

## **UMS-NEIKEN GROUP BERHAD (650473-V)**

### **TERMS OF REFERENCE - NOMINATION COMMITTEE**

#### **1. Purpose**

The purpose of the Nomination Committee (“NC”) is to establish a structured oversight process for recruiting, retaining, training and developing individuals qualified to become members of the Board to ensure the best composition of the Board, taking into account the current and future needs of the Company, boardroom diversity and other soft attributes required as Company Directors.

#### **2. Members**

##### Chairman

- i) Yau Ming Teck (Independent Non-Executive Director)

##### Members

- ii) Amirul Azhar Bin Baharom (Independent Non-Executive Director)
- iii) Cheng Siow Chun (Independent Non-Executive Director)

#### **3. Composition and Membership**

- i) The NC shall be appointed by the Board from amongst the members.
- ii) The NC shall compose of not less than three (3) members.
- iii) The NC shall comprise exclusively of Non-Executive Directors, a majority of whom must be independent.
- iv) The office of a NC member shall automatically be vacated when he/she ceased to be a Director of the Company.
- v) In the event of any vacancy in the Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.
- vi) No alternate director shall be appointed as a member of the NC.

#### **4. Chairman**

The Chairman shall be elected by the Committee from amongst their members, who is an Independent Non-Executive Director.

The Chairman’s role is to:

- i) Independently lead the succession planning and appointment of Board members, including the Chairman and the Managing Director (“MD”)/ Chief Executive Officer (“CEO”) whilst maintaining contact with the principal shareholders; and
- ii) Lead governance issues, particularly the annual review of Board effectiveness, ensuring that the performance of each individual directors is independently assessed.

If the Chairman is not present at a meeting within fifteen (15) minutes after the time appointed for holding the meeting, the members of the Committee may elect one (1) of their numbers to be the chairman of the meeting.

**5. Secretary**

The Company Secretary or her nominee shall act as the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it to the Committee prior to each meeting.

The Secretary or her nominee shall be in attendance at each Committee meeting and record the proceedings of the meeting thereat and minute the resolutions.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Committee at the Registered Office of the Company.

**6. Meetings**

- i) The Committee shall meet at least once a year and hold additional meetings as and when necessary depending on the level of responsibility and complexity of the Group.
- ii) The Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- iii) The quorum for a meeting shall be two (2) members with a majority of the independent directors present at the meeting. The Committee at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.
- iv) All decisions at such meeting shall be decided on a show of hands on a majority of votes of the member present, each member having one (1) vote. In the case of an equality of votes, the Chairman shall be entitled to a casting vote in addition to the vote which he is entitled as a member.
- v) Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee based on planned calendar dates. Notice of each meeting confirming the venue, time and date, together with an agenda of items and its supporting papers to be discussed, shall be forwarded to each member of the Committee.
- vi) The Committee shall have the right to invite other Directors, Management and consultants as applicable to participate in the Committee meetings, as and when necessary, to carry out its responsibilities.
- vii) The Secretary or his/her nominee shall minute the proceedings and resolutions, including the names of all attendees. Draft minutes of meetings of the Committee shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other directors, unless a conflict of interest exists.
- viii) The Committee may establish procedures from time to time to govern its

meetings, keeping of minutes and its administration.

- ix) The Chairman shall report to the Board on its proceedings after each meeting on matters within its duties and responsibilities. The NC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- x) Except in the case of an emergency, reasonable notice of every meeting no later than four (4) days before the date of the meeting shall be given in writing and the notice of each meeting shall be served to the NC member either personally or by fax or e-mail or by post or by courier to his/her registered address as appearing in the Register of Directors or to the address provided by the NC member, as the case may be.

## **7. Resolutions in Writing**

In the event the NC require matters to be approved by way of a written resolution, a resolution in writing signed or approved by letter or telefax or other electronic means by all members of the NC, shall be as valid and effectual as if it had been passed at a meeting of the NC duly called and constituted.

