

NOMINATION COMMITTEE

– TERMS OF REFERENCE

TMC LIFE SCIENCES BERHAD

Approved by : Board of Directors

Approved date : 26 December 2019

This Terms of Reference sets out the matters concerning the governance of the Nomination Committee (“NC” or the “Committee”).

1.0 Purpose

- 1.1 The purpose of the NC is to assist the Board of Directors (“Board”) in conducting assessment of effectiveness of the Board members and Senior Management of TMC Life Sciences Berhad (“TMC” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) underpinned by robust processes and procedures taking into consideration the needs of the board such as mix of skills, experience, industry knowledge and diversity.
- 1.2 In the exercise of its functions, it is understood that the NC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the NC does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Committee.
- 1.3 Other objectives of the NC includes:
 - (a) Ensure a formal and transparent procedure for the appointment of new directors to the Board;
 - (b) Recommend to the Board, candidates for all directorships and on board committees. and
 - (c) Select, compensate, monitor and oversee succession planning.

2.0 Composition

- 2.1 Size
 - (a) The Committee shall consist of not less than three (3) members at any time.
- 2.2 Membership
 - (a) All the Committee members shall be Non-Executive Directors, with majority of them being Independent Directors [*Paragraph 15.08A(1) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad*].
- 2.3 Chairman of the Committee
 - (a) The Chairman of the NC shall be an Independent Director or the Senior Independent Director (*Practice 4.7 of the Malaysian Code on Corporate Governance*).
 - (b) In the absence of the Chairman, the remaining members present in the meeting shall elect one of the members to chair the meeting, of who should be an Independent Director.
 - (c) The Chairman of the Committee shall not be the Chairman of the Board.

3.0 Appointment of members

- 3.1 The Board shall determine the appointment of the NC members.
- 3.2 The members shall be appointed based on their ability to devote time, character, integrity, competence and experience relevant to their duties of the NC.
- 3.3 The members serving the Committee shall be refreshed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time and the change does not affect the composition in terms of compliance with legislative promulgations, such change of members shall be done on a periodic basis.

- 3.4 In the event of any vacancy in the Committee, the Company must fill the vacancy within three (3) months.

4.0 Performance evaluation

- 4.1 The effectiveness and performance of the NC as a Board Committee (including skills mix and contribution of members) shall be assessed annually. The assessment shall be facilitated using an Annual Performance Assessment model and the outcome shall be discussed with the Chairman of the Board, led by the Chairman of the NC.

5.0 Duties of the Chairman

- 5.1 The key duties of the NC Chairman shall include the following:

- (a) Lead the succession planning and appointment of Board members, including the future Chairman and Group Chief Executive Officer (“GCEO”); and
- (b) Lead the annual review of Board skill sets matrix and Board effectiveness evaluation, ensuring that the performance of each individual director is independently assessed.

(Guidance to Practice 4.7 of the Malaysian Code on Corporate Governance)

6.0 Duties of the Committee

- 6.1 The duties of the Committee in relation to **new appointments** are to:

- (a) Set the Group’s nomination and appointment policy including ensuring that the appointment of Board and Senior Management members are based on the candidate’s character, experience, integrity, competence and ability to devote time, with due regards for diversity in skills, experience, age, cultural background and gender *(Paragraph 2.20A of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Practice 4.4 of the Malaysian Code on Corporate Governance)*.
- (b) Consider, review and recommend the appointment of potential candidates to the Board proposed by Management or any Director or shareholder taking into consideration the candidates’ skills, knowledge, expertise and experience, time, commitment, character, professionalism and integrity;
- (c) Before any appointment by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, as well as the current and future needs and size of the Company in identifying suitable candidates, the NC may:
 - Use the services of external advisors to facilitate the search from diverse pools, apart from recommendations of existing Board members, Management or major shareholders *(Guidance to Practice 4.6, Malaysian Code on Corporate Governance)*;
 - Consider candidates from a wide range of backgrounds. A diverse board can offer greater depth and breadth compared to a non-diverse board *(Practice 4.4 of the Malaysian Code on Corporate Governance)*;
 - Consider candidates on merit and against objective criteria with due regard for 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.

