



# **NOMINATION COMMITTEE**

## **TERMS OF REFERENCE**

KAREX BERHAD (201201034091 (1018579-U))  
(Incorporated in Malaysia)



## **NOMINATION COMMITTEE – TERM OF REFERENCE**

### **Membership and Independence**

The members of the Committee shall be appointed by the Board and shall comprise exclusively of non-executive directors including the Senior Independent Non-Executive Director. A majority of members of the Committee shall be independent.

A suitable independent non-executive director determined by the Board shall act as Chairman of the Committee (the “Committee Chairman”) except where the business concerns him personally or the appointment of his successor.

The Board of Directors must review the term of office and performance of the Committee and each of its members annually to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

The Chairman shall be elected by the Committee from amongst their members who are independent directors and should be the senior independent director as identified by the Board of Directors.

The Chairman’s role is to:

- (a) Independently lead the succession planning and appointment of board members, including the chairman and the Chief Executive Officer (“CEO”) whilst maintaining contact with the principal shareholders; and
- (b) Lead governance issues, particularly the annual review of board effectiveness, ensuring that the performance of each individual directors is independently assessed.

In the absence of the Chairman, the Committee shall appoint one of its members present to chair the meeting.

### **Authority**

The Board has constituted the Committee with the authorities necessary to perform the duties set out in these Terms of Reference.

The Committee, within the scope of its assigned duties, is authorised to seek any information it requires from employees, company officials and external parties.

The Committee may engage advisers or otherwise obtain such independent legal or other professional services, as it requires, at the expense of the Company, with prior consent of the Board.

The Board will provide the Committee with sufficient resources to undertake its duties, including access to the company secretariat.

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### **Secretary**

- (1) The Company Secretary or her nominee shall act as Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it 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.

- (2) 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.

### **Meetings**

The Committee shall meet at least once a year and as frequently as required to perform the duties set out in these Terms of Reference.

The quorum necessary for the transaction of business shall be two with a majority of the independent directors present at the meeting. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. The Committee Chairman shall have a second or casting vote. However, where only 2 members (including Committee Chairman) are competent to vote on question at issue, the Committee Chairman shall not have a casting vote.

Meetings of the Committee shall be arranged by the Committee Secretary at the request of the Committee Chairman or any other member of the Committee.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting papers. The Committee Secretary shall ensure that agenda and supporting papers are received by the Committee members in a timely manner to enable full and proper consideration.

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.

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.

The Committee is allowed to exercise control on routine matters that require the Committee's recommendation through the dissemination of Committee Circular Resolution.

### Annual General Meeting

The Committee Chairman shall respond to any questions relating to the Committee's activities at the Annual General Meeting of the Company.

### Duties

#### 1. Board/ Board Committee Composition and Performance

The duties of the Committee in respect of Board/Board Committee composition and performance thereof shall comprise the following:

##### a. Board and Board Committee Appointment

In recommending any candidates proposed by Management, Directors, shareholders or outsourced service provider for consideration by the Board, the Committee shall do or take into account the following matters:-

- i. the structure, size and composition (including the required mix of skills, knowledge, professionalism, integrity and experience and other qualities) of the Board and make recommendations to the Board with regard to any adjustments deemed necessary, such review being conducted on an annual basis;
- ii. the current and future needs and size of the Company and match against the current composition of directors to identify any gaps;
- iii. whether there is a need to renew existing directorships, and in assessing this, to consider the said director's expertise, skill, knowledge and experience against other members of the Board; for Independent directors, to firstly evaluate the candidates' ability to discharge such responsibilities as may be expected from an independent non-executive director;
- iv. in making recommendations to the Board concerning the appointment of the candidates to fill the seats on board committee in consultation with the chairman of those Committees. In the event of the Chairman's position (regardless Board/Committee) is to be filled, to consult with the Board.
- v. the gender diversity policy established pursuant to paragraph (g) below.
- vi. For the position of independent non-executive director, the candidates' ability to discharge such responsibilities as expected from independent non-executive Directors.

The Committee may evaluate and consider for recommendation, but need not be bound by, any candidates proposed by the Managing Director or senior management or any other Director or shareholder. The Committee will utilise independent sources to identify suitably qualified candidates, such as industry professional and associations, as well as independent search firm.

b. Appointment of Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”)

Consider and recommend to the Board of Directors the candidates for CEO and CFO, taking into consideration the candidates’ skills, knowledge, expertise and experience, time, commitment, character, professionalism, integrity and diversity on Senior Management.

c. Independence of the Independent Directors

- i. Annual assessment that the number of independent directors on the Board sufficiently to meet the regulatory requirements, and make such recommendations to the Board in accordance with paragraph (a) above.
- ii. Annual assessment of the independence of a director, whereby a director would not be an “independent director” if:
  - the director has been an employee/officer (except non-executive director) of the Company or any related corporation within the preceding two years;
  - the director has had a material business relationship with the Company either personally or with other person or through a firm or company of which he is a partner, director or major shareholder, as the case may be, within the last three calendar years (“material business relationship”) for this purpose means remuneration, other than *de minimus* remuneration or director’s fees, was paid by the Company, its subsidiaries or affiliates to the director, to any entity in which the director has a beneficial ownership interest of 2% or more, or to an entity by which the director is employed or self-employed other than as a director; remuneration is deemed *de minimus* if such remuneration is RM250,000 or less in any calendar year or as otherwise determined and disclosed by the Board);
  - the director has received additional remuneration other than director’s fees (and related expenses as approved by the Board and shareholders) or *de minimus* amounts;
  - the director has been a director, executive officer, major shareholder or controlling person of a not-for-profit entity that has, in the previous twelve months, received contributions in excess of the greater of RM1 million or 2% of the entity’s gross revenues from the Company, the executive directors or other members of senior management;
  - the director acts as a nominee or representative of any executive director or major shareholder or any related corporation;
  - the director has been engaged as an adviser by the Company or is presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or the Company which provides professional advisory services to the Company; or
  - the director has close family ties with any of the Company’s advisers, directors, or senior management. These include spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child.
- iii. Make recommendation to the Board on the re-designation of an independent director who has served on the Board for a tenure exceeding a cumulative term of nine years as a non-independent director, unless shareholders’ approval has been obtained by the Board to retain the said director’s designation as “independent”.

