



NOMINATION AND REMUNERATION COMMITTEE

TERMS OF REFERENCE

1.0.0 ESTABLISHMENT

1.1.0 The Nomination Committee and Remuneration Committee (“**NRC**”) were merged by the Board of Directors of United Malacca Berhad (“**UMB**”) into one single committee and re-named the Nomination and Remuneration Committee effective 1 July 2017.

1.2.0 The rationale for the merger is to enhance the efficiency of the NRC in discharging its duties and responsibilities.

2.0.0 COMPOSITION

2.1.0 The NRC shall be appointed by the Board from among Board members and shall comprise exclusively of Non-Executive Directors of UMB, a majority of whom must be independent.

2.2.0 The number of NRC members shall not be less than three (3) and not more than five (5).

2.3.0 Based on the NRC’s recommendation, the Board shall elect NRC Chairperson from among the NRC members who shall be an Independent Non-Executive Director or Senior Independent Non-Executive Director of the Company.

2.4.0 The NRC Chairperson or NRC member automatically ceases as a member of the NRC if he or she ceases to be a Director of UMB.

2.5.0 In the event of any vacancy in the NRC, resulting in the number falling below the minimum number fixed under Paragraph 2.2.0, the Board shall fill the vacancy within 3 months from the date of occurrence of the event.

2.6.0 The Chairperson of the Board shall not be a member of the NRC.

3.0.0 OBJECTIVE

3.1.0 The NRC shall assist the Board on the following matters:-

3.1.1 **Nomination Matters**

- (a) To establish a policy on Board composition in UMB having regard to the mix of skills, knowledge, varied experience, diversity (including gender diversity), background, integrity, competence, time commitment and independence in order to meet the operational objectives, strategic goals and business requirements of UMB and its subsidiaries ("**UMB Group**").
- (b) To lead the succession planning and appointment of Directors, and oversee the development of a diverse pipeline for board and management succession.
- (c) To establish the selection criteria and undertake a formal and transparent process for the nomination, appointment and election of the Directors and the nomination of Chief Executive Officer ("**CEO**").
- (d) To lead the annual review of board effectiveness, ensuring that the performance of each Director and the Chairperson are assessed objectively and holistically.
- (e) To establish the assessment criteria and formalise an objective annual evaluation process for evaluating the performance and effectiveness of the Board, Board Committees, Directors, CEO, and assessing the independence of the Independent Non-Executive Directors.
- (f) To establish and undertake a formal and transparent process for nomination and appointment of senior management staff, who shall be primarily responsible for, running UMB Group's business operations, management of corporate and financial affairs and who shall report directly to the CEO ("**Senior Management**") to assist the Board in meeting the operational objectives, strategic goals and business requirements of UMB Group.
- (g) To formalise an objective annual evaluation process to review the performance of Senior Management.
- (h) To review the adequacy of the Terms of Reference in the light of new practices and regulatory requirements to ensure that the Committee is operating at maximum effectiveness and recommend changes as and when required.
- (i) To perform such other functions as the Board may request from time to time.

3.1.2 **Remuneration Matters**

- (a) To establish a remuneration policy framework and procedures that link rewards to corporate and individual performance, skills, experience, and the strategic and long-term objectives of UMB Group to encourage high-performing Executive and Non-Executive Directors, CEO and Senior Management.

- (b) To implement the remuneration policy framework and procedures, including reviewing and recommending matters relating to the remuneration of the Directors, CEO, and Senior Management.

3.1.3 The overall responsibility for decisions or recommendations by the NRC regarding the above matters shall rest with the Board.

4.0.0 **FUNCTIONS**

4.1.0 The NRC shall perform the following functions that the Board has delegated and make recommendations to the Board for consideration, as and when necessary:-

4.2.0 **Nomination Matters**

4.2.1 **Policy on Board composition**

- (a) Ensure the selection of the Board's candidates meets the following principles and other criteria as specified in paragraph 4.2.1(b):-
 - (i) The Board shall comprise a majority of Malaysian citizens or permanent residents of Malaysia.
 - (ii) The Board shall have at least two (2) or one-third (1/3) of the Board, whichever is higher, must be Independent Non-Executive Directors.
 - (iii) The Board shall have at least one (1) woman director.
 - (iv) The Board shall attain an optimal mix of Board members with collective experience and expertise to assist and guide UMB in achieving its business objectives.
- (b) Ensure the Director, CEO, and Senior Management appointed meets the objective criteria and has the diversity in skills, character, experience, age, cultural background, and gender, as well as integrity, competence, and time commitment for the effective discharge of their role as a Director, CEO Officer, and Senior Management.
- (c) Ensure all Directors fulfill the requirements of the Companies Act, 2016, ("**the Act**") and Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("**the Listing Requirements**"), including no disqualification under Section 198 of the Act and Paragraph 15.05 of the Listing Requirements before their appointment to the Board.

