



Mizuho Bank (Malaysia) Berhad

(Company No. 923693-H)

TERMS OF REFERENCE BOARD REMUNERATION COMMITTEE

Department Owner : Human Resources Department

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TERMS OF REFERENCE OF THE BOARD REMUNERATION COMMITTEE

1. OVERVIEW

- 1.1 The Board Remuneration Committee (BRC) of Mizuho Bank (Malaysia) Berhad (MBM), formerly known as Remuneration Committee, was established on 3 March 2011. Following its establishment, the Terms of Reference (TOR) of BRC was formulated to assist the BRC in discharging its duties efficiently.

2 MANDATE

- 2.1 Pursuant to Article 104 of the Constitution of MBM, the Board of Directors of MBM (“Board”) hereby delegates its powers to the BRC as herein stated under this TOR. The BRC shall have the authority and shall further conform to any provision that may be imposed by the Board from time to time. This TOR shall be read together with the Board Charter and the TOR of the Board.
- 2.2 This TOR shall be further governed by the regulatory requirements governing MBM, particularly the Companies Act 2016 (“CA”), the Financial Services Act 2013 (“FSA”), the Islamic Financial Services Act 2013 (“IFSA”), the guidelines/ policies/ circulars issued by Bank Negara Malaysia (“BNM”) particularly the Corporate Governance (“BNM CG”) and the Constitution of MBM (“Constitution”).

3 OBJECTIVE

- 3.1 The BRC is formed with the objective to assist the Board in overseeing the establishment of sound remuneration systems that would form a key component of the governance and incentive structure through which the Board and Senior Management drive performance, convey acceptable risk taking behaviour and reinforce MBM’s corporate and risk culture.
- 3.2 This TOR shall set out the key roles, functions and processes of the BRC and is applicable to all members of the BRC.

4 PRINCIPAL ROLES AND RESPONSIBILITIES

- 4.1 The duties and responsibilities of the BRC shall cover supporting the Board in actively overseeing the design and operation of MBM’s remuneration system in ensuring that:-
- (i) the overall remuneration system of MBM must:-
- (a) be subject to active oversight to ensure that the system operates as intended;
 - (b) be in line with the business and risk strategies, corporate values and long-term interests of MBM;
 - (c) promote prudent risk-taking behaviour and encourage individuals to act in the interests of MBM as a whole, taking into account the interests of MBM’s customers; and
 - (d) be designed and implemented with input from the Control Functions and the Board Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.

- (ii) there is sufficient risk-measurement expertise to understand the interaction between remuneration practices and risk taking including the historical risk realization trends to mediate disputes on how remuneration should change during periods of high losses.
 - (iii) the remuneration for individuals within MBM is aligned with prudent risk-taking, symmetric with risk outcomes. This includes ensuring that:-
 - (a) remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgment;
 - (b) the size of the bonus pool is linked to the overall performance of MBM;
 - (c) incentive payments are linked to the contribution of the individual and business unit to the overall performance of MBM; and
 - (d) bonuses are not guaranteed, except in the context of sign-on bonuses.
 - (iv) the remuneration payout schedules must reflect the time horizon of risks and take account of the potential for financial risks to crystallize over a longer period of time including the compulsory adoption by MBM of a multi-year framework to measure the performance of Senior Management* and Material Risk Takers*. Such a framework must provide for:-
 - (a) the deferment of payment of a portion of variable remuneration to the extent that risks are realized over long periods, with these deferred portions increasing along with the individual's level of accountability;
 - (b) the calibration of an appropriate mix of cash, shares, share-linked instruments, and other forms of remuneration to reflect risk alignment; and
 - (c) adjustments to the vested and unvested portions of variable remuneration (through malus, clawbacks and other reversals or downward revaluations of awards) in the event of bad performance of the business unit or MBM attributable to the individual or if he/she commits serious legal, regulatory or internal policy breaches.
- "Senior Management / Senior Officers" shall refer to the Chief Executive Officer, Deputy Chief Executive Officer, Chief Operating Officer, Head of Wholesale Banking, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, and Head of Human Resource Department and shall automatically include any amendment made under the "Qualification, Fit and Proper Policy" as approved by the Board therein from time to time.*
- * The proposed remuneration package during the initial appointment to be tabled to the Board Remuneration Committee for deliberation and recommendation to the Board for approval.*
- "Material Risk Takers" shall refer to Head of Treasury and Head of Corporate Banking Department 2 and shall automatically include any amendment made from time to time.*
- (v) MBM promotes the behaviors that are aligned to the intended effects of incentive structures whereby:-
 - (a) the variables used to measure risk and performance outcomes of an individual relate closely to the level of accountability of that individual;
 - (b) the determination of performance measures and variable remuneration consider that certain indicators may be influenced in the short term by factors like market sentiment or general economic conditions which are not specifically related to MBM's performance or an individual's actions, and the use of such indicators does not create incentives for individuals to take on excessive risk in the short term; and

