendments to the Listing Requirements that may be made from time to time;
MCCG	Malaysian Code on Corporate Governance including any amendments that may be made from time to time;
Member	any person for the time being holding shares in the Company and whose name appears in the Register of Members (except the Depository or its nominee company) and, subject to the provisions of the Foreign Ownership Regulations and the Company’s Constitution, any depositor in whose securities accounts shares of the Company stand in credit;
NED(s)	Non-Executive Director(s);
NINED(s)	Non-Independent Non-Executive Director(s);
NRC	Nomination and Remuneration Committee;

Pivotal Position	Critical positions to deliver the strategies of the organization who are: <ul style="list-style-type: none"> <li>a) Unclassified (UC) positions, direct reports to GCEO who are in Band 5B and positions that are critical to the business; and</li> <li>b) Any other positions that are deemed strategic for the Company by the NRC from time to time.</li> </ul>
Remuneration Framework	A framework that embodied the compensation, including fees and benefits accorded to the directors in TM Group and the revision thereof;
RRPT	Recurrent Related Party Transaction and has the meaning according to Chapter 10.02 of the Main LR;
SC	Securities Commission;
Senior Management	Members of Management Committee (MC);
Special Share	One Special Rights Redeemable Preference Share;
Special Shareholder	The Minister of Finance, a body corporate established under the Minister of Finance (Incorporation) Act 1957, its successor or any Minister, representative or any other person acting on behalf of the Government of Malaysia in the holding of the Special Share;
SID	Senior Independent Non-Executive Director;
TM Group	TM together with its subsidiaries and associate companies in which the Company holds twenty percent (20%) or more of the issued capital; and
ToR	Terms of Reference.

**1.2.** In this Charter, unless the context otherwise requires, words importing the masculine gender shall include the feminine, neuter genders and vice versa; and

**1.3.** Words importing the singular shall include the plural and vice versa.

## 2. BOARD OF DIRECTORS

### Clause

#### 2.1. Principal Responsibilities of the Board

2.1.1. The objective of the Board is to essentially review, approve and contribute to the long-term strategy of the Company. The Board is also responsible for monitoring the Management's implementation of the strategy. In this respect, the Directors should bring onto the Board their collective experience and expertise to enable them to evaluate, identify and understand both the internal and external environments of the Company. In short, ensuring that the Company is properly run underpins the fundamental Board's function. Further to the above, the Board's principal role is also to identify and retain Directors who are able to add value to the Board as well as to the Company.

2.1.2. The Board's principal focus is the overall strategic direction, development and control of the Group, in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company whilst reasonably rely on the honesty and integrity of the Company's senior management, experts in legal, accounting, financial and other advisors. The Directors, collectively and individually, must at all times act honestly and use reasonable diligence in discharging their duties.

2.1.3. The Board will at all times as far as practicable, collectively and individually exercise its fiduciary duties and use reasonable care, skill and diligence when executing its duties.

2.1.4. The Board shall assume the following six (6) core responsibilities in discharging its stewardship in the Company:

2.1.4.1. Review and adopt a strategic plan for TM Group.

Provide strategic drive for the Company by guiding Top Management in developing corporate strategy and shall review, challenge and approve Management's strategic plan for the Company.

2.1.4.2. Oversee and evaluate the conduct of the Company's business.

Establish sound framework for governance to oversee the conduct of the Company's business and to evaluate whether the business is being managed properly. The Board must also ensure that there are objectives in place against which Management's performance can be measured.

2.1.4.3. Risks Management.

Establish sound framework for risk management to enable identification of risks and ensure the implementation of appropriate systems to manage these risks. The target is to achieve a proper balance between risks incurred and potential returns to shareholders.

2.1.4.4. Internal controls.

Establish a sound framework for internal controls and review the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. Boards must ensure that there is a satisfactory framework of reporting on internal financial controls and regulatory compliance.

Establish an internal audit function in the Company in order to obtain assurance of regular review and/or appraisal of the effectiveness of the system of internal controls within the company. The Board should explain in summary the means that exist for obtaining such assurance of regular review and/ or appraisal.



**2.1.4.5. Monitor Succession Planning**

Ensure succession planning, including appointing, training, fixing the compensation of and where appropriate replacing senior management. The Board will assess the Group CEO's performance against the objectives established by the Board in co-operation with the Group CEO and will assess his or her contribution on corporate strategy.

The Board should ensure that the programmes in place to provide for succession of senior management are adequate and satisfactory.

**2.1.4.6. Develop and implement an investor relations programme**

Ensures the Management develop and implement an investor-relations programme or shareholder communications policy for the Company. The policy should ensure that it effectively interprets the operations of the Company to the shareholders and must accommodate feedback from shareholders, which should be factored into the Company's business decisions.

**2.1.5. The Board may adopt the following means and measures to facilitate the execution of its duties and discharging of core responsibilities efficiently:**

2.1.5.1. Appoint a committee of Directors composed exclusively of NEDs, a majority of whom are independent, with the responsibility of proposing new nominees for the Board and for assessing Directors on an on-going basis ensuring that the board composition meets the needs of the Company. The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of such a committee.

2.1.5.2. Examine its own size with a view to determining the impact of the number on the Board effectiveness. Bearing in mind the principal responsibilities, the Board should ensure that it has adequate number of Directors to discharge these responsibilities and perform those functions.

2.1.5.3. Delegate its authority to committees comprising the Board members to facilitate effective and efficient deliberation and decision on specific issues.

2.1.5.4. Conduct assessment of newly proposed Directors, identify, nominate, appoint and orientate new Directors in terms of suitability and competencies to enhance governance. The Board may perform this function as a whole or as a matter of best practice, delegated to the NRC.

The Board shall assess each Director's performance, competencies, commitment and contribution for the year on an annual basis.

2.1.5.5. Identify a SID of the Board according to his character and experience to lead as the spokesperson for the Independent Directors.

2.1.5.6. Exercise an adequate degree of independence and have a process and procedure in place to allow Directors to meet and exchange views. This gives the Board the opportunity to effectively assess the direction of the Company and the performance of the Management.

2.1.5.7. Directors should devote sufficient time to carry out their responsibilities and should notify the Chairman and/or the Secretary on any appointment of new directorship.

- 2.1.5.8. Disclose on an annual basis whether one third (1/3) of the Board is independent; and in circumstances where the Company has a significant shareholder, whether the Board satisfies the requirement to fairly reflect, through Board representation, the investment of the minority shareholders in the Company. The Board should also disclose its analysis of the application of the best practices in respect of the size of the NEDs' participation.
- 2.1.5.9. Allocate the responsibility for setting the Board agenda and for organising as well as circulating the information relevant to the agenda on a timely basis.
- 2.1.5.10. Receive and seek information that is not just historical or bottom line and financial oriented but information that goes beyond assessing the qualitative performance of the Company and looks at other performance factors.
- 2.1.5.11. Lay down rules to determine the materiality of any transaction and should establish clearly which transactions require majority Board approval. The Board should also agree on the procedures to be followed especially when decisions are required between Board meetings.
- 2.1.5.12. Prepare a formal schedule of matters specifically reserved to the Board for decision to ensure that the direction and control of the Company is firmly in the Board's hands. A schedule of matters should be given to Directors upon their appointment and should be kept up to date.
- 2.1.5.13. Delegate important powers to an Executive Committee if necessary to approve important corporate plans and critical matters to be determined by the Board.
- 2.1.5.14. Develop position descriptions for the Board and for the CEO, involving definition of the limits to management's responsibilities together with the CEO to ensure accountability of both parties.  
  
The guidelines on the separation of responsibilities between Board and Management are described under Chapter 3 of this Charter.
- 2.1.5.15. Apart from the above specific responsibilities, the Board also takes full, independent responsibility and accountability for the smooth functioning of core processes, involving board governance, business value and ethical oversight.

- 2.1.6. The Board should at all times observe and comply with all relevant rules and regulations established from time to time.

The Board should ensure that the Company practices the highest level of integrity and ethics, complies fully with applicable laws and regulatory requirements on anti-corruption and effectively manages its key corruption risks. The Board fully supports the enhancement of governance and practices with regards to integrity and anti-corruption practices in the Company with the implementation of TM's Integrity Pact.

2.1.6.1. CBE

- a) The CBE sets out the ethical values which are applicable and required to be adhered to by the Board of Directors, Management, employees and other representatives of the Company. The CBE consist rules and policies that govern the business conduct and relations of the Company with various stakeholders.
- b) The CBE governs issues relating to conflict of interest and implementation of whistleblowing policy and notification thereof. Within one (1) month of his appointment to the Company, a director is required to acknowledge his commitment by declaring compliance with the CBE.

- c) The Board shall review the code of conduct as and when required keeping with any new development in business practice environment and legal requirement.

2.1.6.2. Integrity Pact

- a) The Integrity Pact comprises declaration process by TM's employees involved in procurement activities, Procurement Committees (including the BTC, Senior Management Technical Committee, Opening Committees, Evaluation Committees, Approval Committees, Internal Sourcing Committees) as well as TM's suppliers.
- b) The main objectives of the Integrity Pact are as follows:
  - i) To enhance transparency in TM procurement approach which will reduce and eradicate corrupt practices;
  - ii) To avoid bidders from offering or giving bribes;
  - iii) To avoid employees from receiving bribes;
  - iv) To require bidders to report any bribery/act of corruption to the authorities;
  - v) To ensure TM will not incur unnecessary costs in carrying out procurement activities;
  - vi) To prohibit unauthorised use of TM's proprietary information by employees and suppliers; and
  - vii) To increase awareness among employees and suppliers on corruption offences and subsequently eradicate corrupt practices in TM.

**2.1.7. Conflict of Interest**

- 2.1.7.1. Directors and Senior Management are required to declare at all times the nature and extent of any conflicts of interest, whether direct or indirect, or whether actual or potential conflict of interest including interest in any competing business that such person has with the Company and/or its subsidiaries.
- 2.1.7.2. Where a conflict arises, the Interested Directors and Senior Management shall not participate in any discussion thereof and must abstain from Board deliberation and voting relating thereto.
- 2.1.7.3. Directors and Senior Management shall at all times adhere to the Directors & Management's Conflict of Interest Policy, including any amendment that may be made from time to time.

**2.2. a) Board Composition and Balance**

- 2.2.1. The size of the Board is governed by the Company's Constitution which provides that the number of directors shall not be less than five (5) nor more than fifteen (15).
- 2.2.2. In the event of any vacancy in the Board of Directors, resulting in non-compliance with the requirement to have the required number of majority Independent Directors, the vacancy must be filled within three (3) months, from the date of non-compliance.
- 2.2.3. The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, however the total number of Directors shall not exceed the number fixed in accordance with the Company's Constitution.

Any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

**2.2.4. Rights of the Special Shareholder to Nominate Directors**

The Special Shareholder shall have the right from time to time to appoint any Entitled Persons to be Directors, (hereinafter referred to as "Appointed Directors"), so that there shall not be less than two (2) nor more than six (6) Appointed Directors at any time.

Any appointment, nomination, removal or termination of Appointed Directors shall be in writing served on the Secretary together with in the case of an appointment or nomination, the consent of the person concerned, and such notice shall be signed by or on behalf of the Special Shareholder.

Notwithstanding anything to the contrary in the Constitution, but subject to the Act:

- a) if an Appointed Director ceases to hold such office the vacancy may only be filled by appointment by the Special Shareholder pursuant to the Constitution; and
- b) the provision of the Constitution relating to the appointment of Directors shall not apply to Appointed Directors.

If an existing Director is nominated to be an Appointed Director, he shall on the termination of his nomination continue to be a Director.

**2.2.5.** NEDs should be persons of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, performance and resources, including key appointments and standards of conduct.

**2.2.6.** The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations. The views of the Independent Directors should carry significant weight in the Board's decision-making process.

**2.2.7.** The Independent Directors shall ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

**2.2.8.** A director of the Company must not hold more than 5 simultaneous directorships in listed issuers as defined in the Main LR.

**b) Tenure of INED**

**2.2.9.** The tenure of INED is limited to a 9-years cumulative period taking into account the need for progressive refreshing of the Board.

**c) Policy on Ex-TM Director Holding Directorships in TM Group**

**2.2.10.** Upon resignation or retirement from the Board, Directors shall ipso facto cease to be members of the Board Committees and/or nominee directors in TM Group of companies.

**2.3. Board Appointment Process**

**2.3.1.** TM has in place formal and transparent procedures for the appointment of new Directors. These procedures ensure that all nominees to the Board are first considered by the NRC, taking into account the required mix of skills and experience and other qualities, prior to recommendation to the Board.

NRC is empowered to undertake screening and conduct initial selection, which includes external search and evaluating the candidates' ability to discharge their duties, before making a recommendation to the Board.

## Clause

- 2.3.2.** Appointment of a director is made by either one of the following:
- a) the Special Shareholder (i.e. for Appointed Directors) pursuant to the Constitution of the Constitution; or
  - b) the Board pursuant to the Constitution.
- 2.3.3.** Appointment of executive director(s) is made by the Special Shareholder pursuant to the Constitution.
- 2.3.4.** The Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors according to statutory requirements are properly executed.
- 2.3.5.** Upon the appointment of a new Director, the Secretary shall advise the Director of his/her principal duties and responsibilities and provide the said Director with relevant reference materials.

### **2.4. Board Training and Knowledge Acquisition**

- 2.4.1.** The Company has adopted an induction or orientation programme for newly appointed Directors, on the overview of the Company including the Company's vision and mission, its philosophy and nature of business, aspirations and current plans. The Secretary is primarily responsible for organising the induction programme with appropriate assistance from the Management.
- 2.4.2.** All newly appointed Directors have to complete the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities within four (4) months from the date of his/her appointment.
- 2.4.3.** In addition to the MAP, the Directors have to attend continuous training to effectively discharge their duties. The Board must on continuous basis, evaluate and determine the training needs of its Directors.
- 2.4.4.** The Directors shall therefore be accorded the right to sufficient training and educational programmes to enhance their skill, keep themselves informed and update their knowledge from time to time.
- 2.4.5.** Board Training Programme (BTP) Guidelines has been established to provide a structured programme to effectively address training needs of the Directors and to inject relevant knowledge and skills.
- 2.4.6.** The Board to disclose the trainings attended by the Directors in the annual report.
- 2.4.7.** The Directors are updated on quarterly basis on TM Group business and industrial information as part of Directors continuous development and knowledge enhancement.

