
**MTD ACPI ENGINEERING BERHAD (Company No. 258836-V)
NOMINATION COMMITTEE**

TERMS OF REFERENCE

1.0 PURPOSE

- 1.1 This Terms of Reference defines the scope of responsibilities, duties and authority of the Nomination Committee, established by the board of directors of MTD ACPI Engineering Berhad (“**MTDACPI**” or “**Company**”) [“**Board**”]. It provides the framework for governance of the Nomination Committee, for the effective functioning of the Board to meet the needs of MTDACPI and to reflect the objectives and culture of MTDACPI and its subsidiaries (“**MTDACPI Group**”).
- 1.2 The Nomination Committee is a committee of the Board and has the authority and power to exercise the responsibilities set out in the Terms of Reference and any separate resolutions of the Board granted to the Nomination Committee from time to time. The role of the Nomination Committee is non-executive.
- 1.3 This Terms of Reference is guided by the best practices in the Malaysian Code on Corporate Governance 2012 [“**Code**”], Bursa Malaysia Securities Berhad Main Market Listing Requirements (“**Listing Requirements**”) and statutory and regulatory requirements.

2.0 OBJECTIVES

- 2.1 The objectives of the Nomination Committee are to assist the Board in identifying qualified individuals to become Board members and ensure:
 - (a) conformance to the best practices in the Code and the Nomination policies;
 - (b) recommend individual to the Board for nomination as members of the Board, Board committees, Chief Executive Officer and Senior Independent Non-Executive Director;
 - (c) lead the Board in the annual performance review of the Board, Board committee and senior management.
 - (d) that the Company establishes formal and transparent nomination policies and procedures that are aligned with the business strategy and long term objectives of the Company, as determined by the Board; and
 - (e) appropriate disclosure of nomination policies and procedures as well as activities of the Nomination Committee in the annual report of the Company.

- 2.2 Each individual director shall abstain from deliberation and decision of his own re-appointment/re-election.

3.0 COMPOSITION

- 3.1 The Board shall appoint the Nomination Committee members (“**Members**”) from amongst themselves, composed exclusively of non-executive directors, a majority of whom must be independent. The term of office of the Members shall be three (3) years and may be re-nominated and appointed by the Board from time to time.

4.0 CHAIRMAN

- 4.1 The Chairman of the Nomination Committee (“**NC Chairman**”) should be the senior independent director identified by the Board.

- 4.2 The role of the NC Chairman is to:

- (a) ensure there is a vetting process to identify the best available candidate to be elected as member of the Board and Board committees;
- (b) lead governance issues, particularly the annual review of the effectiveness of the Board and Board committees and ensuring that the performance of individual directors is independently assessed;
- (c) determine the agenda for meetings of the Nomination Committee in conjunction with the secretary of the Nomination Committee;
- (d) chair meetings of the Nomination Committee and take reasonable steps for the proper functioning of the Nomination Committee including the proper conduct of meetings and an appropriate level of discussion;
- (e) take reasonable steps regarding the adequate flow of relevant information to the Nomination Committee;
- (f) take reasonable steps to advise the Board on the Nomination Committee’s recommendations on matters falling within the scope of the Nomination Committee’s responsibilities;
- (g) review the minutes of meetings of the Nomination Committee for circulation to and approval of Nomination Committee and sign the approved minutes for record; and
- (h) act under delegation of the Nomination Committee.

5.0 SECRETARY

- 5.1 The company secretary of the Company shall be the secretary of the Nomination Committee (“**Secretary**”).

- 5.2 The Nomination Committee has access to the services of the Secretary on all Nomination Committee matters.
- 5.3 The Secretary shall assist the NC Chairman of the Nomination Committee in planning the tasks of the Nomination Committee including drawing up meeting agendas, maintenance of minutes of meetings, collection and distribution of information and provision of any necessary practical support.
- 5.4 The Secretary must ensure that all decisions made on the appointment or re-appointment of directors, evaluation of the performance of directors and senior management be properly recorded, minuted and kept in the minutes book, both for the Company's own records and for the purpose of meeting statutory obligations, as well as obligations arising from the Listing Requirements or other statutory and regulatory requirements, if required.

