

# Extraordinary General Meeting

28 April 2016

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PROPOSED ESTABLISHMENT OF A LONG TERM INCENTIVE PLAN (“LTIP”) OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF TELEKOM MALAYSIA BERHAD (“TM”) (EXCLUDING TREASURY SHARES, IF ANY) FOR THE ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF TM AND ITS SUBSIDIARIES; AND

PROPOSED GRANTS OF TM SHARES TO MANAGING DIRECTOR/GROUP CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR/GROUP CHIEF FINANCIAL OFFICER AND PERSONS CONNECTED TO DIRECTOR

ORDINARY RESOLUTION 1 - 4

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Part A

# The Proposed LTIP is a Long-Term Incentive Plan (LTIP) that enables eligible employees to receive new TM shares

## Key Objective

- To **retain, reward and attract key employees** whose services are vital to the growth and business strategy.
- To motivate employees for **sustained performance over multi-year period**.
- To align employees interests with the **long-term shareholders' value enhancement and success of the organization**.
- To **sharpen focus** of employees on the achievement of the Group's multi-year objectives.

### Note:

1. Non-Executive Directors are not entitled to participate in the Proposed LTIP
2. LTIP is also practiced at other GLCs such as TNB, Maybank, Axiata, Syarikat Takaful and Sime Darby

## TM Proposed LTIP is a share grant that comprises the following:

### Performance Shares (PS)

A conditional grant for **top management** and Executive Directors. The performance targets for PS would be much more skewed towards equity value creation.

### Restricted Shares (RS)

A conditional grant for selected **eligible employees** and Executive Directors. The performance targets for RS would be company-level operational metrics.

## Proposed LTIP Salient Terms

### Eligibility

TM Group Employees and Executive Directors.

### Size & Duration

**Not exceeding 10%** of issued and paid-up ordinary share capital over a period of **10 years**.

### Settlement

Vesting of TM Shares may be satisfied by any of the following method:-

- Issuance of TM Shares (Dilutive).
- Cash payment (Non-Dilutive).
- Combination of Both.

The LTIP Committee shall decide the final terms and conditions of the Proposed LTIP

# Summary of Proposed LTIP from Grant to Vest



## Validity of the Proposed LTIP

The Proposed LTIP shall commence from the effective date and continue to be in force for a period of ten (10) years.

## Grant

Vesting Period

## Vesting

The Grant is a conditional offer to eligible employee to obtain TM shares and/or cash subject to fulfilling the set conditions.

Vesting is fulfilling the condition set at Grant, hence eligible employee receiving TM shares and/or cash.

The LTIP Committee shall decide the final terms and conditions, including the effective date and vesting period of the Proposed LTIP

# Proposed LTIP Governance Process



**The Board** has full power pertaining to the LTIP Committee



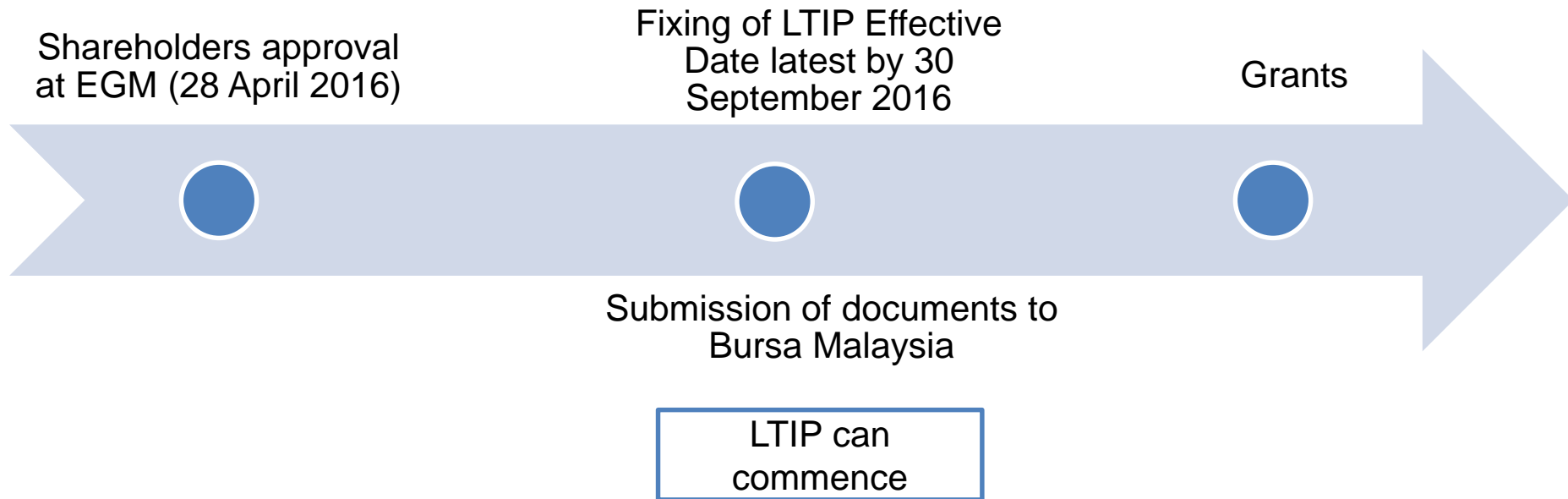
By-Laws



Overall plan is governed by the **By-Laws**, to be implemented and administered by the **LTIP Committee**

LTIP Committee shall comprise such persons appointed by the Board from time to time to implement and administer the plan in accordance with the By-Laws

## Next Steps



The LTIP Committee shall decide the final terms and conditions of the Proposed LTIP



# Responses To Questions From Minority Shareholder Watchdog Group (MSWG)

## Question from MSWG : Proposed Long Term Incentive Plan

### Question 1

Please explain the performance metrics/targets and financial measure(s) that would be used by Long Term Incentive Plan (“LTIP”) Committee in the granting of the Restricted Share (“RS”) and Performance Share (“PS”) Grants to eligible directors and employees?

### Answer 1

The RS Grant is a restricted share grant for selected eligible Employees and Executive Directors, which may be subject **to individual performance metrics being met and the achievement of certain operational measures, including but not limited to a profit after taxation target and/or other financial measure(s) as may be relevant.**

The PS Grant is a performance share grant for top management and Executive Directors, which will be assessed based on, amongst other factors, **the individual’s performance, the total shareholders’ return of TM Group and financial performance of TM Group.**

Nevertheless, The LTIP Committee shall decide the terms and conditions of the Grants and vesting, including, without limitation, the performance metrics to be met prior to the making of the Grants and vesting of the Grants, the vesting period(s) and the number of TM Shares to be allocated in each Grant.

## Question from MSWG : Proposed Long Term Incentive Plan

Question 2

Who are the members of the LTIP Committee?

Answer 2

LTIP Committee shall comprise of Non-Executive Directors or such other persons as may be invited by the Board in accordance with the By-Laws for the LTIP.

**Thank you**