4.2.2 **Selection process**

- (a) Identify and review all nominations from the Board, any Director, CEO, or Senior Management, and within the bounds of practicability, from any shareholders of the Company, for appointments to the Board, Board Committees, CEO, and Senior Management.

- (b) Review candidates identified by independent sources when the Board via NRC utilises independent sources to identify suitably qualified candidates.
- (c) Using the criteria in paragraph 4.2.1(b), identify candidates to fill vacancies for the Board, CEO, and Senior Management as and when needed, as well as put in place plans for succession.
- (d) Ensure new and existing members of the Board receive orientation and education programmes.
- (e) Recommend Directors, who are retiring by rotation according to UMB's Constitution, for re-election at every Annual General Meeting of UMB, and ensure all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.
- (f) In the case of candidates for the position of Independent Non-Executive Director, the NRC shall evaluate the candidates' ability to discharge such responsibilities/functions as are expected from an Independent Non-Executive Director. The NRC shall consider the candidates' background and current activities and whether the Director can act independently of Management. For this purpose, an Independent Director shall be a person who is not and has not been a UMB officer within the last three (3) years (except as an independent director). For this purpose, "officer" has the meaning given in Section 2 of the Act.
- (g) Considering that Directors appointed should devote the required time to serve the Board effectively, the NRC shall consider the existing Board positions held by a Director, including directorship of non-listed companies. The NRC shall avoid any appointment that may cast doubt on the integrity and governance of UMB.

4.2.3 Evaluation and assessment process

- (a) Regularly review the Board's structure, size, composition, and independence at least once a year and recommend changes to the Board when necessary.
- (b) Annually review the required mix of skills, experience, and other qualities (including core competencies which Non-Executive Directors should bring to the Board) of the Directors and CEO, and make recommendations to the Board for consideration.
- (c) Annually assess the performance and effectiveness of the Board, the Board Committees, each Director, the CEO, and the Senior Management.
- (d) Annually review whether each Independent Non-Executive Director continues to be independent in character and judgement and acts in UMB's best interests when discharging their duties.

(e) Annually review whether the Independent Non-Executive Director who has served the Board beyond a cumulative term of nine (9) years ("**Affected Director**"):-

- can act independently of Management;
- their long tenure and familiarity would erode the Board's objectivity; and
- may become a "dependent Director" due to long association, attractive remuneration packages, and material benefits.

Subject to the satisfactory evaluation of the Independent Non-Executive Director's performance and effectiveness, the Board must justify seeking annual shareholders' mandate to retain the Affected Director as Independent Non-Executive Director.

- (f) Annually assess the training needs of each Director to assist the Director in discharging their duties.
- (g) Recommend to the Board engaging the services of a professional adviser or consultant (if necessary) to facilitate the objective and candid evaluation of the performance and effectiveness of the Board, the Board Committees, each Director, and the CEO.
- (h) Annually assess professional development needs of the Senior Management to prepare them for advancement within the Group.
- (i) Annually assess the Director standing for election or re-election as Director. Where necessary, require them to declare to the Board any existing or potential conflict of interest, including any business, family, or other relationship within or outside UMB Group that could affect their role as Directors of UMB Group.
- (j) Undertake a fit and proper assessment for the recruitment or appointment of a Director (including re-election/ re-appointment) based on the criteria in UMB's Fit and Proper Policy.

4.3.0 **Remuneration Matters**

4.3.1 **Policies and procedures framework on remuneration**

- (a) Review the framework of policies and procedures regarding Directors' remuneration annually.
- (b) Recommend fair and transparent remuneration policies and packages for the CEO and Senior Management of UMB Group to the Board and the Board of Directors of the respective subsidiaries for consideration as and when required.

- (c) Oversee major employee remuneration and benefits changes throughout UMB Group.
- (d) Review policies governing the remuneration and promotion of Senior Management of UMB Group.
- (e) Where required, recommend to the Board the engagement of a professional adviser or consultant to ensure that the remuneration packages for the Directors, CEO, and Senior Management are based on the individual's merit, qualification, performance, and competence. The NRC shall also consider UMB Group's operating results and compare market statistics when reviewing the remuneration packages.

