

## **Terms of Reference for Nominating Committee**

### **1. Introduction**

The Nominating Committee (the “Committee”) of VSTECS Berhad (formerly known as ECS ICT Berhad) (“VSTECS” or the “Company”) was formed by the Board of Directors of the Company. Its primary function, in line with the Malaysian Code on Corporate Governance (“MCCG”), is to assist the Board in the following areas:

- Propose new nominees for the Board of the Company - the actual decision as to who shall be appointed shall be the responsibility of the full Board after considering the recommendations of the Committee;
- Assess the effectiveness of Directors of the Company on an ongoing basis;
- Review the effectiveness of the Chief Executive Officer (“CEO”); and
- Assess the size and composition of the Board of Directors.

### **2. Membership**

- 2.1. The Nominating Committee shall be appointed by the Board from among their number and shall be composed exclusively of Non-Executive Directors of not fewer than three (3) members.
- 2.2. The majority of the members of the Committee shall be Independent Non-Executive Directors.
- 2.3. The Chairman of the Committee shall be an Independent Director or the Senior Independent Non-Executive Director appointed by the Board.
- 2.4. In the event of any vacancy in the Committee resulting in the number of members being reduced to below three, the Board shall, within three (3) months fill the vacancy.

### **3. Frequency of Meetings**

The Committee shall meet at least once a year. However, additional meetings may be called at any time at the Nominating Committee Chairman’s discretion.

The quorum for the meeting shall be two (2) members.

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#### **4. Secretaries**

The Secretaries of the Company shall be Secretaries of the Committee (“the Secretaries”)

#### **5. Circular Resolutions**

A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by email, facsimile or other electrical or digital written message/application to include a signature of a Committee member.

#### **6. Duties**

The duties of the Committee shall be to:

6.1. having evaluated the balance of skills, knowledge and experience on the Board, 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 vacancies as and when they arise.

6.1.1. In making the recommendations, the Committee will also consider candidates proposed by the CEO, and within the bounds of practicability, by any other senior executive, Director or shareholder. In making its recommendations, the Committee shall assess and consider the following attributes or factors:-

- a) skills, knowledge, expertise and experience;
- b) professionalism;
- c) commitment (including time commitment) to effectively discharge his/her role as a Director;
- d) contribution and performance;
- e) background, character, integrity, and competence;
- f) in the case of candidates for the position of Independent Non-Executive Directors, the Committee shall also evaluate the candidates’ ability to discharge such responsibilities/functions as are expected from Independent Non-executive Directors; and
- g) Boardroom diversity including gender diversity.

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- 6.1.2. Shall, at a time during the nominating 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 communication with significant institutional investors;
  - a) make recommendations to the Board for the appointment of the Chairman, CEO and Senior Independent Director, including an assessment of the time commitment expected and recognising the need for availability in the event of crises; and
  - b) review and define orientation and induction plans for new directors.
- 6.2. develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors. The nomination and the election process should be disclosed in the Annual Report;
- 6.3. recommend to the Board, Directors to fill the seats on Board Committees;
- 6.4. facilitate Board induction programme for newly appointed Directors;
- 6.5. assess the training needs of each Director, review the fulfilment of such training, and disclose details in the Annual Report as appropriate;
- 6.6. review and make recommendations to the Board on Succession Planning Policy for management;
- 6.7. review annually the required mix of skills, experience and other qualities of the Board, including core competencies which Non-Executive Directors should bring to the Board. This activity shall be disclosed in the Annual Report of the Company;
- 6.8. assist the Board to implement a procedure to be carried out by the Nominating Committee annually for assessing the effectiveness of the Board as a whole, the Committees of the Board and the contribution and performance of each Director including Non-Executive Directors and the CEO. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions should be properly documented and reported to the Board at the end of each fiscal year with an assessment of the Board's performance and areas in which the Board, Board Committees or individual Director could improve on;
- 6.9. assess annually the effectiveness and performance of the Executive Director;

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- 6.10. assess annually the independence of its independent directors. This activity shall be disclosed in the Annual Report of the Company and in any notice of a general meeting for the appointment and re-appointment of independent directors. A Director would not be an “Independent Director” if:
- the director has been an employee 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 two calendar years (“material business relationship” means the director has a beneficial ownership interest of 2% or more or remuneration is more than RM1 million in any calendar year);
  - the director has not complied with the definition of “Independent Director” in the Listing Requirements of Bursa Malaysia Securities Berhad.
- 6.11. recommend to the Board on the appropriate number of Directors to compose the Board which should fairly reflect the investments of the minority shareholders in the Company, and whether the current Board representation satisfies this requirement;
- 6.12. review the size of Non-Executive participation, Board balance and determine if additional Board members are required and also to ensure that at least 1/3 of the Board is independent;
- 6.13. determine the core competencies and skills required of the Board members to best serve the business and operations of The Group as a whole and the optimum size of the Board to reflect the desired skills and competencies;
- 6.14. recommend to the Board the Company’s gender diversity policies, targets and discuss measures to be taken to meet those targets;
- 6.15. report to the Board on succession planning for Board Chairman and CEO, and to work with the Board to evaluate potential successors;
- 6.16. recommend to the Board protocol for accepting new directorships;
- 6.17. introduce such regulations, guidelines or procedures to function effectively and fulfil the Committee’s objective;
- 6.18. review, at least once a year, its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and

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- 6.19. to assist the Board of Director to review the time commitment resolved by the Directors in Board and/or Board Committee in relation to the attendance of Board and/or Board Committees.
- 6.20. as recommended by MCCG, the Nominating Committee may assist the Board to engage independent experts periodically to facilitate objective and candid board evaluations.

## **7. Advisers**

The Committee is authorised by the Board to seek appropriate professional advice inside and outside The Group as and when it considers this necessary at the expense of the Company.

## **8. Minutes**

The Minutes of meetings of the Committee shall be circulated to all members of the Board.

## **9. Succession Planning for Board**

The Committee shall:

- 9.1. keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 9.2. give 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 in future;
- 9.3. make recommendations to the Board concerning the succession plans for Executive Director and in particular for the CEO;
- 9.4. make recommendations to the Board concerning the re-appointment of any non-executive director at the conclusion of his or her specified term of office, re-election of any director under the retirement by rotation provisions in the Company's Articles of Association;
- 9.5. 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, if any); and

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- 9.6. make recommendations to the Board concerning the continuation (or not) in service of any Independent Director who has served cumulatively more than 9 years and after the 12th year .

**10. Reporting**

The Chairman of the Nominating Committee shall report on each meeting to the Board.

**11. Review of the Audit Committee**

The Committee shall review annually the terms of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with the Terms of Reference.

**12. Review of the Terms of Reference**

The Terms of Reference of Nominating Committee are to be regularly reviewed by the Board as and when required.

\* Amended pursuant to the Board of Directors' approval on 19 March 2018.

\*\* Updated on 30 November 2018 subsequent to the change of company name from "ECS ICT Berhad" to "VSTECS Berhad" with effect from 30 November 2018.