- (c) Senior Management and Material Risk Takers commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.
- 4.2 For these purposes, the mandates and the operating procedures stated herein intend to provide a clear delineation of areas of authority delegated to the BRC and a clear definition of reporting arrangements for keeping the Board informed of the BRC's work, key deliberations and decisions on delegated matters.
- 4.3 The formal schedules of Reserved Matters under Clause 5 and 6 herewith. The BRC duties and responsibilities can be categorized into:-
- (i) conducting review, assessment and making recommendation to the Board for decision on matters covered under this TOR or on any other such matters as may be directed by the Board; and
 - (ii) exercising its authority to review and decide on behalf of the Board as mandated under this TOR.

5 RESERVED MATTERS FOR BOARD

- 5.1 The BRC is empowered to oversee, review/assess and recommend to the Board for its decision on the following matters:-

The Board and its Members

- (i) Formulation, periodic review and/or any amendment of the Directors' Remuneration Policy;
- (ii) Annual remuneration of the Chairman of the Board, Members of the Board, Chairman of the Board Oversight Committees (BOCs), Members of the BOCs including their fees, any benefits payable and/or any compensation for loss of employment of a Director or former Director;

This annual remuneration review shall serve as periodic review of the remuneration of Directors to determine and ensure inter alia, whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

- (iii) Any payment of pension or allowances to any full-time Director or on or after his/her death to his/her widow or other dependents and any establishment, maintenance and concurrence with subsidiary companies in establishing and maintaining any schemes or funds for providing pensions, sickness or compassionate allowance, life assurances or other benefits for staff or employees of MBM or of any such subsidiary company.

"full-time Director" shall mean and include any Director who has for a continuous period of not less than five (5) years or such other period as the Shareholder may, in general meeting, determine been engaged substantially whole-time in the business of MBM or any subsidiary company in any executive office or any office of profit or partly in one or partly in another.

The Shariah Committee and its Members

- (iv) Annual remuneration of the Shariah Committee Members.

The Senior Management, Material Risk Takers and Company Secretary

- (v) Annual remuneration of the Chief Executive Officer (CEO) (including the framework for CEO's Expenditure), other Senior Management, Material Risk Takers and Company Secretary including ensuring that:-
- (a) a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and MBM institution-wide measures that adequately assess performance;
 - (b) the variable portion of remuneration increases along with the individual's level of accountability;

For Senior Management who is engaged in Control Functions i.e the Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor, there must be safeguard on the independence and authority of these individuals and the remuneration of such individuals must be based principally on the achievement of Control Functions objectives and determined in a manner that is independent from the business lines they oversee;

Any proposals made to the BRC pertaining to the Chief Risk Officer and the Chief Internal Auditor must be endorsed by the Board Risk Management and the Board Audit Committee respectively.