### **2.5. Board Effectiveness Evaluation (BEE)**

- 2.5.1.** The Board has adopted a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual director. The evaluation involved a Performance Evaluation Framework comprising a Board Evaluation, a Committee Evaluation and a Board of Directors' Self/Peer Assessment, which is designed to maintain cohesiveness of the Board and at the same time, serves to improve the Board's effectiveness.
- 2.5.2.** The Secretary with the support of an independent expert, as the case may be, is authorised to report to the Chairmen of the NRC and Board the results of the evaluation process, to ensure integrity and independence of the appraisal process. Every director shall be provided with the results of the self-evaluation marked against peer evaluation for comparison.

## Clause

- 2.5.3.** The assessments are to be conducted on annual basis and the findings thereof shall be reported to the Board by the first quarter every year. External independent expert may be appointed to conduct the assessment at least every 3 years to facilitate objective and candid board evaluations.

### **2.6. Re-election of Directors**

- 2.6.1.** In accordance with the Main LR and the Company's Constitution, all Directors shall retire from office once at least every three (3) years, but shall be eligible for re-election. An election of directors shall take place each year. At every Annual General Meeting (AGM) of the Company one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office.
- 2.6.2.** Executive Director also ranks for re-election by rotation. If he ceases to hold the office of Director for any cause, he shall ipso facto and immediately cease to be an Executive Director.
- 2.6.3.** The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board.
- 2.6.4.** Relevant disclosures should be included in the notice of general meeting on re-election of Directors.

### **2.7. Board Operating Mode and Interactions**

- 2.7.1.** Board processes have been strengthened and enhanced for provision of timely and quality information and in an appropriate form and manner to enable the Directors to discharge their duties effectively.
- 2.7.2.** A Board and Board Committee meetings calendar and draft predetermined meeting agendas for 12 months is to be prepared in advance, synchronized with the Management's planning cycle.
- 2.7.3.** The Board should meet regularly, at least once every quarter to discharge their duties and responsibilities, with due notice of issues to be discussed.
- 2.7.4.** The number of Board meetings held per year and the details of attendance of each individual director in respect of meetings held are to be disclosed in the annual report.
- 2.7.5.** Notice to convene a Board meeting is to be served not less than seven (7) days before the meeting.
- A Board meeting however, may be convened by a shorter notice than seven (7) days provided that the issue to be deliberated is a matter of urgency.
- 2.7.6.** A full agenda and comprehensive Board papers are to be circulated four (4) days prior to each Board meeting to enable the Directors to make informed decisions.
- For Committee meetings the full agenda and comprehensive proposal papers are to be circulated in accordance with the respective committee's ToR.
- 2.7.7.** The Directors may meet together for the despatch of business, adjourn and otherwise, and regulate their meeting as they think fit. The quorum necessary for the transaction of business shall be five (5) Directors, at least two (2) of whom shall be Appointed Directors. At any adjourned meeting, the quorum shall be any three (3) Directors, at least two (2) of whom shall be Appointed Directors. A Director interested in a contract or arrangement shall be counted for the purposes of determining a quorum notwithstanding his interest.

Questions arising at any meeting shall be decided by a majority of votes represented by the Directors or their Alternates. In case of an equality of votes, the Chairman (unless

## Clause

he is not the Chairman of the Board of Directors) shall have a second or casting vote provided that no Chairman shall have a casting vote at a meeting at which only two (2) Directors are competent to vote on the question at issue

Director may participate in a meeting of the Board by means of a telephone conference, video conference or any communication equipment which allows all persons participating in the meeting to hear each other.

Director so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chairman of the meeting then is.

- 2.7.8.** A director shall attend not less than 75% of the total board of directors' meetings or committee meetings (if applicable) held during a financial year.

A director however shall be required to vacate his position as director if he is absent from more than 75% of the total board of directors' meetings held during a financial year.

If the directors' attendance at committee meetings should be less than 75% for the financial year his position as committee member shall be subjected to evaluation by the NRC where it shall conduct an evaluation on the directors' performance during the financial year and determine his suitability and commitment to continue as committee member for the ensuing year.

- 2.7.9.** Attendance of alternate Directors would only be taken into consideration for purposes of committee meetings only.

- 2.7.10.** All Board decisions are to be clearly recorded in the minutes and relevant Board decisions are to be communicated verbally or via electronic mail to the Management within one (1) working day of the Board meeting and relevant extracts of the minutes are distributed within three (3) to five (5) working days depending on the urgency of agenda items.

- 2.7.11.** The Board has adopted a rating process for papers and presentations by Management at each Board meeting with constructive feedback on the quality of information and analysis received, to ensure provision of high quality and standard of proposal paper from Management.

- 2.7.12.** Senior Management is given the opportunity to rate the Board at every Board Meeting. The rating results of which are compiled by Group Strategy and presented to the Board on annual basis for a focused, constructive, supportive, and clear Board deliberations and decisions.

- 2.7.13.** In pursuit of a greater degree of independence and to effectively and independently assess the direction of the Company and the performance of the Management, the Board has established a process whereby NEDs could meet and actively exchange views on a regular basis in the absence of Management.

- 2.7.14.** If, on any matter discussed at a Board meeting, any Director holds views contrary to those of any of the other Directors, the Board minutes will clearly record and reflect the dissenting views, apart from the decision and deliberations of the issues discussed in arriving at the decision.

- 2.7.15.** Directors are to advise the Secretary of any proposed Board or executive appointment to other companies as soon as practicable, preferably within 14 days from the date of appointment.

### 3. DIVISION OF POWER

#### Clause

TM has a clear policy in identifying functions between the Board, Management, Chairman and Executive Directors in ensuring the smooth running of the Company's business and operations.

#### 3.1. Division of Roles of the Board and Management

##### 3.1.1. Board

There is a clear division of power between the Board and that of the Management. The roles and responsibilities of the Board have been identified under Clause 2.1.4.

##### 3.1.2. Management

3.1.2.1. The role of Management is to support the Executive Directors and implement the running of the general business operations and activities and the administration of financial matters of the Company and its subsidiaries, in accordance with the delegated authority from the Board through the following:

- a) The establishment of the Authority Limit Matrices (ALM) has ensured that appropriate levels of approval are delegated to the appropriate committees and management levels for the whole TM Group.

The matrices are reviewed as and when required and revised upon the approval of the Board.

- b) Business Policy and Governance manual (and its updates from time to time) is in place to ensure that prior TM Board approvals are obtained for identified transactions and activities of the Group within various levels of authorities.

3.1.2.2. The Management shall perform its duties to the best of its abilities, with due care and diligence and in the best interest of the Company and Group.

#### 3.2. Division of Roles and Responsibilities of the Chairman and Executive Directors

3.2.1. The roles and position of the Chairman and Executive Directors are kept separated in line with best practice, with clear division of responsibilities to safeguard the equilibrium of power in the Company so no one individual will have unfettered powers of decision making. The role of the Chairman is administering the Board whereas the Executive Directors' are in the running of the Company's business.



## 4. CHAIRMAN, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

### Clause

#### 4.1. Chairman

- 4.1.1. The Chairman is responsible for the effectiveness of the relationship between the NEDs and Executive Directors in heading the leadership of the Board and ensures its effectiveness on all aspects of its roles.
- 4.1.2. The Chairman of the Board shall also act as Chairman at general meetings.
- 4.1.3. The role of the Chairman is as follows:
  - 4.1.3.1. Provides leadership to the Board by helping the Board fulfil the goals it sets by assigning specific tasks to members of the Board.
  - 4.1.3.2. Ensures proper flow of information to the Board, reviewing adequacy and timing of documentation in support of Management's proposals. In addition, the Chairman organises and presents the agenda for regular or special Board meetings based on input from Directors and ensure that all relevant issues are on the agenda. The primary responsibility of the Chair also involves him organising information necessary for the Board to deal with the agenda and for providing this information to Directors on a timely basis.
  - 4.1.3.3. Provides a reasonable time for discussion at a meeting. Furthermore, the Chairman should encourage a healthy debate on the issue and bring to the Board objectivity and independence in the deliberations. Chairman should also maintain control of proceedings without dominating discussions.
  - 4.1.3.4. Ensures adequate lead time for effective study and discussion of business under consideration and that Board resolutions are put to a vote if necessary to ensure that it is the will of the majority and not that of the dominant shareholder that prevails and that genuine disagreements have been aired and resolved.
  - 4.1.3.5. Acts as liaison between the Board and Management and carries out other duties as requested by the Board as a whole, depending on need and circumstances.
  - 4.1.3.6. Identifies guidelines for the conduct of the Directors, and ensures that each Director is making significant contribution. All Directors, Executives and Non-Executives alike, are enabled and encouraged to participate fully in all Board's activities.
  - 4.1.3.7. Manages the processes of the Board and ensures that the Board discharges its responsibilities effectively.
  - 4.1.3.8. Ensures the balance of membership, subject to the Board's approval.
  - 4.1.3.9. Provides a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Company is firmly in its hands.
  - 4.1.3.10. Maintains an effective communications policy (together with the Executive Directors) that enables both the Board and Management to communicate effectively with the shareholders, stakeholders and the public generally. This policy must effectively interpret the operations of the Company to the shareholders and must accommodate feedback from shareholders, which should be factored into the Company's business decisions.
  - 4.1.3.11. Secures good corporate governance and ensures that Executive Directors look beyond their Executive functions and accept their full share of responsibilities of governance.

**4.2. Executive Directors**

- 4.2.1.** Executive Directors are responsible for the implementation of broad policies approved by the Board and are obliged to report and discuss at Board meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments.
- 4.2.2.** The Executive Directors are the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions.
- 4.2.3.** The roles of the Executive Directors are as follows:
  - 4.2.3.1.** Meet regularly with the Board, with due notices of issues to be discussed and should record their conclusions in discharging their duties and responsibilities.
  - 4.2.3.2.** Maintain an effective communications policy that enables both the Board and Management to communicate effectively with the shareholders, stakeholders and the public generally.
  - 4.2.3.3.** Develop and recommend to the Board annual business plans and budgets that support the Company's long-term strategy and vision that lead to the creation of shareholder value. In addition, the Executive Directors are responsible to achieve the Company's financial and operational goals and objectives, maintain a satisfactory competitive position within its industry and ensure continuous improvement in the quality and value of the products and services provided by the Company.
  - 4.2.3.4.** Formulate and oversee the implementation of major corporate policies, runs the day-to-day business and implement the policies and strategies adopted by the Board.
  - 4.2.3.5.** Ensure that the Company has an effective Management Team and has an active plan for its development and succession.
  - 4.2.3.6.** Foster a positive corporate culture that promotes ethical practices, encourage individual integrity and fulfils social responsibility to attract, retain and motivate a diverse group of top-quality employees at all levels.
  - 4.2.3.7.** Ensure co-operation with the Board, and that there is an effective succession plan in place for the Executive Directors' position.
  - 4.2.3.8.** Serve as chief spokesperson for the Company.
  - 4.2.3.9.** Liaise with the Chairman and carries out other duties as directed by the Board as a whole.

**4.3. Non-Executive Directors (NEDs)**

- 4.3.1.** NEDs provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies. INEDs are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.
- 4.3.2.** Independent Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, in the interest of shareholders, employees, customers, and the many communities in which the Group conducts its business.
- 4.3.3.** The independence of the NEDs is constantly reviewed and benchmarked against best practices and regulatory provisions. The Company and Group has adopted a process whereby each Director is required to make written declarations whether they have any interest in transactions tabled at regular board meetings of the Group.

- 4.3.4.** The roles of NEDs and INEDs are to:
- 4.3.4.1. Review, challenge, approve, or disapprove Management's strategic proposals. In doing so, they should bring an objectivity and breadth of judgement to the strategic planning process, as they are not involved in the day to day Management of the business. If they are to independently judge the merits of a management's proposal concerning strategic or business plans, they need to evaluate elements, which should be taken into account in the process of creating the strategic plan for the Company. They are also responsible in monitoring Management's success in implementing the strategy.
  - 4.3.4.2. Oversee the conduct of the Company's business and to evaluate whether the business is properly managed. In this respect, they must ensure that there are objectives in place against which Management's performance can be measured.
  - 4.3.4.3. Develop position descriptions for the Board and the Executive Directors, involving definition of the limits to Management's responsibilities.
  - 4.3.4.4. Ensure the highest calibre of Senior Management when appointing, training, assessing and preparing for succession.
  - 4.3.4.5. Provide a balanced and independent view, and objectivity in Board's deliberations.
  - 4.3.4.6. Acquire and provide the necessary skill and experience to bring an independent judgement to bear on the issues of strategies, performance and resources including key appointments and standards of conduct.
  - 4.3.4.7. Keep abreast of issues relating to the Company.
  - 4.3.4.8. Committed to a collective decision making process.

**4.4. SID**

- 4.4.1.** The Board may select among its INEDs and appoint a SID.
- 4.4.2.** The selection of SID is based on his experience and the significant influence he has within the Board, ability to convey concerns of the Independent Directors on the Board to the other members of the Board and in the event of dissention between the Chairman and/or Executive Directors of the Company in the execution of their duties as Independent Director.
- 4.4.3.** The SID will be expected to play the following roles:
- 4.4.3.1. Provides an additional communication channel between NEDs and shareholders and address to the Board on the concerns conveyed by the shareholders and the public.
  - 4.4.3.2. Shareholders may direct their queries to the SID through email at [sid@tm.com.my](mailto:sid@tm.com.my).
  - 4.4.3.3. Be available to shareholders if their concerns through contact in the normal channels of Chairman or Executive Directors have failed to resolve the issue or for which such contact is inappropriate.
  - 4.4.3.4. Ensure that the Board is aware of any shareholders' concerns not resolved through the existing mechanism for investor communication.
  - 4.4.3.5. Act as a sounding board for the Chairman. It is important for the SID and the NEDs to be able to judge the effectiveness of the Chairman's leadership of the Group.