- 6.2 The duties of the Committee in relation to the **re-election, reappointment and resignation/ termination** are to:

- (a) Recommend to the Board, candidates for re-election of Directors by shareholders under the annual re-election provisions of retirement with due consideration to the extent to which interplay of the Director's expertise, skills, knowledge and experience with those of other Board members, as well as their roles as committee members;
- (b) Watch for indicators of entrenchment amongst long-serving Independent Directors. The tenure of an Independent Director shall not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, the Board shall justify and seek annual 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 (2) tier voting process (*Practice 4.2 of the Malaysian Code on Corporate Governance*);
- (c) 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; and
- (d) The re-appointment of any Non-Executive Director at the conclusion of his/her term of office having given due regard to his/her performance and ability to continue to contribute to the Board in terms of knowledge, skills and experience requested.

6.3 The duties of the Committee in relation to **succession planning** are to:

- (a) Understand the current performance, competencies and potential of those key positions in Senior Management in order to identify and develop plans for those key talents;
- (b) Make recommendations to the Board concerning the succession plans for both Executive and Non-Executive Directors and in particular for the Chairman and the GCEO as well as the re-appointment of any Non-Executive Directors at the conclusion of his/ her specified term of office; and
- (c) Consider succession planning for Senior Management, 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 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:
 - identify expected critical position vacancies and determine any future critical positions; and
 - identify gaps in current employees and establish individual development plans, coaching and monitoring programmes.

6.4 The duties of the Committee in relation to **board assessment process** are to:

- (a) Ensure that prior to the appointment of new Directors and Senior Management members, a complete evaluation is performed based on the Group's policy to assess the candidates' ability to discharge their duties effectively. The evaluation shall consider the dimensions of character, experience, integrity, competence and time (*Paragraph 2.20A of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*);
- (b) Undertake a formal and objective annual evaluation to determine the effectiveness of the Board, Board Committees and each individual Director, taking into consideration their probity with law and adherence to governance practices including anti-corruption policies and procedures [*Practice 5.1 of Malaysian Code on Corporate Governance and Paragraph 4.4.3(v) of the Guidelines on Adequate*

Procedures];

- (c) Supervise and assess Senior Management's performance to determine whether the business is properly managed (*Guidance to Practice 1.1 of Malaysian Code on Corporate Governance*);
- (d) 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 fulfil their duties;
- (e) Annually review the independence of the Independent Director and recommend to the Board whether the Independent Director(s) who has/have exceeded the cumulative term of nine (9) years should remain independent or be re-designated (*Practice 4.2 of the Malaysian Code on Corporate Governance*);
- (f) Annually review the performance of the GCEO and other key senior management personnel; and
- (g) Annually review the term of office of the Audit and Risk Management Committee ("ARMC") and Remuneration Committee ("RC") as well as each of its members to determine whether the said Board Committees have carried out their duties in accordance with their terms of reference.

6.5 The duties of the Committee in relation to **continuous education/ development** are to:

- (a) 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;
- (b) Evaluate and determine on a continuous basis the training needs of the Directors, in which the subject matter of training must be one that aids the Director in the discharge of his/ her duties as a Director [*Paragraph 15.08(2) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*];
- (c) Assess the ARMC members' knowledge on financial literacy; and
- (d) Ensure internal and external trainings in relation to anti-corruption management are developed for the Directors (*Paragraph 4.5.1 of the Guidelines on Adequate Procedures*).

6.6 The duties of the Committee in relation to the **size of the Board and Independent Directors** are to:

- (a) Assess the desirable balance in Board membership by reviewing the size, structure and composition of the Board, taking into consideration the number of directorships;
- (b) Assess desirable number of Independent Directors; and
- (c) Consider the representation of interest group as part of boardroom diversity and to set up a policy on board composition. Factors to consider may include gender, race, religion, nationality, professional background and culture.

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

- (a) the provisions of the Company's Constitution, Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other laws and regulations, if any, in respect of the appointment, removal of directors;
- (b) 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;

- (c) the overall composition and balance of the Board; and
- (d) Board Diversity Policy, 'Fit and Proper' Standards/Criteria for Directors and Senior Management Staff and Succession Planning Policy.

7.0 Meetings

7.1 Meeting frequencies and calling of meetings

- (a) The NC shall meet at least once (1) a year or as and when required, and report to the Board after each meeting.