- (vi) Formulation, periodic review and/or any amendment of the Remuneration Policy for All Employees Including Senior Management and Other Material Risk Takers;

Others

- (vii) Annual bonus/incentive pools, salary increment and performance bonus for employees of MBM;
- (viii) MBM's key policy, framework and any other regulatory reporting as may be required by Regulators with regard to remuneration systems of MBM;
- (ix) Any remuneration matters that are subjected to the approval of MBM's Shareholder;

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

6 RESERVED MATTERS FOR BRC

6.1 The BRC is empowered by the Board to oversee, review/assess and/or decide/approve on the following matters:-

- (i) In the event of any remuneration payout schedules duly approved by the Board:-
 - (a) any deferment of payment of a portion of variable remuneration;
 - (b) any calibration of an appropriate mix of cash, shares, share-linked instruments, and other forms of remuneration to reflect risk alignment; and/or

- (c) any adjustments to the vested and unvested portions of variable remuneration (through malus, clawbacks and other reversals or downward revaluations of awards) in the event of bad performance of the business unit or MBM attributable to the individual or if he/she commits serious legal, regulatory or internal policy breaches.
 - (ii) The remuneration of the Shariah Committee Members including its periodic review to ensure that the same commensurate with the accountabilities, duties and responsibilities of the Shariah Committee. (S Para 9.6 and 9.7 Shariah Governance)
 - (iii) Any other matter as may be empowered by the Board from time to time.
- 6.2 Notwithstanding the above delegation of authority, nothing herein stated shall prevent these matters from being directly review, assess or decide by the Board.

7 SIZE AND COMPOSITION

- 7.1 The BRC must consist of at least three (3) Directors. Majority of the BRC Members must be Independent Directors and must not have Executive Director in its membership.

For the avoidance of doubt, a combined board nominations and remuneration committee must not have any Executive Director in its membership.

- 7.2 The BRC shall comprise of Directors who have the skills, knowledge and experience relevant to the responsibilities of BRC. The BRC Member must maintain a sound understanding of the business of MBM as well as relevant market and regulatory developments including a commitment to on-going education.

8 BRC CHAIRMAN

- 8.1 The Board shall appoint the Chairman of the BRC ("**BRC Chairman**") and the person so appointed must be an Independent Director and must not be the Chairman of the Board.

- 8.2 The BRC Chairman is appointed by the Board with primary regard to his/her skills, expertise and experience relevant to the responsibilities of the BRC. He/she is expected to spend sufficient time necessary to fulfil his/her duties. In leading the BRC, he/she is responsible for the effective overall functioning of the BRC and must:-

- (a) ensure that appropriate procedures are in place to govern the BRC's operation;
- (b) ensure that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the BRC, and that the BRC Members receive the relevant information on a timely basis;
- (c) encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
- (d) lead the efforts to address the BRC and its Member's developmental needs.

- 8.3 In the absence of the BRC Chairman, the remaining BRC Members present shall elect an Independent Director among themselves to chair the BRC Meeting.

9 SECRETARY

- 9.1 The Company Secretary of MBM shall act as the Secretary of the BRC.

10 FREQUENCY

- 10.1 The BRC Meeting shall be held at least two (2) times each financial year or at any such interval or number of time(s) as the BRC may deem necessary to fulfill the BRC's responsibilities.

11 ATTENDANCE

- 11.1 The BRC Members must devote sufficient time to prepare for and attend the BRC Meetings. The BRC Member must attend at least 75% of the BRC meetings held in each financial year.
- 11.2 Only the BRC Members shall have the right to attend the BRC Meeting and the BRC Member shall not appoint another person to attend or participate in BRC Meeting on his/her behalf.
- 11.3 The BRC may invite any other Director or any other person to attend the BRC Meetings.

12 QUORUM

- 12.1 The quorum for the BRC Meeting shall be at least half (50%) of the total number of the BRC Members.

13 NOTICE

- 13.1 The BRC Meeting may be summoned by the Chairman of BRC or by the Secretary on requisition of BRC Member. The BRC shall determine the time and place of the BRC Meeting.
- 13.2 A prior written Notice of Meeting shall be given to each BRC Member, preferably (7) days before the date of the BRC Meeting. The Notice of Meeting may be waived subject to the consent of all BRC Members.