## Clause

- 4.4.3.6. Represents and acts as spokesperson for the Independent Directors as a group, act as an intermediary for other NEDs when necessary and specifically serve as the principal conduit between the Independent Directors and Chairman on sensitive issues.
- 4.4.3.7. Promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and complied with.
- 4.4.3.8. Ensure the composition of the Board in regards to the number of Independent Directors is in adherence to relevant requirements and regulations.
- 4.4.3.9. Be available for confidential discussions with other NEDs who may have concerns which they believe have not been properly considered by the Board as a whole.
- 4.4.3.10. Have the authority to call a meeting of the NEDs if deemed necessary.
- 4.4.3.11. Lead a meeting of the NEDs without the presence of the Chairman to:
- a) Enable the NEDs to relay to the SID any issues, concerns or observations they may have.
  - b) To relay to the NEDs his observations and any views he may have received from major shareholders.
  - c) Appraise the Chairman's performance, taking into account the views of the NEDs and on such other occasions as are deemed appropriate
- without precluding the other NEDs talking directly to the Chairman or otherwise on normal matters, whereby the Chairman shall maintain as the primary contact.
- 4.4.3.12. Maintain sufficient contact with major shareholders to listen to their views in order to assist the Board to develop a balanced understanding of their issues and concerns.
- 4.4.3.13. Act as chairman of the Board in instances the Chairman is unable or not available to chair the Board or general meeting.

## 5. BOARD COMMITTEES

### Clause

The Directors may delegate any of their powers to committees consisting such member or members of their body as they think fit and may from time to time revoke such delegation.

The duties and responsibilities of the committees' members are in addition to those as members of the Board. The deliberations of the committees do not reduce or absolve the individual and collective responsibilities of the Board members in regard to their fiduciary duties and responsibilities. The committees' members must continue to exercise due care and judgment in accordance with their statutory obligations.

In accordance with the Constitution, the Board delegates certain responsibilities to the following Board Committees, with specific ToR and operating procedures:

- a) Audit Committee;
- b) NRC;
- c) Tender Committee;
- d) Risk Committee; and
- e) Sub-Committees (as and when required).

INEDs and NEDs play leading roles in these Committees. The Management and third parties are invited to the Committees as and when required.

Where Committees have no authority to make decisions on matters reserved for the Board, recommendations would be highlighted in their respective reports for the Board of Directors' deliberation and endorsement. The Chairpersons of the various Committees or in his/her absence, a member of the relevant Committees, report the outcome of the Committee meetings to the Board and relevant decisions are incorporated into the minutes of the Board meetings.

### 5.1. BAC

#### 5.1.1. Objective

- 5.1.1.1. The Company being listed on Bursa Securities is required, pursuant to the requirement of the Main LR, to establish an audit committee.
- 5.1.1.2. The general objective of the BAC shall be to assist the Board in fulfilling its oversight responsibilities through review of financial information and assessing the effectiveness of the Company's internal control structure.

#### 5.1.2. Composition of the Committee

- 5.1.2.1. All members of the BAC, including the Chairman, will hold office only so long as they serve as Directors of TM.
- 5.1.2.2. The composition of the BAC shall be not less than three (3) Members, comprising NEDs, with the majority being Independent Directors.
- 5.1.2.3. The Chairman shall be elected by the members of the BAC from amongst their number. The Chairman of the Company shall not be the Chairman of BAC. Also the Chairman of BAC shall be an Independent Director.
- 5.1.2.4. In the event the elected Chairman is not available to chair BAC meeting the remaining members of the BAC shall elect amongst its number a Chairman for the meeting PROVIDED THAT the selected Chairman is an independent director.
- 5.1.2.5. Members of the BAC should be financially literate, competent and are able to understand matters under the purview of BAC including the financial reporting process, and shall possess sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry.

All BAC members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

- 5.1.2.6. At least one (1) member of the BAC has the following requirement:
- a) Must be a member of the Malaysian Institute of Accountants (MIA); or
  - b) If he is not a member of the MIA, he must have at least three (3) years working experience; and
    - i) passed the examinations specified in Part I of the First Schedule of the Accountants Acts 1967; or
    - ii) a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Acts 1967; or
  - c) Fulfils such other requirements as prescribed or approved by Bursa Securities.
- 5.1.2.7. Members of the BAC may relinquish their membership in the BAC with prior written notice to the Chairman of the Company and may continue to serve as Director of TM.
- 5.1.2.8. No Alternate Director shall be appointed as a member of the BAC.
- 5.1.2.9. In the event of any vacancy in the BAC resulting in non-compliance of paragraphs 15.09 (1) and 15.10 of the Main LR, the vacancy must be filled within three (3) months from the vacancy date. The NRC will review and recommend to TM Board for approval, for another director to fill the vacancy.
- 5.1.2.10. A former partner of the Company's external auditor may be appointed to BAC provided he/she satisfies the following conditions:
- a) He/she is no longer employed by the audit firm currently engaged by the Company or the Group;
  - b) He/she observe a cooling-off period of at least three (3) years prior to being appointed as a member of the BAC; and
  - c) At the date of the appointment to the committee he/she is not employed, engaged or attached at any audit firm.

### **5.1.3. Review of the BAC**

- 5.1.3.1. The NRC must review the terms of office and performance of the BAC and each of its members annually to determine that the BAC and its members have carried out their duties in accordance with their ToR and table its recommendation to the Board.
- 5.1.3.2. The Board, through the NRC should annually review the BAC required mix of skills, experiences and other qualities, including core competencies, which the BAC NEDs should bring to the BAC.

### **5.1.4. Procedure of the BAC Meetings**

- 5.1.4.1. The BAC shall meet at least four (4) times a year and any additional meetings shall be convened as and when required as the Chairman shall decide to make recommendations (if any) to the Board.
- 5.1.4.2. No business shall be transacted at any BAC meeting unless a quorum is present. The quorum necessary for the transaction of business at BAC Meetings shall be a minimum of 3 members, majority of which must be Independent

Directors.

- 5.1.4.3. The voting on any matter requiring approval shall be by way of simple majority, with the majority of the deciding votes comprise Independent Directors.
- 5.1.4.4. The Secretary on the requisition of the Management subject to approval of BAC Chairman shall at any time summon a meeting by giving reasonable notice.
- 5.1.4.5. The Notice and Agenda for each BAC meeting shall be sent to all members of the BAC and any other persons who may be required to attend at least seven (7) days before the date of the meeting.
- 5.1.4.6. The majority of the meeting materials (papers, presentation slides, etc.) shall be distributed to the BAC members at least five (5) days before the date of the meeting.
- 5.1.4.7. All or any of the BAC members may participate in a meeting of the BAC by means of a conference telephone, video conference or any communication equipment which allows all persons participating in the meeting to hear each other. A BAC member so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the majority of the BAC members participating are assembled, or if there is no such majority, where the Chairman of the meeting then is.
- 5.1.4.8. Questions arising at any Meeting shall be decided by a majority of votes. In case of equality of votes, the Chairman shall have a second or casting vote.
- 5.1.4.9. The Chairman of the BAC shall provide a report to TM Board on the BAC Meetings' decisions and recommendations.

**5.1.5. Rights and Authorities of the BAC**

- 5.1.5.1. Rights to meet and discuss with the External and Internal Auditors:
  - a) The BAC must be able to convene meetings with the External Auditors of the Company and/or the Internal Auditors, without the attendance of other Directors and/or employees of the Company, whenever it is deemed necessary.
  - b) The BAC should also be able to meet and discuss on any issue relating to the Company with the External Auditors without the presence of the Company's Executive Directors at least twice a year.
  - c) The BAC shall convene a meeting upon the request of the External Auditors, if the External Auditors deemed such request warrants the attention of directors and shareholders.
- 5.1.5.2. In carrying out its duties and responsibilities, in accordance with the procedures to be determined by the Board of Directors and at the cost of the Company, the BAC shall have the following rights:
  - a) Explicit authority to investigate any matter within its ToR;
  - b) The resources which are required to perform its duties;
  - c) Full, free and unrestricted access to any information, records, properties and personnel of TM and of any other companies within TM Group;
  - d) Access to the minutes, reports and information from all subsidiaries of the Company;

- e) Direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);
- f) Obtain independent professional or other advice and to invite outsiders with relevant experience to attend the BAC's meetings (if required) and to brief the BAC thereof;
- g) Authority to invite other Directors and/or employees of TM to attend BAC meeting specific to the relevant agenda;
- h) Immediate access to reports on findings and recommendations from the Company's GIA and GIG in respect of any fraud or irregularities discovered and referred to GIA and GIG by the Management;
- i) Able to seek clarification from the respective board of TM's subsidiaries or its Chief Executive Officer;
- j) Intervene in the situation where there is possible fraud, illegal acts or code of conduct violation is suspected involving Senior Management or members of TM Board;
- k) Direct the centralisation of the GIA and that the GIA to provide representation at the subsidiaries' respective audit committee;
- l) Authority and ability for placement of internal audit resources TM Group wide; and
- m) Require the Head of Internal Audit at the respective TM subsidiaries and the CIA to escalate and inform the BAC immediately on urgent matters.

#### **5.1.6. BAC's Duties and Responsibilities**

The following are the main duties and responsibilities of the BAC collectively and the same would be reviewed and reported to TM Board from time to time:

##### **5.1.6.1. Assessing the Control Environment**

- a) Determine whether Management has implemented policies ensuring that controls in place are adequate, and functioning properly to address the risks.
- b) Review the adequacy and integrity of TM Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines.
- c) Conduct a separate meeting with CIA without the presence of Management, at least once a year.
- d) Jointly with the BRIC, ensure that the external and internal auditors review the Statement of Risk Management and Internal Control of the Group, with regard to the state of risk management and internal controls and report the results thereof to the Board of Directors, for inclusion in the annual report.

##### **5.1.6.2. Oversee Financial Reporting**

- a) Ensure that the Company has adequate corporate disclosure policy and processes in place to ensure that the Board has assurance on the financial information on the Company and the Group disseminated by Board to the public in terms of its comprehensiveness, quality, timeliness and reliability.



- b) Assess whether the financial report presents a true and fair view of the Company's financial position and performance and complies with regulatory requirements.
- c) Review the quarterly results and year-end financial statements of the Company and the Group, before the approval of the Board, focusing particularly on:
  - i) Changes in or implementation of major accounting policy changes;
  - ii) Significant matters highlighted including reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - iii) Compliance with accounting reporting standards, regulatory requirements including the Exchange's and other legal requirements.
- d) Review with the External Auditors the audited financial statements for the purpose of approval before the audited financial statements are presented to TM Board for adoption.
- e) Discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the Management where necessary.
- f) Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the MCCG, other applicable laws, rules, directives and guidelines.
- g) Review the follow-up actions by Management on the weaknesses of internal accounting procedures and controls as highlighted by the External and Internal Auditors as per Management Letters.

**5.1.6.3. External Audit**

- a) BAC shall, where necessary, recommend the nomination of a suitable accounting firm to act as External Auditors. Amongst the factors to be considered for the appointment are:
  - i) The adequacy of the experience and resources of the firm and the persons assigned to the audit including the number and experience of supervisory and professional staff assigned to the audit;
  - ii) The suitability of the audit firm to manage TM Group's audit in terms of size, complexity and the firm's audit engagements;
  - iii) The profiling of External Auditors including to review any letter of resignation or removal of External Auditor and whether there is a supported justification to believe that the External Auditors are not suitable for re-appointment; and
  - iv) The audit fee payable thereof.
- b) BAC shall review the following:
  - i) with the External Auditors, the audit plan;
  - ii) with the External Auditors, evaluation of the Company's system of internal controls;
  - iii) with the External Auditors, review on the state of risk management and internal controls;

- iv) with the External Auditors, the audit report i.e. nature, approach and scope of the audit and results of the audit;
  - v) Assistance provided by the employees to the external auditors;
  - vi) Independence; and
  - vii) Objectivity of the auditors.
- c) The BAC shall monitor the extent of non-audit work to be performed by the External Auditors to ensure that the provision of non-audit services does not impair their independence and objectivity.
- d) The following is the general guideline governing the circumstances for the engagement of the external auditors for non-audit services:
- i) All direct engagement by the Company for the external auditors' non-audit services must be approved by the BAC or any person delegated by the BAC, before the work commence on the engagement.
  - ii) BAC may delegate the authority to approve any proposed non-audit services PROVIDED that the cumulative value of the non-audit services does not exceed fifty per cent (50%) of the amount of the statutory audit fee for the current year.
  - iii) Group CFO is hereby delegated the authority to approve the proposed non-audit services and fees; to inform the BAC of the approval(s) made at the BAC Meeting on quarterly basis.
- e) In assessing the suitability, objectivity and independence of the external auditor for purposes of their appointment and reappointment, BAC establishes the following policies and procedures:
- i) Secure a written assurance from the auditors confirming their independence throughout their term of engagement for the said financial year in compliance with requirements of the relevant professional and regulatory bodies
  - ii) Conduct of an annual evaluation on the performance of the external auditor in guiding decisions on the appointment and re-appointment of the external auditor which includes an assessment of the competence, audit quality and resource capacity of the external auditor in relation to the audit; and
  - iii) Consider the Annual Transparency Report of the audit firm on the competence, audit quality and resource capacity of the external auditor.
- f) The External Auditors to have direct and unrestricted access to relevant information, records, properties and personnel of TM and of any other companies within TM Group to execute its duties.
- g) In the following event BAC shall report to TM Board:
- i) Any letter of resignation from the external auditors submitted to the Company or/and Group; and
  - ii) Whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.