7.2 Quorum and participation

- (a) The quorum for the Committee shall consist of at least two (2) members and one of whom shall be an Independent Director;
- (b) In the event the Chairman is unable to be present for a meeting, the members who are present at the meeting can appoint a Chairman among themselves to chair the meeting;
- (c) The NC may request other Directors, members of Management and consultants as applicable to participate in the NC meetings, as necessary, to carry out the NC's responsibilities;
- (d) The NC has the right to pass circular resolutions in writing by a simple majority vote for administrative and ad-hoc matters; and
- (e) The meetings shall convene in a face-to-face manner. If a member is unable to be present at the meeting venue, his/her participation through tele/video-conferencing or other appropriate means may be permitted.

7.3 Notice on meetings and information flow

- (a) Notice of a meeting shall be sent to all members in a timely manner, which should include the date, time, venue and the agenda of the meeting (*Paragraph 4 of the Notice of Meeting, Third Schedule of Companies Act 2016*);
- (b) The NC meeting agendas shall be developed by the Chairman of the NC and the Secretaries in consultation with Management; and
- (c) The Chairman together with the Company Secretaries shall ensure that sufficient information such as the agenda and accompanying meeting materials for each meeting are circulated at least five (5) business days before each meeting to the Committee members and all those who are invited to attend the meeting (*Guidance on Practice 1.5 of the Malaysian Code on Corporate Governance*).

7.4 Voting

- (a) A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes cast and in the event of an equality of votes, the Chairman has the casting vote. A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in the voting process.

7.5 Meeting minutes

- (a) The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee (*Paragraph 13, Third Schedule of Companies Act 2016*);
- (b) The minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so

signed, shall be conclusive and contemporaneous evidence without any further proof of the facts thereon stated;

- (c) All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the Committee, which includes any dissenting comments made (*Guidance to Practice 1.5, Malaysian Code on Corporate Governance*); and
- (d) The reproduction of any parts of the meeting minutes shall only be performed through or by the Secretaries with the approval of the NC Chairman.

7.6 Reporting and disclosure

- (a) The reports and minutes of each Committee meetings shall be tabled and presented to the Board during the subsequent Board meeting to keep them informed and updated on the key issues deliberated by the Committee, clearly demonstrating the Committee's decisions which necessitate Board's approval or ratification;
- (b) The NC must provide, in the Company's Annual Report, a statement about its activities in the discharge of its duties for the financial year [*Paragraph 15.08A(3) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad*]; and
- (c) The NC shall oversee the disclosures made in the accompanying materials of the resolution in the notice to General Meetings on the election or re-election of a Director. This includes the justification provided to recommend or not to recommend the candidate's appointment.

8.0 Authority

8.1 The NC shall in accordance with the procedures determined by the Board of Directors and at the cost of the Company:

- (a) have the resources which are required to perform its duties;
- (b) have full and unrestricted access to all information and documents within the Group to perform its duties;
- (c) have the right to obtain independent professional or other advice at the Company's expense;
- (d) have the right to invite any employees of the Group to attend NC meetings and to brief the Committee members on matters being deliberated;
- (e) meet as and when required on a reasonable notice and have the right to regulate its own procedure on the calling of meeting;
- (f) have the right to pass resolutions by a simple majority vote from the Committee members and that the Chairman shall have the casting vote should a tie arise; and
- (g) have the right to provide recommendations to the Board for consideration and approval.

8.2 Unless otherwise provided by or subject to any applicable laws or legislative requirements, the Committee shall have the permission to obtain resources needed to fulfil its duties and responsibilities as set out in this Terms of Reference based on an agreed-upon procedure and at the expense of the Group, such as:

- (a) Obtaining full and unrestricted access to any information pertaining to the Group;
- (b) Obtaining full and unrestricted access to the advice and services of the Company Secretaries; and
- (c) Obtaining independent professional or other advice.

(Paragraph 15.04 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad)

9.0 Review of the Terms of Reference

- 9.1 The NC shall recommend any changes to its Term of Reference in such manner as the NC deems appropriate to the Board for approval. The Terms of Reference shall be accessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirement or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the NC's role.
- 9.2 The Secretaries of the Committee shall ensure that the provisions of this Terms of Reference continue to comply with legal requirements and corporate governance enumerations applicable to the Group and, if necessary, shall suggest amendments to the Terms of Reference for consideration by the Board.

Last updated: 17 December 2019