4.3.2 Implementation and review process

- (a) Ensure the remuneration package offered to Directors, CEO, and Senior Management is in line with the remuneration framework of UMB Group.
- (b) Ensure performance-related elements of remuneration forms a significant proportion of the total remuneration package for Executive Directors, CEO, and Senior Management of UMB Group to attract, retain and motivate the said Executive Directors, CEO, and Senior Management to perform in the best interest of UMB Group and its stakeholders.
- (c) Consider and recommend the fees and other remuneration of the Directors of UMB Group to the UMB Board and Board of Directors of the respective subsidiaries.
- (d) Annually review the remuneration of the Executive Directors, CEO, and Senior Management of UMB Group as set out in their service contracts after considering:-
 - the complexity of UMB Group's businesses and the individual's responsibilities; and
 - the business strategy and long-term objectives of UMB Group.
- (e) Ensure the fees and benefits for Independent Non-Executive Directors do not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.
- (f) Considering the appropriate level of remuneration for Directors and Senior Management, the NRC shall look at UMB Group's performance in managing material sustainability risks and opportunities.
- (g) Ensure Executive Directors are not involved in discussions on their remuneration.

5.0.0 RIGHTS

5.1.0 Wherever necessary and reasonable for the performance of its duties and following a procedure to be determined by the Board and/or at the cost of UMB, the NRC may:-

- (a) Obtain such information as it may require on the remuneration of any Executive Director, Chief Executive Officer, or Senior Management of the Group.
- (b) Secure the attendance of any person with the relevant experience and expertise at committee meetings if the NRC considers this necessary.
- (c) Consider other matters referred to the NRC by the Board.

6.0.0 MEETINGS

6.1.0 The NRC shall meet at least once every financial year. The NRC Chairperson may call an additional meeting at any time as and when required at his/her discretion.

6.2.0 The quorum for a meeting shall be two (2) members, and at least half of the members present must be Independent Non-Executive Directors.

6.3.0 The NRC may invite any Director, CEO of UMB, its subsidiaries, or external advisers to attend any of its meetings as it deems appropriate.

6.4.0 At all meetings of the NRC, the NRC Chairperson, if present, shall preside over the meetings. If NRC Chairperson is absent, the members present at the meeting shall elect a Chairman of the meeting, and the elected Chairman shall be an Independent Non-Executive Director.

6.5.0 Whenever the NRC thinks fit, it shall convene a meeting of the NRC and may adjourn the meeting as it thinks proper.

6.6.0 The NRC may hold a meeting at two (2) or more venues within or outside Malaysia using any technology that gives the NRC members a reasonable opportunity to participate.

6.7.0 No business is to be transacted at any meeting unless a quorum of members is present at the time when the meeting proceeds to business.

6.8.0 At the NRC meeting, the members present shall decide on issues arising by majority votes. In the case of a deadlock in votes, the NRC Chairperson has a casting vote. However, where two (2) members form a quorum, the Chairperson of a meeting at which such a quorum is present or where only two (2) members are competent to vote on the question at issue shall not have a casting vote.

6.9.0 The NRC shall appoint a Secretary. The Secretary shall be in attendance and keep a record of the proceedings.

6.10.0 Minutes of all NRC meetings shall be circulated to NRC members and the Chairperson of the UMB Board (if he or she is not an NRC member) on a set timeline to be agreed upon by NRC Chairperson and UMB Board together with the Secretary. If the NRC Chairperson decides, the Secretary may circulate the minutes to other UMB Board members. Provided there is no conflict of interest and with the agreement of the NRC Chairperson, any UMB Board member may obtain copies of the minutes from the Secretary.

6.11.0 The NRC Chairperson is required to attend general meetings alongside other Directors to provide a meaningful response to questions addressed to them during the general meetings.

7.0.0 **COMMITTEE'S WRITTEN RESOLUTION**

Any resolution in writing, signed or assented to by all NRC members present in Malaysia (not being less than two (2) in numbers and the majority present are Independent Non-Executive Directors) shall be valid and effectual as if it had been passed at an NRC meeting duly called and constituted. The resolution in writing may consist of several documents in like form, each signed by one or more members of the NRC. The expressions "in writing" and "signed" include approval of the NRC members on any such document transmitted to UMB by any technology, including a signature and/or an electronic or digital signature by the said member

8.0.0 **GENERAL**

8.1.0 The NRC may obtain such external or other independent professional advice necessary to carry out its duties.

8.2.0 The Board will ensure that the NRC has access to professional advice internally and externally at UMB's expense to perform its duties.

9.0.0 **REVISION OF THE TERMS OF REFERENCE**

9.1.0 The NRC shall, as and when required, assess the adequacy of this Terms of Reference and make any necessary amendments to ensure it remains consistent with the UMB Board's objectives, current law, and best practices. The NRC shall recommend any amendments/revisions required to UMB Board for approval.

9.2.0 Upon UMB Board's approval, the said revision or amendment shall form part of this Terms of Reference and be considered duly revised or amended.

9.3.0 This Terms of Reference is available on UMB's website at www.unitedmalacca.com.my.

9.4.0 UMB Board approved this Terms of Reference, including all revisions and amendments on 28 June, 2022.