5.1.6.4. **GIA**

- a) Review and approve the Internal Audit Charter, which defines the independent purpose, authority, scope, and responsibility of the internal audit function in the Company and Group.
- b) Review and approve the Internal Audit Plan.
- c) Review the adequacy of the scope, functions, competency, resources, and budget of the internal audit functions and further it has the necessary authority, access to information, records and personnel to carry out its tasks. And thereafter to approve the utilisation of the resources in carrying out the audit plan.

Review that the internal audit has, competent internal auditors, equip with adequate tools, databases and knowledge repositories to carry out its tasks.

- d) Review the internal audit reports, processes, the results of the internal audit assessments, investigation undertaken and recommendation raised by GIA and whether or not appropriate action is taken by Management on the recommendations, and where appropriate recommend to escalate the investigation to the Board.
- e) Review and appraise the performance of GIA and CIA. The performance appraisal of GIA's senior staff to be conducted by the CIA and tabled to BAC for information.
- f) Approve the appointment, termination, upgrading and promotion of the CIA. The BAC shall be informed of the resignation of the CIA or any senior staff members of the GIA and provide the resigning staff an opportunity to submit his/her reasons for resigning.
- g) Be informed, referred to, consent and agree on the initiation, commencement and mechanism of any disciplinary proceedings/investigations, including the nature and reasons for the said disciplinary proceedings / investigations, as well as the subsequent findings and proposed disciplinary actions against the CIA and the senior staff members of the GIA. As employees of TM, the CIA and senior staff members of the GIA are subject to TM's human resource policies and guidelines, including disciplinary proceedings / investigations and actions subject always to prior consent from the BAC.
- h) Review the assistance and co-operation given by TM's officers to the Internal Auditors.
- i) The GIA function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. TM Board or the BAC should determine the remit of the internal audit function.
- j) Review the quality assurance and programme improvement is conducted continuously and an independent Quality Assessment Review is conducted once in every five (5) years.
- k) Functionally to the BAC on internal audit function.
- l) Disclose whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence, whether the function is carried out in accordance with a recognised framework and other general information on GIA and its resources.

- 5.1.6.5. **Reviewing Conflict of Interest Situations and Related Party Transactions (RPTs)**
- a) Ensure that Management establishes adequate processes and procedures to monitor, track, and identify RPT. Such a framework should be able to provide sufficient assurance that RPT and conflict of interest situations that arose, persist or may arise within TM or group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate or mitigate such conflicts including recurrent related party transactions (RRPT), are identified, evaluated, presented for review and approval and reported, where required.
  - b) Review RPTs/RRPTs and determine the following:
    - i) Whether the transaction is in the best interest of the Group;
    - ii) Whether the transaction is fair, reasonable and on normal commercial terms; and
    - iii) That the transaction is not detrimental to the interest of minority shareholders.
  - c) Review any RPT and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts.
  - d) To review and report to the Board, any conflict of interest situations that arose, persist or may arise together with the measures taken to resolve, eliminate or mitigate such conflicts, and to disclose it in the BAC report. For this purpose, the BAC's review and disclosure in the BAC report must cover any COI that arose or might arise during the financial year as well as persisting conflict of interests from previous financial years.
  - e) Disclosure to be made in TM Integrated Annual Report (IAR) on the summary of any conflict of interest or potential conflict of interest situation reviewed by BAC and the measures taken to resolve, eliminate, or mitigate such conflicts.
- 5.1.6.6. **Audit Committee Report**
- a) At the end of each financial year the audit committee report must be clearly set out in the annual report which include the following:
    - i) The composition of the BAC, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
    - ii) The number of BAC meetings held during the financial year and details of attendance of each BAC member;
    - iii) A summary of the work of the BAC in the discharge of its functions and duties for that financial year in meeting its responsibilities; and
    - iv) A summary of the activities of the GIA.
- 5.1.6.7. **Employee Share Issuance Scheme**
- a) Verify the allocation of share options to the Group's eligible employees in accordance with the Main LR at the end of each financial year.

5.1.6.8 **Group Integrity and Governance (GIG)**

- a) The GIG reports directly to the BAC on the following matters:
  - i) To manage internal intelligence and investigation in relation to TM Code of Business Ethics comprehensively;
  - ii) To manage complaints and whistleblowing including channels of allegation of misconduct of TM personnel of all ranks and TM Business Partners, Contractor, Vendors or equivalent, systematically; and
  - iii) To provide advisory and awareness on ethics and integrity matters within TM.
  - iv) Reports on investigation and prosecution services reports and actions taken;
  - v) Updates on advisory, prevention and awareness program services;
  - vi) Updates on allocation of resources, cost, methodologies and approaches in carrying out its duties and any incidence of conflict of interest or influence impressed upon GIG personnel (if any) which may impair the independence, objectivity and professionalism; and
  - vii) Best practices and ethics and integrity development and issues in the domestic and international arena.
  
- b) The BAC shall provide oversight on GIG related matters as follows:
  - i) Approve GIG's Structure and Annual Plan and Budget;
  - ii) Appraise and recommend the performance and remuneration of the Chief Integrity & Governance Officer (CIGO);
  - iii) Approve the appointment, termination, upgrading and promotion of the CIGO and senior staff members of the GIG and to be informed of resignations of the CIGO and senior staff members of the GIG and provide the resigning staff an opportunity to submit his/her reasons for resigning;
  - iv) To guide GIG on the implementation plan, strategies, activities, moving forward and review of the principle and policies related to ethics & integrity, if necessary;
  - v) To review, deliberate and approve changes to TM Group procedures amongst others for detecting fraud, business ethics and integrity principles and policies such as TM Code of Business Ethic (BCE) and TM Anti-Corruption Guidelines;
  - vi) To advise and recommend inputs to other relevant Board committees (e.g. Board Risk and Investment Committee (BRIC) and NRC) to further improve on the framework of compliance on ethics, governance and integrity issues in TM;
  - vii) To ensure reporting channel for whistleblowing is available for employees to raise concerns on possible misconduct, fraudulent acts and wrong-doings, and that fair and transparent investigations are conducted with protection, confidentiality and anonymity of submissions by employees;

- viii) To deliberate reports on fraud and disciplinary issues investigated by GIG and action with regard to employee's misconduct and disciplinary actions; and
- ix) The BAC shall advise and approve the requirement to engage independent external advisory experts including procuring the involvement of Enforcement Agency in order to fulfil GIG functions of internal control effectively.

**5.1.6.9 Other Matters**

To promptly report to Bursa Securities, if the BAC views that a matter resulting in a breach of the Main LR reported by the BAC to TM Board has not been satisfactorily resolved by TM Board.

Such matters as the BAC considers appropriate or as defined by TM Board.

**5.1.7. BAC Circular Resolution**

- 5.1.7.1. The BAC may from time to time and if deemed appropriate, consider and approve and/or recommend, relevant matters via a Circular Resolution (BAC CR) in writing, in lieu of convening a formal meeting. The effective date of this provision shall be from 3 January 2011.
- 5.1.7.2. The BAC CR shall be as valid and effectual as if it had been passed by a meeting of the BAC duly convened. Approval of the BAC obtained by a BAC CR must be signed or approved by all BAC members.
- 5.1.7.3. Any such BAC CR may consist several documents in like form each signed by one or more BAC members, taking the form of documents in writing, or in other electronic medium of communication shall be as valid and effectual as if it had been passed by the BAC meeting duly called and constituted.

**5.1.8. Secretary and Secretariat of the BAC**

- 5.1.8.1. The Secretary of the BAC shall be the Secretary or in the absence of the appointed Secretary, any executive from the Group Company Secretarial Division (Cosec) may act as secretary of the meeting on his or her behalf.
- 5.1.8.2. The GIA shall have the function of the Secretariat for the BAC whereby it shall coordinate with the Management for proposal/update papers with latest material information prior to tabling to the BAC so as to assist the BAC in making an informed decision.
- 5.1.8.3. The Secretary shall prepare an agenda for each meeting, in consultation with the GIA. The Agenda shall be sent to all Members of the BAC and any other persons who may be required to attend the meeting.
- 5.1.8.4. The Secretary shall prepare the written minutes of the meeting within seven (7) working days and distribute the same to the BAC Chairman for his reporting to TM Board.
- 5.1.8.5. The minutes of each meeting shall be entered into the minutes' book kept at the registered office of the Company under the custodian of the Secretary. The minutes' book shall be open for inspection of the Board, external auditors, internal auditors, Management and other persons with authority under the law.

**5.1.9. Confidentiality**

All papers, resolutions, Minutes and deliberations of the BAC are strictly and highly confidential.

**5.1.10. Revision of the ToR**

5.1.10.1. The BAC may from time to time revise or amend its ToR, provided always that the said revisions or amendments are in compliance with applicable laws, rules, directives and guidelines and that thereafter shall be recommended to TM Board for approval.

5.1.10.2. Upon TM Board's approval, the said revision or amendment shall form part of this ToR and this ToR shall be considered duly revised or amended.

**5.2. NRC****5.2.1. Objective**

5.2.1.1. NRC is established to provide advice and recommendation to the Board in regards to nomination, remuneration, corporate governance as well as board governance matters primarily on Board Effectiveness Evaluation, Board Performance Improvement Program and Board Operations, and including other matters as may be directed by the Board.

5.2.1.2. TM has a combined Nomination Committee and Remuneration Committee for the purpose of expediency, since the same members are entrusted with the functions of both the Committees. The members of the NRC acknowledge their roles, which are clearly reflected and demarcated in the Agendas of each meeting.

**5.2.2. Composition of NRC**

5.2.2.1. The NRC shall be appointed by the Board comprising exclusively of non-executives and shall compose of not fewer than three (3) members, a majority of whom must be Independent Directors.

5.2.2.2. The members of the NRC shall elect a Chairman from among themselves who is an Independent Director. All members of the NRC, including the Chairman, will hold office only so long as they serve as Directors of TM. The Chairman of the Board shall not be the Chairman or member of NRC.

5.2.2.3. Members of the NRC may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Director of the Board of Directors. The NRC will review and recommend to the Board for approval, another director to fill up such vacancies.

5.2.2.4. In line with Guidance G1.4 and Practice 5.8 of MCCG 2021 which states that the Nominating Committee is chaired by an independent director or the Senior Independent Director.

**5.2.3. Nomination Function**

5.2.3.1. To ensure that the Directors bring characteristics to the Board, which provide a required mix of responsibilities, skills and experiences.

5.2.3.2. To support the Board in promoting boardroom diversity and shall endeavour to attain diversification in terms of experiences, skills, competencies, race, gender, culture and nationality to enable the Company to maximise business and governance performance.

- a) To adopt the following approach to ensure board diversity:
    - i) recruit from a diverse pool of candidates for the position of director;
    - ii) review succession plans to ensure an appropriate focus on diversity;
    - iii) identify specific factors to take account of in recruitment and selection processes to encourage diversity; and
    - iv) develop programs to gather a broader pool of skilled and experienced board candidates.
  - b) The above approach however does not impose on TM Group and its directors any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws.
- 5.2.3.3. To ensure a director appointed to the Board adhere to all relevant rules and regulations including but not limited to the Act and Main LR.
- 5.2.3.4. To assist the Board to review on an annual basis the appropriate balance and size of the NEDs and their participation and to establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.
- 5.2.3.5. When a vacancy exists or when it is considered that the Board would benefit from the services of a new Executive or NED with particular skills, the NRC may select one (1) or more candidates with the appropriate expertise and experience. The NRC may use the services of a professional recruitment firm. The NRC will then make its recommendation on the candidates for submission to the Board for endorsement.
- 5.2.3.6. The same procedure above, shall apply to potential candidates identified by the Special Shareholder of TM. Where the potential candidates are nominees of the Special Shareholder, the recommendation from the Board would be submitted to the Special Shareholder for approval.
- 5.2.3.7. In developing its procedures on appointments to the Board and making its recommendations to the Board, the NRC shall implement an open and transparent appointment process. NRC shall use a variety of approaches and sources to identify the most suitable candidates for board positions This may include sourcing from a directors' registry, open advertisement or engagement of independent search firms.
- 5.2.3.8. The Board shall undertake an assessment of its Independent Directors annually, taking into account beyond Independent Director's background, economic and family relationships and determine whether they can continue to bring independent and objective judgment to the Board. The assessment shall be disclosed in the annual report and in any notice convening a general meeting for the appointment and reappointment of Independent Directors.

Assessment on the Independence of the Independent Director

- a) The NRC prior to the admission of an Independent Director shall assess the said Director's independence of the Company's Management according to the criteria set in below to determine the status of his independence. The assessment shall also be carried out by the NRC on all its Independent Directors on an annual basis prior to the convening of its annual general meeting.

A statement to that effect shall be disclosed in the annual report in regards to the NRC conducting of the said assessment.

- b) Additional disclosure in the notice to the general meeting shall be made in the case where Independent Director faces appointment or



reappointment at the annual general meeting.

- c) To assess the independence of the Independent Director of Management, the NRC shall determine according to character and judgement and as to whether there are relationships or circumstances which could affect, or appear to affect, the Director's judgement. The Director loses his independence status if he does not satisfy the independence criteria under the definition of independence in Paragraph 1.01 and Practice Note 13 of the Main LR or any amendment thereto.

The Board is required to justify the Directors' independence and present the justifications thereof to the shareholders for approval at the general meeting.

#### **5.2.4. Remuneration Function**

- 5.2.4.1. The NRC shall set the policy framework and make recommendations to the Board on all elements of the remuneration package including terms of employment, reward structure and fringe benefits for Executive Directors, and Pivotal Positions with the aim to attract, retain and motivate individuals of the highest quality.
- 5.2.4.2. Executive Directors shall abstain from the deliberations and voting on decisions in respect of their remuneration package.
- 5.2.4.3. The NRC shall make recommendations to the Board on the remuneration and entitlements of the NEDs including the Non-Executive Chairman, which recommendation shall be a matter to be decided by the Board of Directors as a whole.
- 5.2.4.4. The NRC shall assume the function of the LTIP Committee as well as the duties and responsibilities as provided in its Terms of Reference (ToR) and LTIP By-Laws.