Any such resolution may be executed in any number of counterparts, each signed by one or more members of the NC all of which taken together and when delivered to the Secretary shall constitute one and the same resolution.

## **8. Duties and Functions**

The main functions and duties of the NC shall include, but are not limited to the following:-

### **New Appointments**

- i) Consider and recommend to the Board candidates for directorships, proposed by Management, Director, shareholder or outsourced service providers, taking into consideration the candidates' skills, knowledge, expertise and experience, time commitment, character, competence, professionalism and integrity. For the position of independent Non-Executive Directors, the NC should also evaluate the candidates' ability to discharge such responsibilities as expected from Independent Non-Executive Directors.
- ii) Evaluate the balance of skills, knowledge, experience and diversity on the Board, and the current and future needs and size of the Company in identifying suitable candidates before any appointment by the Board.

Accordingly, the NC may:-

- Use the services of external advisors to facilitate the search from diverse pools;
- Consider candidates from a wide range of backgrounds;
- Consider candidates on merit and against objective criteria with due regard for

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- diversity including gender, ethnicity and age, and appointees time commitment, skill and experience; and
- Request to consider the disclosure of any business interests that may result in a conflict of interest.
- iii) Recommend to the Board candidates to fill the seats on Board committees, in consultation with the Chairman of those committees. In the event that the Chairman's position (regardless of Board/committee) is to be filled, to consult with the Board.
- iv) Consider and recommend to the Board the candidates for MD/ CEO and Chief Financial Officer ("CFO"), taking into consideration the candidates' skills, knowledge, expertise and experience, time, commitment, character, professionalism, integrity and diversity on senior Management.

**Re-election, Re-appointment and Resignation/ Termination**

- i) Recommend to the Board candidates for re-election of Directors by shareholders under the annual re-election provisions or retirement, with due consideration to the extent to which the interplay of the Directors' expertise, skills, knowledge and experience with those of other Board Members, as well as their roles as Committee Members.
- ii) Attention should be paid to Independent Directors who are retained beyond nine (9) years as the Board has to provide strong justification in exceptional circumstances and seek shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) year, the Board should seek annual shareholders' approval through a two-tier voting process.

Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders' meeting:-

- Tier 1: Only the Large Shareholder(s) of the Company votes; and
- Tier 2: Shareholders other than Large Shareholder(s) votes.

Large Shareholder means a person who:

- is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the Company; or
- is the largest shareholder of voting shares in the Company; or
- has the power to appoint or cause to be appointed a majority of the Directors of the Company; or
- has the power to make or cause to be made, decisions in respect of the business or administration of the Company, and to give effect to such decisions or cause them to be given effect to.

The decision for the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.

The resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution.

However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.

In obtaining the shareholders' approval, the Committee should conduct an assessment of the Independent Director(s) and recommend to the Board whether the Independent Director(s) should remain independent or be re-designated.

- iii) Deal with the matters relating to the continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to the provisions of the law and their service contract.
- iv) Review the re-appointment of any Non-Executive Director at the conclusion of his term of office having given due regard to his performance and ability to continue to contribute to the Board in terms of knowledge, skills and experience required.

#### **Specific Nominations and Succession Planning**

- i) Understand the current performance, competencies and potential of those in key positions in senior Management in order to identify and develop plans for those key talents.
- ii) Recommend to the Board the succession plans for Board Chairman, Directors and key Management personnel, particularly for both Executive and Non-Executive Directors and the re-appointment of any Non-Executive Director at the conclusion of his or her specified term of office.
- iii) Recommend suitable candidates for the role of Senior Independent Director, as applicable.
- iv) Establish a clear succession plan for Board Chairman, Directors and senior Management, giving full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board and by the Company in the future.

In terms of senior Management, the NC may request from time to time detailed views (either in the form of a report or otherwise) and work together with the MD/ CEO and/or senior Management of the Company to:-

- identify expected critical position vacancies and determine any future critical positions; and
- identify gaps in current employees and develop individual development plans, coaching and monitoring programmes.