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### d. Effectiveness of the Board and Board Committees

The Committee shall evaluate the performance and effectiveness of the Board and the Board Committees of the Company annually, and the discharge of this function should be properly documented as necessary. In discharging this duty, the Committee shall carry out:-

- i. annual evaluation of the Board's and Board Committees' performance. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- ii. annual evaluation of the efficacy of the Board as a whole and the Board Committees, as well as the contributions by each individual director towards the such efficiency, and make such recommendations as to improve effectiveness. In considering whether the Board or a Board Committee is effective, the Committee should:-
  - consider whether or not the key functions and responsibilities of the Board and/or the Board Committee are achieved;
  - utilise the approved Board performance evaluation sheet
- iii. annual performance evaluation of the Board through the director's evaluation forms. In the case of non-executive directors, this evaluation should be used to assess whether the non-executive directors are fulfilling their duties, as well as to make recommendations on areas for improvement by the Board and Board Committees. In evaluating a director, the Committee shall agree on the criteria to be used for evaluations, and ensure that all directors are duly informed that they will be evaluated. The results of such evaluation should be explained to the directors.
- iv. appraisal of the financial literacy of the members of the Audit Committee.
- v. Annually review the term of office of the AC and each of its members to determine whether the AC has carried out their duties in accordance with their terms of reference.

Post evaluation, an action plan with a set timeline should be established and its progress regularly reviewed. The Committee may utilise an external facilitator in the evaluation process, if it wishes to do so.

### e. Terms of Reference

The Committee shall, from time to time and at any time that it deems necessary, review its Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval. In reviewing the Terms of Reference, the Committee shall take into consideration any relevant corporate governance guidelines and may seek advice and input from the Committee Secretary. The Committee shall also make recommendations to the Board concerning membership of the Committee.

### f. Continuous Education/Development

The Committee shall from time to time identify suitable orientation, educational and training programmes for continuous development of directors and 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.

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### g. Gender Diversity

The Committee shall establish a gender diversity policy to ensure that due consideration is given to female candidates as directors and/or Board Committee members and facilitate achievement of such policies and targets.

## 2. Procedure for Board Appointments/ Directorships

The Committee shall:

- a. having evaluated the balance of skills, knowledge and experience of the Board, CEO and CFO or a person primarily responsible for the management of the financial affairs of the Company, and hence defined the role and capabilities required for a particular appointment, be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board, CEO and CFO vacancies as and when they arise; candidates from a wide range of backgrounds shall be considered and the Committee shall ensure that its nominee would have sufficient time to undertake the role (if an executive of another listed company there must be no other non-executive appointments);
- b. at a time during the nomination process to be determined in its discretion, solicit and consider the views of majority shareholder(s) on the nomination of candidates. The Committee has the sole discretion to determine the appropriate manner and scope of the consultation, and the Committee is not required to exceed the ordinary course of communications with significant institutional investors;
- c. make recommendations to the Board for the appointment of the Chairman, on the basis of an agreed job specification, including an assessment of the time commitment expected and recognising the need for availability in the event of crises;
- d. make recommendations to the Board for the appointment of, CEO and CFO;
- e. make recommendations to the Board concerning any nomination for appointment as Senior Independent Director; and
- f. ensure that the Secretary of the Company, on behalf of the Board, writes to any appointee, detailing what is expected in terms of time commitment, committee service and involvement outside board meetings and proposing an induction plan approved by the Committee Chairman.

## 3. Succession Planning

The Committee shall:

- a. keep under review the leadership needs of the Company, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;

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- b. 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;
- c. establish a clear succession plan for 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 future. In terms of senior management, the Committee may request from time to time detailed views (either in the form of a report or otherwise) and work together with the CEO and/or senior management of the Company to:-
  - i. identify expected critical position vacancies and determine any future critical positions; and
  - ii. identify gaps in current employees and develop individual development plans, coaching and mentoring programmes.
- d. make recommendations to the Board concerning the succession plans for both executive and non-executive directors and in particular for the Chairman and CEO and the re-appointment of any non-executive director at the conclusion of his or her specified term of office;
- e. make recommendations to the Board concerning the recommendation to shareholders for re-election of any director under the retirement by rotation provisions in the Company's Constitution
- f. make any necessary recommendations to the Board concerning the continuation in office, suspension or termination of service of any director (subject, in the case of Company employees to the provisions of their service contracts);
- g. assist in leadership transition and development; and

### 4. Corporate Governance

The Committee shall:

- recommend, for the approval of the Board, corporate governance guidelines for the Company concerning the duties of the Committee and review them regularly;
- monitor the Company's compliance with such guidelines and with applicable legal, regulatory and listing requirements in respect of corporate governance and recommend to the Board such changes or additional action as it deems necessary; and
- review and make recommendations in respect of external disclosures relating to corporate governance, including accounts, in the Company's Annual Reports, of its appointment processes.



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### 5. Others

The Committee shall also perform such further functions related to the foregoing as the Board may from time to time request.

These Terms of Reference was reviewed and approved by the Nomination Committee and Board on 8 October 2018.