#### **5.2.5. Duties and Responsibilities of the NRC**

##### **5.2.5.1. Nomination – Duties and Responsibilities**

- a) Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness and recommend to the Board any changes thereto.
- b) Review and refresh the Board's composition periodically in ensuring required mix of skills and experience including core competencies which NEDs should bring to the Board.
- c) Recommend and review suitable orientation, induction, educational and training programmes to continuously train and equip the existing and new Directors. Ensure a statement is made in the annual report by the Board of Directors containing a brief description on assessment of training needs of each Director, type of training attended by Directors and justifications for non-attendance of training by any Director during the financial year, if any.
- d) Review, consider and approve the appointment, upgrading and promotion of the Executive Director and Group CEO. Ensure that the appointment of Executive Director and Group CEO shall be for a fixed term not exceeding three (3) years at any one time with power to reappoint, remove or dismiss thereafter subject always to the relevant applicable employment laws and their employment contract.

- e) Recommend to the Board candidates for directorship in the Company and the Board and CEO of Tier 1 Subsidiaries. In making the recommendations, the NRC may consider candidates proposed by the Board, GCEO, Major Shareholders of the Company and any independent sources engaged by the Company. The candidates to be considered may include members of the Board / or external candidates.

The NRC may determine the fit and proper criteria for the appointment and reappointment of Directors of TM which include the following and any other criteria which the NRC deems necessary:

- i) Character and integrity – probity, personal integrity, financial integrity, reputation
  - ii) Experience and competence – Qualifications, training and skills, relevant experience and expertise, relevant past performance or track record
  - iii) Time and commitment - ability to discharge role having regard to other commitments, participation and contribution in the board.
  - iv) Diversity – age, gender, cultural background; and
  - v) Any other criteria deemed fit.
- f) Except for Tier 1 Subsidiaries, the Managing Director/Group CEO may nominate candidates from the Management or any qualified persons for nomination as directors of all the subsidiaries/associate companies within TM Group for the consideration of the boards of the respective subsidiaries / associate companies.
  - g) Review the tenure of each director on periodic basis and recommend to the Board any changes thereto.
  - h) Recommend to the Board the re-election, re-appointment or removal of Directors to/from the Board having regard to the Director's contribution and performance, and the fit in the overall competency matrix of the Board.
  - i) Review adequacy of the structure, size and composition of Board Committees and recommend to the Board any changes thereto.
  - j) Ensure periodic review of ToR of all Board Committees.
  - k) Review, consider and recommend to the Board the following:
    - i) the appointment of the personnel holding the Pivotal Positions based on objective criteria and merit with due regard for diversity in skills, experience, age, cultural background and gender;
    - ii) the recommendations of the Group CEO in the performance evaluation, upgrading and promotion of the Pivotal Positions (save for his own) and any other positions that are deemed strategic for the Company by the NRC;
    - iii) appointment, upgrading and promotion of the Company.
    - iv) Secretary of TM; and
    - v) the termination and mutual release of employment of Pivotal Positions.

The Group CEO may consult the NRC on the appointment of any other positions apart from the above identified positions as required.

5.2.5.2. **Remuneration – Duties and Responsibilities**

- a) Recommend to the Board formal and transparent policies and practices in determining the remuneration packages of the Directors and Pivotal Positions of the Company.
- b) Set, review, recommend and advise the Board on the policy framework on all elements of the remuneration and other terms of employment of Executive Directors, Non-Executive Directors (including Independent Director, Group CEO and Pivotal Positions including but not limited to fees, salaries, allowances, bonuses, options, benefits-in-kind and other emoluments having regard to the overall Group policy guidelines and framework.

The remuneration package should take into account the complexity of the Company's business, the individual's responsibilities, the Company's performance aligned with the business strategy and long term objectives of the Company as well as industry benchmarking.

- c) Review and recommend to the Board the appropriate performance target measures and benchmark for the Group Balanced Scorecard annually.
- d) Review the achievement of the pre-determined performance target measures and benchmark in the Group Balanced Scorecard before recommending to the Board.
- e) Recommend to the Board on the performance of the Executive Directors, Pivotal Positions and Company Secretary and assessment of their entitlement to performance related pay and remuneration.
- f) Represent the public interest and avoid any inappropriate use of public funds when considering severance payments for senior staff. NRC should also exercise care to avoid determining a severance package that in public opinion might deem to be excessive.
- g) Review and recommend to the Board the remuneration package of each of the Company's Board Committees.
- h) In the event of issuance of ESS, to give instructions to the Trustee appointed in accordance with the Trust Deed entered into between TM and the Trustee with regards to the grant of Options and other benefits under the ESS to Eligible Employees and the implementation and administration of the ESS in accordance with the terms and conditions of the ESS as set out in the By-Laws, as amended, modified and supplemented from time to time.
- i) Establish and recommend a formal and transparent procedure for developing a policy on the remuneration of the Non-Executive Chairman, NEDs and Board Committees, which recommendation shall be decided by the Board of Directors as a whole.

5.2.5.3 **LTIP – Duties and Responsibilities**

- a) Oversee the administration of the LTIP in accordance with the LTIP By-Laws, review and consider the transactions, agreements, deeds and documents, arrangements as may be required in connection with the administration of the LTIP.
- b) Set the rules and regulations, or impose or waive such terms and conditions, as may be required in connection with the administration of the LTIP.

- c) Approve and determine the manner in which the LTIP are granted to and subsequently vested in the selected employees in accordance with the provisions of the By-Laws, including inter alia, the determination of eligibility, grant level, terms of acceptance of offers, terms of vesting of the shares, performance conditions and any other terms and other conditions imposed, at the discretion of the NRC provided always that no member of the NRC shall participate in any deliberation or decision in respect of the allocations to be granted to himself or any persons connected to him.
- d) Determine the TM Group's performance measures and targets associated with each offer.
- e) Determine if any, special terms shall apply to grants of the LTIP shares to grantees who are employed by any one of the companies within the TM Group in jurisdictions outside Malaysia as may be considered necessary or appropriate to accommodate for differences in applicable law, tax, policy or custom and the approval of such supplements to or amendments, restatements or alternate versions of the LTIP made in relation thereto.
- f) Administer grants of LTIP shares to the Executive Directors and person connected to the Executive Directors, subject however to the prior approval of the Company's shareholders in a general meeting for such grants having been obtained.
- g) Extend the period of any offer for the LTIP which would have otherwise lapsed and become null and void in accordance with the provisions of the LTIP By-Laws.
- h) Determine whether or not to suspend (and if so, to later decide to lift such suspension of) the rights in respect of any LTIP shares of a grantee in the event of the commencement of Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service) against such grantee or determine any reduction in the number of LTIP shares held by that grantee which are unvested at the time and/or to impose any limits, terms and conditions as it deems appropriate in respect of such exercise.
- i) Extend and subject to the By-Laws and any applicable law, the benefit of the LTIP to any employee of any company which is not a Group Company(as defined in the By-Laws) but which is a subsidiary of or is associated with a Group Company, and deem such an employee to be an eligible employee for the purposes of the TM LTIP, in the situation where such an employee had at any time (whether before or after the coming into force of these By-Laws) been seconded from any Group Company to that company.
- j) In the event of an alteration in the capital structure of the Company during the LTIP period in the manner as prescribed in the By-Laws, make any alterations to the number and/or the manner in the vesting of the shares comprised in the grants, so far as they are unvested.
- k) Determine with regard to the LTIP shares, in the event of the cessation of the employment of a grantee if cessation occurs by reason of the events set out in the By-Laws or in the event of the death of any grantee before any expiry, any acceleration of vesting of the unvested shares.
- l) Process and approve the LTIP shares acceptance forms and other documents which have been completed and submitted in accordance with the terms of the By-Laws.

- m) Review the manner in which the LTIP share are granted to and subsequently vested to the selected employees from time to time to ensure compliance with the LTIP By-Laws and regulatory requirements.
- n) In the event of any take-over offer being made for the issued share capital of the Company or any other corporate proposal (including but not limited to a selective capital reduction exercise), whereby all of the issued share capital of the Company is to be acquired (or all of the issued share capital of the Company ends up in the hands of one or more sponsor of such proposal), whether by way of a general offer or otherwise, the determination in respect of a grant to the extent permitted by law, of the following:
  - (a) the alteration of the vesting period,
  - (b) the alteration and / or fixing of any commencement date and/or termination date, and
  - (c) the alteration of the terms.
- o) In the event of any application being made to court for approval of a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and/or arrangement and reconstruction of the Company under section 366 of the Companies Act 2016 (CA2016), or its amalgamation with any other company or companies under section 368 of CA2016, the determination that a grantee may be entitled to receive all or any part of the TM shares comprised in a grant that remain unvested commencing from the date upon which the application is so made to the court and ending on the date immediately prior to the date on which the scheme of arrangement and/or arrangement and reconstruction of the Company or amalgamation is approved (or on any other date specified by the LTIP Committee in its discretion), notwithstanding that:
  - (a) the vesting date of the shares comprised in the grant is not due or has not occurred, and/or;
  - (b) other terms and conditions set out in the grant has not been fulfilled or satisfied.
- p) Undertake any such other duties and functions as may be requested by the Board from time to time.
- q) Within ten (10) Market Days of any amendment and/or modification made pursuant to the LTIP By-Law 13 notify the Grantee in writing of such amendment and/or modification. Upon amending and/or modifying all or any of the provisions of the By-Laws, the Company shall submit a letter of compliance together with the amendments to and/or modifications of these By-Laws to Bursa Securities no later than five (5) Market Days after the effective date of the amendments and/or modifications to the By-Laws or in such other manner as may be required under the Main LR.

#### **5.2.6. Power of the NRC**

- 5.2.6.1. In carrying out its duties and responsibilities, the NRC in principle has full, free and unrestricted access to TM's records, properties and personnel.
- 5.2.6.2. The NRC shall report its recommendations to the Board for its consideration and approval.
- 5.2.6.3. The NRC may use the services of professional recruitment firms to source for the right candidate for directorship or sought independent professional advice whenever necessary.

The NRC may obtain the advice of external consultants on the appropriateness of remuneration package and other employment conditions if required.

- 5.2.6.4. The NRC shall review the compensation of Executive Directors, the Group CEO and recommend appropriate adjustments to the Board of Directors for approval.
- 5.2.6.5. The NRC shall consider and approve the Remuneration Framework for Subsidiary Boards for TM Group and the revision thereof.
- 5.2.6.6. To consider and approve any variation to the subsidiaries' remuneration framework on case to case basis.
- 5.2.6.7. The NRC is authorised to consider, deliberate, review, decide and if necessary, consider governance related matters and issues that may directly or indirectly effect the Board, as the NRC deemed relevant.

**5.2.7. Frequency of Meetings**

- 5.2.7.1. The NRC shall meet at least four (4) times in a year or such additional meetings as decided by the Chairman. The Committee shall meet as required and report to the Board after each meeting. The number of committee meetings held a year and the details of attendance of each individual member in respect of meetings held should be disclosed in TM's annual report.
- 5.2.7.2. The NRC may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconferencing.
- 5.2.7.3. No business shall be transacted at any NRC meeting unless a quorum is present. The quorum necessary for the transaction of business at NRC meetings shall be a minimum of 3 members, of whom two-thirds (2/3) shall be independent members.
- 5.2.7.4. The NRC Chairman also has the discretion to call for additional meetings at any time. All recommendations and findings of the NRC are submitted to the Board of Directors for approval.
- 5.2.7.5. The Group CEO and/or other appropriate officers may be invited to attend NRC meetings where their presence is considered appropriate as determined by the NRC Chairman.
- 5.2.7.6. The Secretary shall be in attendance at each NRC Meeting and record the proceedings for the statutory record of TM upon adoption by the Board.

**5.2.8. Position Description of NRC Chairman**

The following are the main duties and responsibilities of the NRC Chairman. These are not exhaustive and serve merely as a baseline:

- 5.2.8.1. Helps the NRC fulfil the goals it sets by assigning specific tasks to members of the NRC and identifies guidelines for the conduct of the members and ensures that each member is making a significant contribution.
- 5.2.8.2. Looks to the Secretary for guidance on what NRC's responsibilities under the rules and regulations to which they are subjected to and how those responsibilities should be discharged. The compliance advice shall extend to embrace all laws and regulations and not merely the routine filing requirements and other administrative requirements of the Act.
- 5.2.8.3. Provides a reasonable time for discussion at the meeting. Organises and presents the agenda for regular or special NRC meetings based on input from members and ensures that all relevant issues are on the agenda. In addition, the Chairman shall encourage a healthy debate on the issues and bring to the NRC a healthy level of scepticism and independence.

- 5.2.8.4. Provides leadership to the NRC and ensures proper flow of information to the Committee, as well as reviewing adequacy and timing of documentation.
- 5.2.8.5. Ensures that all members are enabled and encouraged to play their full part in NRC's activities. This includes making certain that all members receive timely, relevant information tailored to their needs and that they are properly briefed on issues arising at NRC meetings.
- 5.2.8.6. Secures good corporate governance and ensures that members look beyond the NRC's function and accept their full share of responsibilities of governance materials in support of Management's proposals.
- 5.2.8.7. Manages the processes of the NRC and ensures full and proper discharge of its responsibilities.
- 5.2.8.8. Ensures that NRC resolutions are put to a vote where necessary to ensure that it is the will of the majority that prevails.
- 5.2.8.9. Review annually its required mix of skills and experience and other qualities, including core competencies which NEDs shall bring to the Board and disclose the same in the annual report.
- 5.2.8.10. Lead the succession planning and appointment of Directors, and oversee the development of a diverse pipeline for Board and Management succession, including the future Chairman, Executive Directors and Group CEO.
- 5.2.8.11. Lead the annual review of Board effectiveness, ensuring that the performance of each individual Director and Chairman of the Board are individually assessed.