The Board should work with the NC to evaluate potential successors, taking into account the challenges and opportunities facing by the Company, and the skills and expertise, including diversity, needed on the Board in the future.

**Annual Performance Assessment of Board, Committees and Individual Directors**

- i) Annually review the required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, as a whole, the Board Committees and the contribution of each individual Directors. All evaluations carried out by the Committee in the discharge of its functions should be properly documents.

This process should be coordinated by the Committee, with the assistance of the Secretary, and thus, reporting to the Board at the end of each financial year with an assessment of the Board's performance and areas in which the Board, Board Committees or individual Director could improve.

- ii) Annually review the time required of Non-Executive and Independent Directors. Performance assessments should be undertaken to assess whether the directors are spending enough time to fulfill their duties.
- iii) Evaluate and appraise the performance of the Board Chairman.
- iv) Annually review the independence of the Independent Director and recommend to the Board whether the Independent Director(s) who has (have) exceeding the cumulative term of nine (9) years should remain independent or be re-designated.
- v) Annually review the performance of the MD/ CEO and CFO.
- vi) Annually review the term of office of the Audit and Risk Management Committee ("ARMC") and each of its members to determine whether the ARMC has carried out their duties in accordance with their terms of reference.

**Size of Board of Directors and Independent Directors**

- i) Assess the desirable balance in Board membership by reviewing the size, structure and composition of the Board, taking into consideration the number of directorships.
- ii) Assess desirable number of Independent Directors.
- iii) Consider the representation of interest groups as part of boardroom diversity. Factors to consider may include gender, race, religion, nationality, professional background and culture.

In developing its procedures and making recommendations to the Board, the Committee will take into account of:-

- The provisions of the Company's Constitution, the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other laws and regulations, if any, in respect of the appointment, removal, etc. of directors;
- The need for the Board to operate an open and transparent appointment process. This may include public advertisement or direct approaches being made to

- individuals who may be suitable or organisations that may be able to advise; and
- The overall composition and balance of the Board.

**Continuous Education / Development**

- i) To identify suitable orientation, educational and training programmes for continuous development of Directors.
- ii) To ensure all Directors receive appropriate continuous training programmes in order to keep abreast with developments in the industry and with changes in the relevant statutory and regulatory requirements.
- iii) To assess the ARMC Members' knowledge on financial literacy.

**Shareholders' Meeting**

The Chairman of the Committee should attend the Shareholders' Meeting to answer any shareholder's questions on the Committee's activities, in particular on areas pertaining to proposed resolutions for shareholders to consider on the appointment of re-appointment of directors or the retention of an independent director who has served the Company for more than a cumulative term of nine (9) years.

**Reporting Responsibilities**

The Chairman of the NC shall report to the Board on its proceedings after each meeting of the NC. The NC shall make recommendations to the Board as appropriate on any area within its responsibility or as delegated by the Board, where action or improvement is needed. The NC shall produce a report to be included in the Company's annual report about its activities and the process used to identify and make appointments.

**9. Rights and Authority**

The NC shall:-

- i) have the resources which are required to perform its duties;
- ii) have full and unrestricted access to all information and documents as deemed appropriate for the discharge of its responsibilities to the Company;
- iii) have the right to obtain independent professional or other advice at the Company's expense, with prior consent of the MD/ CEO to approve the budget;
- iv) have the right to invite any employees of the Group to attend NC meetings and to brief the NC on matters being deliberated;
- v) meet as and when required on a reasonable notice and have the right to regulate its own procedure on the calling of meeting; and
- vi) have the right to provide recommendations to the Board for consideration and approval.

**10. Revision and/ or Updates**

The NC should recommend any change to the terms of reference in such manner as the NC deems appropriate to the Board for approval.

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The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code of Corporate Governance, Listing Requirements of Bursa Securities or any other regulatory requirement that may have an effect on the Committee's responsibilities.

It shall also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the NC's role.