14 AGENDA AND PAPERS

- 14.1 The Secretary, in consultation with the BRC Chairman, shall draw up the BRC Meeting Agenda (together with the associated material) for circulation to each BRC Member, preferably seven (7) days before the date of the BRC Meeting.
- 14.2 The BRC papers, proposal and reports shall clearly address the background, objective, key issues, rationale, impact and other relevant information to enable the BRC Members to make an informed and effective decision or recommendation.

15 PROCEEDING

- 15.1 The BRC Member may attend and participate in the BRC Meeting via video conference, internet conference, telephone conference or other means of communication and shall be counted part of the quorum. Nevertheless, the attendance at BRC Meeting by way of other than physical presence, must remain an exception rather than the norm and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

16 CONFLICT OF INTEREST

16.1 The BRC Member must declare at BRC Meeting if the BRC Member or his/her family (whether directly or indirectly):-

- (i) has interest in MBM's contract or proposed contract; OR
- (ii) hold any interests, offices or possesses properties relating to any matters deliberated in the BRC Meeting which will be or is in conflict with his/her duties as the Director of MBM (conflict of interest);

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

16.2 In the event of declared interest by the BRC Member, the Secretary shall minute the declaration.

16.3 The relevant BRC Member shall not participate in the discussion at the BRC Meeting and shall not vote on the interested matter but will still be counted for quorum.

17 ACCESS OF INFORMATION

17.1 The BRC must receive sufficient information about a matter before making a business judgment. The BRC shall have access to all information within MBM. The BRC may rely on information, reports or statements from any officer of MBM, the Board, other BOCs or experts in exercising its duties.

17.2 The BRC shall have access to advice from third party experts on any matter deliberated by the BRC as and when required, and the cost of such advice shall be borne by MBM.

18 DECISION

18.1 Each BRC Member shall be entitled to one (1) vote in deciding the matters deliberated by the BRC. Any decision of the BRC shall be determined by a majority of votes.

18.2 In the event of an equality of votes, the BRC Chairman shall be entitled to a second or casting vote.

19 MINUTES

19.1 The discussions and conclusions of the BRC meetings shall be minuted, in a clear, accurate, consistent, complete and timely manner. The minutes shall record the decisions of the BRC, including key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must indicate whether any member of the BRC had abstained from voting or excused himself from deliberating on a particular matter.

19.2 The BRC meeting minutes shall be signed by the Chairman of the BRC meeting at which the proceedings were held or by the Chairman of the next BRC meeting.

19.3 The record of a resolution passed, if purporting to be signed by a member of the BRC or by the Secretary, is sufficient evidence of the passing of the resolution.

20 CIRCULAR RESOLUTION

20.1 A Circular Resolution in writing signed by a majority of the BRC Members shall be as effective as a resolution passed at a meeting of the BRC duly convened and held, and may consist of several documents in the like form, each signed by one or more of the BRC Member.

For avoidance of doubt, the expressions “documents in the like form” include approval given by Director through a legible confirmed transmission by facsimile, telex, cable, telegram or other forms of electronic communications.

21 REPORTING TO BOARD

21.1 The BRC shall report to the Board on material matters arising at the BRC meetings, on all matters within the BRC’s purview and, where applicable, shall present the BRC’s recommendations to the Board for Board’s decision / approval.

21.2 Other matters assessed, reviewed or decided by the BRC may be reported to the Board via minutes of the BRC meetings tabled to the Board from time to time. The BRC Chairman may update the matters separately as and when required.

22 OTHER PROVISIONS

22.1 This TOR of BRC may be reviewed and updated every 3 years or as and when required, in accordance with the needs of MBM and any new regulations affecting MBM.

22.2 Notwithstanding the delegation of authority to the BRC, nothing herein stated shall prevent the matters from being directly review, assess or decide by the Board or restrict the Board from delegating its specific responsibilities to individual Director, Management or any person/entity. The Board remains fully accountable for any authority delegated to the BRC.

22.3 Unless otherwise stated under the law, nothing herein contained shall restrict the power of the BRC under Article 96 of the Constitution to despatch business, adjourn and otherwise regulate the BRC meetings as the BRC thinks fit.

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