#### **5.2.9. Position Description of NRC Members**

Each NRC member is expected to:

- 5.2.9.1. Provide individual independent opinions to the fact-finding, analysis and decision making process of the NRC, based on his experience and knowledge.
- 5.2.9.2. Consider viewpoints from other NRC members; make decisions and recommendations for the best interest of the Board collectively.
- 5.2.9.3. Keep abreast of the latest corporate governance guidelines in relation to the NRC and the Board as a whole.
- 5.2.9.4. Continuously seek out best practise in terms of the processes (performance assessment etc.) utilised by the NRC, following which these should be discussed with the rest of the Committee for possible adoption.

#### **5.2.10. NRC Circular Resolution**

- 5.2.10.1. The NRC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution (NRC CR) in writing, in lieu of convening a formal meeting. Any NRC CR issued prior to the incorporation of this provision is deemed valid and effectual.
- 5.2.10.2. The NRC CR shall be as valid and effectual as if it had been passed by a meeting of the NRC duly convened. Approval of the NRC obtained by a NRC CR must be signed or approved by all NRC members.
- 5.2.10.3. Any such NRC CR may consist several documents in like form each signed by one or more NRC members, taking the form of documents in writing, or in other electronic medium of communication shall be as valid and effectual as if it had been passed by the NRC meeting duly called and constituted.

**5.2.11. Confidentiality**

All papers, resolutions, Minutes and deliberations of the NRC are strictly and highly confidential.

**5.2.12. Revision of the ToR**

5.2.12.1. The NRC may from time to time revise or amend its ToR, provided always that the said revisions or amendments are in compliance with applicable laws, rules, directives and guidelines and that thereafter shall be recommended to TM Board for approval.

5.2.12.2. Upon TM Board's approval, the said revision or amendment shall form part of this ToR and this ToR shall be considered duly revised or amended.

**5.2.13. Meeting Materials**

5.2.13.1. Meeting materials are to be approved by the relevant Heads of Division/LOBs of the Process Owners, prior to their tabling at the meeting.

5.2.13.2. Cosec will determine the appropriateness and category of papers for approval, discussion or information of NRC and to consult the NRC Chairman on the same.

5.2.13.3. Approved meeting materials are to be submitted to Cosec at least seven (7) days before the date of meeting for purposes of preparing the Agenda.

5.2.13.4. Cosec shall issue notice of each meeting confirming the venue, time and date to NRC members at least seven (7) days before the date of the meeting.

5.2.13.5. NRC Secretariat shall distribute the approved meeting materials together with an agenda of items to be discussed to NRC members at least five (5) days before the date of the meeting.

5.2.13.6. Draft minutes are to be distributed to the NRC members within seven (7) days of the meeting.

**5.3. BTC****5.3.1. Objectives**

5.3.1.1. BTC was established to consider and approve all procurement proposals based on the approved limits of authority in line with the Board's delegation of power as stated in the Company's Constitution. The main objectives of the BTC are as follows:

- a) To provide a platform for the Board via its Committee to discuss procurement proposals and interact with the Management for further information and clarifications before deliberating and approving the proposed purchases.
- b) To consider, approve and/or recommend all procurement proposals based on the approved limits of authority.
- c) To ensure that all procurement policies and procedures are fully adhered to before making any approvals or recommendations.
- d) To facilitate a more transparent, efficient and faster decision making process.
- e) To ensure that the best interests of the Company and Group are met and protected at all times.



5.3.1.2. The BTC shall not be less than 3 members, including the Chairman, comprising Non-Executive Directors, at least 1 of whom preferably have relevant experience in procurement matters.

5.3.1.3. The Chairman shall be elected by the members of BTC from amongst their number.

5.3.1.4. The membership and effectiveness of BTC will be reviewed on annual basis by the NRC and ultimately by TM Board pursuant to the BEE conducted annually.

BTC has the discretion to invite Executive Director and other relevant members of senior Management of the Company as permanent invitee(s) to BTC meetings.

### **5.3.2. Secretariat to the BTC**

5.3.2.1. BTC shall be coordinated jointly by:

- a) Cosec represented by the Company Secretary, to act as Secretary to BTC, attending the BTC meetings and be responsible for the logistic and administrative matters of BTC meetings; and
- b) GP represented by the Chief Procurement Officer (CPO), or any other person elected by the CPO, as the case may be, to be responsible for the preparation of papers and reports and make recommendation on procurement proposals to be submitted to BTC.

5.3.2.2. The CPO and the relevant GM GP are invited to attend throughout the BTC meeting and the relevant key technical authorised personnel shall be invited to clarify on technical matters and the relevant process owners shall be invited to present to BTC the Management's justifications for their respective procurement proposals.

### **5.3.3. Duties and Responsibilities**

5.3.3.1. The BTC shall report to the Board and has the following duties and responsibilities:

- a) Ensure that the procurement process is in accordance and complies with all applicable procurement ethics, policies and procedures.
- b) Verify the validity of technical and financial capabilities of the tenderers including their registration certificates with relevant authorities and bodies such as the Ministry of Finance or *Pusat Khidmat Kontraktor (PKK)* based on technical and commercial reports.
- c) Consider and approve or endorse offers which will benefit the Company and Group taking into consideration various factors, such as pricing, utilization of goods/services, quantity, delivery/commissioning timeframes and other relevant factors.
- d) Ensure that the objectives of the Vendor Development Programme or by any other name of similar programme created to develop and establish competitive, sustainable and high performing Bumiputera vendor via structured capacity and capability programmes to support National Development Policy and Bumiputera Empowerment Agenda, are achieved through careful monitoring of the performance and track records of the companies/vendors appointed under these programmes.

- 5.3.3.2. In the event there are personal interests/conflict of interests (COI) or potential COI in respect of any procurement proposals, or circumstances as prescribed under the Company's Directors & Management COI Policy that may give rise to COI, the BTC member concerned must declare his/her interests and abstain from deliberating, voting and/or deciding on the said procurement proposal during the BTC meetings.

#### **5.3.4. Guidelines when Deciding on an Offer**

When considering an offer, the BTC Members must consider the following matters:

- 5.3.4.1. Consideration and priority to be given to Bumiputera tenderers/suppliers/vendors/contractors/service providers provided the quality of products and/or services is the same and the price offered is reasonable.
- 5.3.4.2. Consideration and priority to locally manufactured goods/products.
- 5.3.4.3. Government policies which objectives are to protect national interests.
- 5.3.4.4. Ensure that the selected tenderer has the capability and ability to implement the contract, financially stable with sufficient and satisfactory experience/track records.
- 5.3.4.5. The offer which has been approved or endorsed must be an offer which is technically and commercially acceptable.

#### **5.3.5. Scope of Authority**

BTC has the authority to undertake the following:

- 5.3.5.1. Only approve an offer by way of a unanimous decision. Any disagreement by any member present must be duly minuted and recorded. A BTC decision which is not unanimous shall be referred to TM Board of Directors for final decision.
- 5.3.5.2. Consider and approve procurement proposals in accordance with the prescribed TM First Tier Financial Limits of Authority (LOA Tier 1) for procurement and any amendment thereof that may be made from time to time as approved by the relevant authorised body.
- 5.3.5.3. Consider and endorse recommendations on procurement exceeding its limit of authority for the approval of TM Board of Directors.
- 5.3.5.4. Review, verify and request additional information which is relevant to the offer being discussed.
- 5.3.5.5. Reject any proposed offer if it is found that the procurement policies and procedures have not been adhered to or if there are any discrepancies with its guidelines.
- 5.3.5.6. Approve the nullification of any tenders which have been called or offered if the said tenders are not relevant or no longer required after the tender is closed.
- 5.3.5.7. To review, deliberate and decide on appeal from supplier/vendor that is either suspended, blacklisted or terminated in accordance with the criteria and justifications to be established by GP under its policy relating to Supplier Consequence Management.
- 5.3.5.8. Consider matters relating to the efficiency and effectiveness of the procurement process.
- 5.3.5.9. To approve Procurement Strategy for critical and complex project that shall determine the upfront key strategic decisions in executing subsequent sourcing activity, and this includes sourcing approach and supplier strategy.

**5.3.6. Structure of BTC Meetings**

5.3.6.1. Frequency of Meeting

The BTC meetings shall be held once every two months or when necessary at venue to be agreed by the Chairman of BTC.

**5.3.7. Quorum for Meeting**

5.3.7.1. No business shall be transacted at any BTC meeting unless a quorum is present. The quorum necessary for the transaction of business at BTC meetings shall be a minimum of 3 members.

5.3.7.2. Meeting can only be convened with the presence of the BTC Chairman. However, in the event the Chairman is not able to attend and consented for the meeting to proceed, the members present shall choose any one (1) of their number, to act as chairman of the said meeting and he/she shall be counted as the requisite quorum for the meeting.

5.3.7.3. Other than a physical attendance at the meeting venue, BTC meeting may be held and conducted either wholly or partially by virtual attendance by its members through electronic facilities. The members so participating is counted for quorum.

5.3.7.4. All or any of the members may participate in the meeting by means of a conference telephone, video conference or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the chairman of the meeting then is.

**5.3.8. Guidelines for BTC Proceedings**

5.3.8.1. GP and Cosec shall be the joint secretariat of the BTC.

5.3.8.2. Cosec is to provide logistic, administration and support to ensure the smooth running of the BTC meetings and proceedings.

5.3.8.3. GP, as the joint secretariat will consolidate submissions of papers for BTC's deliberation including that of presentations for the respective items to be tabled to the BTC.

5.3.8.4. All documents to be submitted to the BTC meetings must be first vetted by the Secretariat, which will determine the appropriateness of these documents for discussion at these meetings.

5.3.8.5. The Notice and Agenda for each BTC meeting shall be sent to all members of the BTC and any other persons who may be required to attend at least seven (7) business days before the date of the meeting.

5.3.8.6. Approved meeting materials are to be submitted to Cosec at least five (5) business days before the date of meeting.

5.3.8.7. Draft minutes are to be distributed by the Secretary to BTC members within five (5) business days of the meeting.

5.3.8.8. Any issues within the ToR of the BTC may be referred to the BTC for guidance and decision.

5.3.8.9. Follow-up actions on certain issues need to be resolved by the identified

process owners within the given specified timeframe.

**5.3.9. BTC Circular Resolution**

5.3.9.1. In the event a meeting could not be convened, approval from the BTC may be sought by way of a Circular Resolution (BTC CR) in writing to all BTC members. BTC Chairman's consent, or his/her replacement, as the case may be, should be sought prior to the issuance of the BTC CR.

The BTC CR shall be as valid and effectual as if it had been passed by a meeting of BTC duly convened. The BTC CR must be signed or approved by not less than equal number of BTC members present and able to form the minimum quorum for meeting, to transact business.

For clarity, BTC member's ability to sign or approve the CR includes, but not limited to, the capability to access and utilise the necessary facility(ies) to review/comment the proposal, send/receive and communicate his/her approval/rejection of the same.

5.3.9.2. Any such BTC CR may consist several documents in like form each signed by one or more BTC members, taking the form of documents in writing, or by other written electronic medium of communication and shall be as valid and effectual as if it had been passed by the BTC meeting duly called and constituted.

**5.3.10. Reporting**

5.3.10.1. The report from the meeting of the BTC will be provided and tabled at the next TM Board Meeting for information, approval and/or further deliberation.

5.3.10.2. BTC Chairman or in his/her absence, any BTC member is responsible to report to the Board on the outcome of the BTC meetings.

**5.3.11. Confidentiality**

All information in respect of the tender proposal, decision and minutes of meeting are strictly and highly confidential.

**5.4 BRIC****5.4.1. Objective**

5.4.1.1. The main roles of BRIC are :

- a) To assist the Board in ensuring that the Company has in place a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives.
- b) To focus on risk issues by identifying, assessing and monitoring key business risks to safeguard shareholders' investments and the Company's assets including but not limited to financial, operational, regulatory compliance, reputation, sustainability and cyber security risks including data privacy.
- c) To review and provide guidance on strategic investment proposals including but not limited to mergers & acquisitions, divestments, joint ventures, business collaboration and partnership, commercial transactions with high complexity and financial exposure, new business ventures, markets or geographies and capital expenditures focusing on Management's assessment of the key associated risks and the mitigation strategies prior to the Board's approval.

- d) To assist the Board in setting the strategies, priorities, targets and Group practices pertaining to sustainability and ensuring that the Group's strategies, goals and principles involving sustainability are aligned with the Group's commitment towards sustainability.

#### **5.4.2. Composition and Membership of the BRIC**

- 5.4.2.1. TM Board may upon recommendation of the NRC, appoint any of its members and their Alternates as members of the BRIC. Unless otherwise decided by the Board, BRIC membership shall consist not less than three (3) members, including Chairman, majority of which are INEDs.
- 5.4.2.2. The Chairman shall be a NED and recommended by the NRC, PROVIDED ALWAYS the Chairman of BRIC is not the Chairman of BAC.
- 5.4.2.3. Members of the BRIC may relinquish their membership in the BRIC by giving a prior written notice to the BRIC Chairman and the Chairman of the NRC with a copy to the Company Secretary. The NRC will review and recommend, to the Board for approval, another Director to fill up such vacancy within three (3) months of the notice.
- 5.4.2.4. All members of the BRIC, including the Chairman, will hold office only so long they serve as Directors (or Alternate Directors) of the Company.

#### **5.4.3. Duties and Responsibilities of the BRIC**

- 5.4.3.1. Duties and Responsibilities relating to Risk Management
  - a) Ensure the establishment of a sound risk management framework including business continuity & crisis management and corporate compliance, for TM Group.
  - b) Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board.
  - c) Monitor the effectiveness of the risk management organisational structure.
  - d) Keep under review the status and application of risk management responsibilities and accountabilities.
  - e) Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes.
  - f) Make recommendations to the Board or Board Committee as delegated by the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board.
  - g) Oversee that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company.
  - h) Ensure that risk management assessments are performed on a continuous basis.
  - i) Ensure that frameworks and methodologies are implemented and reviewed in assessing unpredictable risks and new or emerging trends of threats, including cyber threats.
  - j) Ensure that management considers and implements appropriate risk responses.
  - k) Ensure that continuous risk monitoring by management takes place.

- l) Liaise closely with the Group Risk Management (GRM) to exchange information relevant to risk.
- m) Express the BRIC's formal opinion to the Board on the effectiveness and adequacy of the risk management systems and processes, and update the Board on the assessment of emerging key risks.
- n) Assist the Board to review, evaluate and deliberate on risk assessment (e.g. strategic, operational, compliance and financial risks) for strategic investment proposals prior to recommendation to the Board for approval, including:
  - i) Advise the Board on potential risk response strategies before the Board decides on the strategic investment proposals.
  - ii) Monitor the key risks in the execution of the strategic investment proposals, and report to the Board.
  - iii) Review the effectiveness of risk response actions of selected strategic investment (post-approval), and report to the Board.
- o) Review the report concerning risk management that is to be included in the integrated Annual Report to ensure that it is timely, comprehensive and relevant. Disclosure should include discussion on how key risk areas were evaluated and the controls in place for the Group to mitigate and manage those risks.
- p) CRO position
  - i) Recommendation to NRC on the appointment, upgrading, promotion and/or termination of CRO for further recommendation to TM Board;
  - ii) Review, appraise and recommend to NRC the performance and remuneration of CRO; and
  - iii) Informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceedings/investigations against CRO, subject to Human Resource policies and guidelines.

#### 5.4.3.2. Duties and Responsibilities relating to Investment Matters

- a) To review, evaluate and recommend to the Board the Management's recommendations on investment and divestment related proposals as and when requested by the Board.
- b) To provide input on the valuation of the proposed investments and divestments taking into account compliance with the investment policy, risk management analysis, findings of the due diligence and written report from external advisers, as applicable.
- c) To review such other matters relating to business collaboration and partnership, investments and divestments as directed by the Board from time to time.

#### 5.4.3.3. Duties and Responsibilities relating to Sustainability Issues

- a) Establish and review the frameworks, strategies, policies, plans and initiatives on Sustainability.
- b) Review the sustainability framework to ensure relevant sustainability risks that affect or are likely to affect the operations, strategy or reputation of TM are identified, managed and mitigated.

- c) Review the sustainability framework to ensure continuous monitoring, assessment and review of current and emerging sustainability trends, relevant international standards and legislative requirements and their impact to TM.
- d) Monitor and report Sustainability KPI and their implementation through the Group's Sustainability Roadmaps and Aspirations.
- e) Facilitate the adoption of mind-set in favour of sustainability throughout the Group to instil a performance culture inculcating sustainability in the work culture.
- f) Review TM's Sustainability Statement to ensure transparency regarding TM's sustainability performance.

**5.4.4. Position Descriptions and Roles of BRIC Chairman**

5.4.4.1. The following are the main roles of the BRIC Chairman. These are not exhaustive and serve merely as a guideline:

- a) Assists the BRIC fulfil the goals it sets by assigning specific tasks to members of the BRIC and identifies guidelines for the conduct of the members and ensures that each member is making a significant contribution.
- b) Secretary to provide guidance to the BRIC on what their responsibilities are under the rules and regulations to which they are subject to and how those responsibilities should be discharged.
- c) Provides leadership to the BRIC and ensures proper flow of information to the BRIC, reviewing adequacy and timing of documentation.
- d) Secures good corporate governance and ensures that members look beyond their BRIC function and accept their full share of responsibilities of governance materials in support of Management's proposals.
- e) Manages the processes and working of the BRIC and for ensuring that the BRIC discharges their responsibilities. Appropriate procedures may involve the BRIC meeting on a regular basis without the presence of Management.
- f) Ensures that every BRIC resolution is put to a vote to ensure that it is the will of the majority that prevails. However, where possible, a consensus would be preferred.
- g) Should engage on a continuous basis with the Senior Management members, such as the Group CEO, the Group CFO, the CIA and relevant key principal officers as well as the external auditors in order to be kept informed of matters affecting the Company and Group.

5.4.4.2 The Head of GRM or CRO of TM shall also act as Head of Risk Management Unit of TM and will be responsible for overseeing risk matters of TM and its Group. The roles of GRM in BRIC shall be as follows:

- a) Provide overall input on the enterprise risk dashboard covering risk assessment, controls and adequacy to assist the BRIC in carrying out its duties.
- b) Compile and/or prepare papers and reports on risks matters/proposals to be submitted to BRIC.

**5.4.5. Powers of the BRIC**

- 5.4.5.1. Explicit authority to investigate any matter within its ToR.
- 5.4.5.2. Sufficient resources which are required to perform its duties.
- 5.4.5.3. Full and unrestricted access to any information, records, properties and personnel of TM and of any other companies within the TM Group.
- 5.4.5.4. Obtain advice from independent professionals or those with relevant experience and invite them (if necessary) to attend the BRIC meetings to brief the BRIC on specific matters.
- 5.4.5.5. Obtain external consultants to assist with the execution of its duties.
- 5.4.5.6. Report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including such recommendations and findings for the Board's approval and information, as applicable.
- 5.4.5.7. Provide assurance to the Board and to the BAC if so delegated by the Board on the management and mitigation of specific risks and the scope and quality of risk management processes.
- 5.4.5.8. Make the recommendations to the Board that it deems appropriate on any area within the ambit of its ToR where action or improvement is required.
- 5.4.5.9. Require that urgent matters at subsidiaries or Group level be escalated and informed to the BRIC immediately via the Head of GRM.

**5.4.6. BRIC Secretariat and its Functions**

- 5.4.6.1. The BRIC Secretary shall be the Company Secretary and in his/her absence, any executive from Cosec may attend the meeting on his/her behalf. The Secretariat to the BRIC meetings shall be GRM and Cosec.
- 5.4.6.2. Cosec will provide logistic, administration and support to ensure the smooth running of the meetings and proceedings.
- 5.4.6.3. GRM will consolidate submissions of papers for BRIC's deliberation including that of presentations for the respective items to be tabled to the BRIC;
- 5.4.6.4. Setting the date and venue of the meeting in consultation with the Chairman;
- 5.4.6.5. Compilation and distribution of meeting materials;
- 5.4.6.6. Vetting documents to be submitted to the BRIC and determining the appropriateness of these documents for discussion at the meeting. In case of ambiguity, the Chairman is to be consulted;
- 5.4.6.7. Ascertaining at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly;
- 5.4.6.8. Proper recording of the meeting proceedings and distributing draft minutes to members;
- 5.4.6.9. Prepare and submit a report of BRIC deliberations and recommendations to the Board for information and endorsement as appropriate; and
- 5.4.6.10. Follow-up actions for feedback submission to BRIC.



**5.4.7. Structure of BRIC Meetings**

- 5.4.7.1. The BRIC shall meet at least four (4) times in a year preceding the quarterly BAC meetings or such additional meetings as decided by the Chairman.
- 5.4.7.2. Head of GRM or CRO shall be a permanent invitee to BRIC meetings. Other attendees, external or internal, may be invited to attend all or part of any meeting as and when appropriate and with the consent of the Chairman to facilitate BRIC business.

**5.4.8. Quorum for BRIC Meeting**

- 5.4.8.1. No business shall be transacted at any BRIC meeting unless a quorum is present. The quorum necessary for the transaction of business at BRIC meetings shall be a minimum of 3 members.
- 5.4.8.2. Meeting can only be convened with the presence of the Chairman. However, in the event the Chairman is not able to attend but the meeting has to proceed, the members present shall choose one (1) of their number to act as chairman of the meeting.
- 5.4.8.3. A member may participate in the meeting by means of telephone conferencing, video conferencing or any communication equipment and he or she shall be deemed to be present in person and counted in a quorum of the meeting.

**5.4.9. BRIC Circular Resolution**

- 5.4.9.1. In the event a meeting could not be convened, approval may be sought by way of a Circular Resolution (CR) in writing to all BRIC members. The CR shall be as valid and effectual as if it had been passed by a meeting of BRIC duly convened. The CR must be signed or approved unanimously by all members.
- 5.4.9.2. Any such CR may consist several documents in like form each signed by one or more BRIC members, taking the form of documents in writing, or by other written electronic medium form of communication and shall be as valid and effectual as if it had been passed by the BRIC meeting duly called and constituted.

**5.4.10. Meeting Materials**

- 5.4.10.1. Meeting materials are to be approved by the relevant Heads of Division/LOBs of the Process Owners, prior to their tabling at the meeting.
- 5.4.10.2. GRM will determine the appropriateness and category of papers for approval, discussion or information of BRIC and to consult the BRIC Chairman on the same.
- 5.4.10.3. Approved meeting materials are to be submitted to Cosec at least seven (7) days before the date of meeting for purposes of preparing the Agenda.
- 5.4.10.4. Cosec shall issue notice of each meeting confirming the venue, time and date to BRIC members at least seven (7) days before the date of the meeting.
- 5.4.10.5. BRIC Secretariat shall distribute the approved meeting materials together with an agenda of items to be discussed to BRIC members at least five (5) days before the date of the meeting.
- 5.4.10.6. Draft minutes are to be distributed to the BRIC members within seven (7) days of the meeting.

**5.4.11. Confidentiality**

All papers, resolutions, minutes and deliberations of the BRIC are strictly and highly confidential.

**5.5 Board Sub-Committees**

- 5.5.1** The Board are authorised to establish Board Sub-Committee or special purpose Board Committees, on a need basis to deliberate and expedite decision-making processes in respect of specific aspects of the business.
- 5.5.2** The appointment of the Board Sub-Committee members and its chairman shall reside with the Board.
- 5.5.3** The short-term committee is to be established based on its ToR which is to be duly approved by the Board.
- 5.5.4** The disbandment of the Board Sub-Committee shall commence upon achieving its objective(s) or attainment of the specified time limit imposed on the said committee as the case maybe, to be stipulated in its ToR.
- 5.5.5** The chairman of the Board Sub-Committee shall report on its deliberation and progress to the relevant Board Committee.

## 6. REMUNERATION LEVELS OF DIRECTORS

### Clause

- 6.1. The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload complexity of the business and responsibilities involved, without paying more than is necessary to achieve this goal.
- 6.2. The framework for the remuneration of Executive Directors and NEDs is reviewed regularly and benchmarked against market practices.
- 6.3. The remuneration of NEDs is based on a standard fixed fee amount and not by a commission on or percentage of profits or turnover. Additional fees are conferred to every chairmanship held in the Board and committee. The variation of the fee paid to the chairmanship depends on the complexity of the subject matter of the committee.
- 6.4. Additional allowances are paid for attending every meeting. The attendance allowance conferred to the Chairman of the committee shall be proportionately higher than that of the ordinary committee member.
- 6.5. The meeting attendance allowance is only payable to NEDs for each Board and/or Board Committee meeting held.
- 6.6. In the event that the Alternate to the NED attended the meeting in the absence of their principal Director, the meeting attendance allowance is then payable to the Alternate Director.
- 6.7. The NEDs are also conferred benefit in kind in the form of leave passage, business equipment, telecommunication benefit, medical and insurance benefits.
- 6.8. The directors are compensated for expenses incurred in the course of attending to the Company's business in the form of travelling passage, lodging and out of pocket expenses.
- 6.9. The Executive Directors are paid salary, allowances, bonuses and other customary benefits as appropriate to Senior Management members, and the level of remuneration is determined by NRC, based on the guiding principles established for compensation framework under the guidelines set out in the 'Blue Book' to GLCs, after benchmarking against comparable positions of CEOs of other GLCs, and the industry TM is in and its regional exposure. Salaries payable to Executive Directors shall not include a commission on or percentage of turnover.
- 6.10. No Director other than the Executive Directors shall have a service contract with the Company.
- 6.11. A formal independent review of the Directors' remuneration is undertaken no less frequently than once every three (3) years, and adequate disclosure is made in the annual report.
- 6.12. Any revision on the Directors' fee is subject to the approval of the shareholders at a general meeting.
- 6.13. As a GLC, TM has implemented guidelines set out in the Blue Book to GLCs, and Performance-linked Compensation introduced by PCG.

## 7. BOARD'S ACCESS TO INFORMATION

### Clause

- 7.1. All Directors are accorded access to information in regards to the Company to be well informed when providing their judgement and to enable the discharging of their duties to the best of their abilities. The Directors are to have:
  - 7.1.1. Full and unrestricted access to information pertaining to the Company. The Management should supply accurate and complete information in a timely manner to enable the Directors either individually or collectively as the Board to discharge its duties effectively; and
  - 7.1.2. Resources, advice, services of the Secretary or obtain an independent professional or other advice whenever necessary and reasonable, for the performance of their duties.
- 7.2. The cost of gaining the information or advice shall be borne by the Company provided that the procurement of the same is reasonable and in the course of discharging the Directors' duties for the Company.

## 8. ACCOUNTABILITY AND AUDIT

### Clause

#### 8.1. Financial Reporting

- 8.1.1. The Board shall strive to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through annual financial statements, quarterly announcements of the financial results as well as the Chairman's Statement and Review of the Company's operations in the annual report.
- 8.1.2. The Directors shall ensure that the financial statements are prepared so as to give a true and fair view of the state of affairs of the Company and the Group in accordance with the approved and applicable financial reporting standards.
- 8.1.3. The Board through its BAC oversees the Group's financial reporting processes and the quality of its financial reporting.
- 8.1.4. The BAC shall review, deliberate on the financial results and upon approval by the Board discloses the Company's interim financial report on quarterly basis not later than two (2) months after the end of each quarter of the financial year.
- 8.1.5. On an annual basis annual reports that include annual audited financial statements together with the auditors' and directors' reports shall be forwarded to Bursa Securities and shareholders within four (4) months from the close of the financial year of the Company.
- 8.1.6. The annual audited financial statement shall be presented on a consolidated basis.
- 8.1.7. All disclosures in regards to the financial reporting to the public shall be in accordance with the requirement of the Main LR and other prevailing statutory acts.

#### 8.2. Company Auditors

- 8.2.1. The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the Company's external auditors through its BAC.
- 8.2.2. Appointment of the Company's external auditors is subject to approval of shareholders at annual general meetings. The external auditors have to retire during the AGM every year and can be re-appointed upon the approval by the shareholders for the ensuing year.
- 8.2.3. The key audit partner of the External Auditors for the Company is required to be changed in every five (5) years. After such time, the said key audit partner is to be set on moratorium for a duration of two (2) years.
- 8.2.4. The removal from office or resignation of External Auditors required written representations or written explanations by the External Auditors to be copied to the Registrar of the Companies and Bursa Securities pursuant to Section 284 of the Act.
- 8.2.5. Statement on Risk Management and Internal Control made by the Board to be included in the annual report must be reviewed by the External Auditors.
- 8.2.6. It is imperative that the chairman of the BAC convene a meeting of the committee upon request from the external auditors to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

#### 8.3. Internal Controls and Risk Management

- 8.3.1. The Board recognises and affirms its overall responsibility for the Group's system of internal control, which includes the establishment of an appropriate control environment and control framework as well as reviewing its effectiveness, adequacy and integrity.

## Clause

- 8.3.2.** The Company has maintained a sound system of internal control to safeguard shareholders' investment and the Company's assets.
- Failure of the system shall be immediately investigated under the internal audit function and reported to the BAC.
- 8.3.3.** The Company has a well-resourced internal audit function, which critically reviews all aspects of the Company's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The Head of Internal Audit has direct access to the Board through the Chairman of the BAC.
- 8.3.4.** The Board, through the BAC, ensures the system of internal controls is reviewed on a regular basis.
- 8.3.5.** An integrated approach is adopted in managing risks inherent in various aspects of the Company's business.

## 9. GENERAL MEETINGS

### Clause

#### 9.1. Notice of General Meeting

9.1.1. Convening of a general meeting by way of notice, shall be made according to the provisions of the Act and the Company's Constitution.

The said notice shall also be made public through an announcement to Bursa Securities, posting in two (2) major newspapers one (1) each in Bahasa Malaya and English [when applicable] and through the Company's official website.

9.1.2. Any special business included in the notice of general meetings must be accompanied by a full explanation of the effects of a proposed resolution.

#### 9.2. Interaction and Communication during the General Meeting

9.2.1. The general meeting is deemed as an important event of which all Directors and key senior executives are strongly encouraged to attend and participate to impart important information when necessary.

9.2.2. Other than dispensing of the required business, the general meeting shall be a platform for interactive dialogue with shareholders and investors where they are informed of the Company's current developments and activities.

9.2.3. The Chairman shall encourage active participation from the shareholders and shall allocate sufficient time for the shareholders to ask questions regarding the Company's affairs to the Board members and Management.

9.2.4. The general meetings shall be one of the channels which provide opportunity for effective communication with, and constructive feedback from, the Company's shareholders. The issues resolved at every general meeting shall be posted on the Company's website.

9.2.5. The Executive Directors shall summarise and prepare presentations on the specific proposal that they deemed to be necessary for the shareholders' better understanding and to engage and encourage their participation in the meeting.

#### 9.3. Attendance and Voting at the General Meeting

9.3.1. Shareholders or their proxies present at the general meeting are entitled to attend and vote according to the shares held, of which all calls due have been paid to the Company.

9.3.2. Shareholder's entitlement to attend, vote and speak at the general meeting shall be determined according to the Company's Constitution.

9.3.3. A shareholder may appoint two (2) proxies to attend the general meeting on his behalf with the proportion of shareholding represented by each proxy is stated. Proxies shall be appointed by the shareholder according to the provision of the Company's Constitution.

9.3.4. Provided there is no objection from the shareholders and before the declaration of the result on the voting by hand by the Chairman, voting on all resolutions presented at general meeting shall be by show of hands.

9.3.5. Voting however may be made by way of poll if the request is made by the following:

- a) by the Chairman;
- b) by at least three (3) members present in person (or in the case of a company, by representative) or by proxy;

## Clause

- c) by a member or members present in person or by proxy or by representative and representing not less than ten per centum of the total voting rights of all the members present in person or by proxy or by representative at the meeting; or
- d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than ten per centum of the total sum paid up on all the shares held by all the members present in person or by proxy or by representative at the meeting.

**9.3.6.** The Chairman shall inform the shareholders on their rights to demand voting by poll at the beginning of the general meeting.

**9.3.7.** The Company however reserves the right to subject specific resolutions to voting by poll if it deems the subject matter of the resolution is substantive in nature.

**9.3.8.** The detailed result on the vote casts for and against for each resolution shall be announced upon the conclusion of the last resolution voted on at the general meeting. The detailed result shall also be made available to the public through announcement to the Bursa Securities.

**9.3.9.** Voting by poll shall be made electronically.

### **9.4. Annual General Meeting (AGM) and Extraordinary General Meeting (EGM)**

#### **9.4.1. Convening of the AGM**

**9.4.1.1.** The Company shall hold a general meeting once in every calendar year, within six (6) months of TM's financial year end and not more than fifteen (15) months after the holding of the last preceding AGM.

**9.4.1.2.** The business transacted in an AGM shall include laying of the audited financial statements and the report of the Directors and auditors, the election of Directors in the place of those retiring, appointment and fixing of the fees of directors and the appointment and fixing of the remuneration of the auditors. Tabling of other business where notice is given accordance to the Act or the Constitution.

#### **9.4.2. Convening of the EGM**

**9.4.2.1.** The Directors may, whenever they think fit, convene an EGM.

The Directors shall also, on requisition of members in accordance with the Act, forthwith proceed to convene an EGM.

**9.4.2.2.** In the EGM, no other business than those stated in the notice of the meeting shall be transacted.

**9.4.2.3.** The notice of the EGM shall be served in the manner as provided for in the Company's Constitution and a Circular containing information as required by the Main LR together with the notice of the EGM shall be issued by the Company to the shareholders.



## 10. CORPORATE DISCLOSURE POLICIES AND PROCEDURES

### Clause

- 10.1. The Board shall to their best endeavours provide the shareholders and the public with accurate and complete information according to the relevant rules and regulation in a timely manner.
- 10.2. The Company shall adhere to all relevant rules and regulation imposed on the Company such as Main LR, the Act and Capital Markets and Services Act 2007.
- 10.3. The Company shall adopt the Corporate Disclosure Guidelines issued by Bursa Securities and any amendments thereof that may be issued from time to time.
- 10.4. The approval of the release of the announcement shall be made according to the appropriate level of authority.

## 11. RELATIONSHIP AND COMMUNICATION WITH STAKEHOLDERS

### Clause

#### 11.1. Board's Guideline on Creating Relationship and Communication with Stakeholders

- 11.1.1. The Board encourages communication with all its stakeholders in regards to the strategy, activities, development and governance in the Company to promote transparency in its dealings. The Board acknowledges the need for stakeholders to be informed of material business matters affecting the Company and as such adopts an open and transparent policy in respect of its relationship with its stakeholders.
- 11.1.2. The roles of the Board in stakeholder engagement are to:
- a) Ensure alignment on purpose of stakeholder engagement and readiness to manage risks and issues raised;
  - b) Lead specific stakeholder engagements to gather feedback and ideas. Boards can have innovative conversations that can help expand their views;
  - c) Monitor output of stakeholder engagements and make decisions to improve the Company's sustainability position and direction; and
  - d) Manage investor and other stakeholder needs to balance between shareholder value and non-financial performance.
- 11.1.3. Communication with stakeholders must be based on the following key principles:
- a) Instil trust and credibility.
  - b) Transparency and openness.
  - c) Timeliness and accuracy.
  - d) Consistency and clarity.
- 11.1.4. The Company has an Internal Communication Policy maintained and developed by the Group Brand and Communication intended to serve the needs and applicable to all the companies under the TM Group.

#### 11.2. Shareholders and Investors

- 11.2.1. The Company is committed to communicate its strategy and activities regularly and clearly to its shareholders. TM proactively disseminates relevant and timely information to the investment community through the Investor Relations Unit (IR), to keep investors abreast of the Group's strategies, performance updates and key business activities.
- 11.2.2. Communication with the capital market is undertaken by IR governed by the Internal Communication Policy.
- 11.2.3. The Board also maintains lines of communications with major shareholders to take heed of their concerns over matters related to corporate governance and Group performance.
- 11.2.4. TM keeps shareholders informed of the long-term strategies, and discloses short and medium-term events that affect the risk and reward profile of the Company.
- 11.2.5. The Board agreed that timely release of financial results on a quarterly basis will provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.
- 11.2.6. The Board ensures that an active dialogue with investors through a planned programme of investor relations activities and engagement is maintained.
- 11.2.7. A press conference is held after each General Meeting where the Chairman and Executive Directors will release a statement on the Company's results and prospects. All press releases will be vetted and approved by the Executive Director(s) to ensure that information that has yet to be released to Bursa Securities is not released to the press.

- 11.2.8.** The Company's website, [www.tm.com.my](http://www.tm.com.my), provides easy access of communication and source of information on corporate information pertaining to the Company and its activities to shareholders, and the general public and is continuously updated.

### **11.3. Employees**

The Company encourages communication across the TM Group and ensure that it is well coordinated, effectively managed and meets the diverse needs of the organisation through an Internal Communication Policy. The policy is mandatory and must be complied with.

### **11.4. Relationship with Other Stakeholders**

- 11.4.1.** The Board recognises the importance of maximising shareholders value, thus, the needs and interests of other stakeholders are also taken into consideration.
- 11.4.2.** The Board is committed to transparent, timely and dialogue-driven communication with its respective stakeholder groups and expects and welcomes feedback from stakeholders.

### **11.5. Environment**

- 11.5.1.** The Board acknowledges the need to safeguard and minimise the impact to the environment in the course of achieving the Company's vision and mission.
- 11.5.2.** The Company adopts comprehensive and documented policies and procedures as part of its commitment to protect the environment and contribute towards sustainable development.

## 12. STRATEGY TOWARDS PROMOTING SUSTAINABILITY

### Clause

**12.1.** In the effort of maximizing shareholders' return, TM is at the same time advocating towards a more holistic approach in managing its business. By taking into consideration the economic, environmental and social risks and opportunities aspects of its operations, TM believe this rounded approach would not only generate long term benefits for the Company and its environs but would further assures the continuity of business in the future.

TM Group also acknowledge that as part of its sustainability efforts, it needs to continue to undertake social or community development programmes which would benefit education, nation building and environment as part of its social responsibility. These efforts are aligned with the business strategies that will benefit the broader interests of the community and at the same time contributing towards the welfare of the communities in which it operates in and supports, while complementing the efforts of the Government.

**12.2.** TM has produced on annual basis the Sustainability Report, to communicate more effectively with stakeholders on its endeavours towards sustainability, together with the annual report, which highlights the financial aspects of the business, both reports provide a clear, comprehensive and transparent representation of the Company's performance annually.

**12.3.** The Board has adopted the global reporting initiative for the sustainability reporting framework for the purpose of preparing its Sustainability Report together with the prevailing guidelines issued by the regulators and relevant organisations and any changes made to them from time to time.

**12.4.** The Sustainability Report incorporate details on the Company's interactions and initiatives with the targeted stakeholder's groups, the engagement methodology and the Company's approach towards achieving the Company's long term viability, encompassing environmental, social and governance aspects of the business.

**12.5.** The Company's sustainability activities are aligned to the corporate strategies and values. TM employ the following strategies in promoting sustainability:

- a) Adoption of a framework to manage current and future impacts on the Company's stakeholders.
- b) Aligned with its corporate values.
- c) Incorporate clear plans to address issues and concerns of its key stakeholders.
- d) Ensure effective communication of sustainability objectives to parties involved.
- e) Ensure integration of values and stakeholder interests in corporate strategy.

### 13. COMPANY SECRETARY

#### Clause

- 13.1.** The Board appoints the Secretary. He/she plays an important advisory role to the Board in providing guidance on the Board's responsibilities under the rules and regulations when discharging its duties.
- 13.2.** The Board is thus required to ensure that the person holding the position of Secretary is suitably qualified and competent to support the Board and is capable of carrying out the duties and fulfils the functions for which he/she has been appointed to.
- 13.3.** The Secretary should be accountable to the Board through the Chairman of the Board and its Committees on all governance matters.
- 13.4.** The Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and ensuring that the Company complies with the relevant legislation, regulations and guidelines for administrating the Company.
- 13.5.** The Secretary should advise Directors of their obligations to adhere to requirements imposed by the relevant regulations in regards to matters relating to:
- a) disclosure of interest and any changes thereof in the Company's securities and to make the necessary announcement to Bursa Securities and update the Board at the next board meeting;
  - b) disclosure of any conflict of interest between the Directors and the Company in a transaction involving the Company;
  - c) prohibition on dealing in the Company's securities; and
  - d) restriction on disclosure of price-sensitive information.
- 13.6.** The Secretary must keep abreast of, and inform the Board of current governance practices and relevant rules and regulations.
- 13.7.** The Board members have unlimited access to the professional advice and services of the Secretary.
- 13.8.** The removal of the Secretary is a matter for the Board to determine and resolved as a whole.

## 14. APPLICATION

### Clause

- 14.1.** The principles set out in this Charter are:
- a) kept under review and updated as practices on corporate governance develop and further guidelines on corporate governance are issued by the relevant regulatory authorities;
  - b) applied in practice having regard to their spirit and general principles rather than to the letter alone; and
  - c) summarised in the annual report as part of a narrative statement by the Directors on corporate governance.
- 14.2.** The Board endeavours to comply at all times with the principles and practices set out in this Charter.
- 14.3.** The abridged version of the Charter shall be made public in the Company's website.

## 15. REVISION OF THE CHARTER

### Clause

- 15.1.** Any revision or amendment to this Charter, as proposed by any Member, or any third party, shall first be presented to the Board for its approval.
- 15.2.** The Board may delegate the authority to NRC to review and consider any proposed revision or amendments to this Charter and recommend to the Board for approval.
- 15.3.** Upon the Board's approval, the said revision or amendment shall form part of this Charter and this Charter shall be considered duly revised or amended.