6.0 MEETINGS

- 6.1 The Nomination Committee will meet together for the despatch of business, adjourn and otherwise regulate their meetings, at least twice a year or more frequently as deemed necessary.
- 6.2 The Secretary shall on the requisition of the Members summon a meeting of the Nomination Committee. Reasonable notice of every Nomination Committee meeting shall be given in writing except in the case of an emergency.
- 6.3 In the absence of the NC Chairman, the Members may elect from amongst themselves the chairman for the Meeting who shall be an independent director.
- 6.4 The Nomination Committee may invite the President & Chief Executive Officer ("CEO") and relevant employees, such as the Head of Human Capital Division, to attend meetings, especially when matters such as succession planning of senior executives, determining competency framework and identify gaps in competencies of directors are discussed.
- 6.5 The meetings of the Nominating Committee shall be transparent, with all proceedings recorded and decisions documented. The Board shall be kept aware of the committee's activities by way of the committee minutes and/or committee papers, being circulated.

7.0 QUORUM

- 7.1 A quorum of Nomination Committee's Meetings shall consist of two (2) Members, one of whom shall be an independent director.

8.0 REPORTING TO THE BOARD

- 8.1 The Nomination Committee Chairman (or a person nominated by Nomination Committee for that purpose) must report to the Board at the next meeting regarding all material matters and recommendations relevant to the Nomination Committee's duties and responsibilities.

In accordance to Listing Requirements, the Company will make annual disclosure of the details of the nature and amount of fees paid to each Director. The disclosure will include payment of any non-monetary incentive components.

9.0 DUTIES AND RESPONSIBILITIES

- 9.1 The duties and responsibilities of the Nomination Committee are to:
- (a) assist the Board in formulating the nomination policies and procedures for the members of the Board, Board committees, CEO and senior management of MTDACPI;
 - (b) assist the Board in setting the criteria on the selection and recruitment as well as on the annual assessment of directors of the Board and Board committees;
 - (c) assess the suitability of potential candidates for directorship and senior management staff as well as, membership of Board committees in terms of competencies, commitment, contribution and performance, and advise the Board on suitability for appointment as stated in this Terms of Reference;
 - (d) review and assess the independence of the potential candidates for the position of independent directors in terms of background, economic, family and work relationships, to bring independent and objective judgements to the Board;
 - (e) regularly identify the skills and experience and other qualities including core competencies, which directors should bring to the Board;
 - (f) annually assess the effectiveness of the Board as a whole, the Board committees and the contribution of each individual director, including CEO and senior management. Financial performance indicators may also be used to assess the Board performance in view the Board is ultimately responsible for the performance of the Company;
 - (g) assess the appropriate structure of the Board and Board committees from time to time or on an annual basis, by considering:
 - i. the appropriate composition in terms of size, right mix of skill and experience with in depth industry knowledge, for effective functioning of the Board and Board committees;

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- ii. the number of directors who would represent shareholders other than the significant shareholders and possible representation of interested groups of the Company;
 - iii. the composition of independent directors and in compliance to Listing Requirements, Paragraph 15.02 (one third of the Board should comprised independent directors); and
 - iv. the Board room diversity (nationality, ethnicity, age, culture, socio-economic background including gender diversity) and steps are taken to ensure women candidates are sought as part of the recruitment process.
- (h) annually assess the independence of the independent directors, including the review of Independent Directors Self-Assessment Form, to ensure:-
- i. they bring independent and objective judgement to Board deliberation;
 - ii. there is no potential areas of conflict that may impair independence of the independent directors; and
 - iii. the retention of independent directors in the Board beyond nine (9) years cumulative service, are recommended for approval by shareholders at every annual general meeting with strong justification otherwise, recommend to the Board the re-designation as non-independent directors;
- (i) recommend a senior independent non-executive director to whom concerns of the independent non-executive directors and minority shareholders may be conveyed;
- (j) recommend suitable candidates for nomination as members of the Board;
- (k) periodically review on succession planning for the Chairman of the Company, CEO and senior management and work with the Board to evaluate potential successors;
- (l) recommend to the Board on re-election / re-appointment of directors who are subject to retirement by rotation / re-appointment in the annual general meetings or on election of new directors to fill vacancies in accordance with the statutory requirements as well as the Listing Requirements;
- (m) review the performance of the Group's key management personnel for approving the renewal of their service contracts, which involve their appointment, replacement or removal;
- (n) facilitate Board induction and training programmes;
- (o) ensure compliance to the Code, Listing Requirements, statutory and regulatory requirements; and disclosure requirements are duly satisfied;

- (p) ensure every director and alternate director attend the Mandatory Accreditation Programme;
- (q) review, evaluate and determine the training needs of each director, and recommend suitable training programmes for the directors to enhance his/her performance, to facilitate their discharge of duties;
- (r) ensure there is relevant framework i.e. key performance indicators, to monitor executive directors and senior management's performance;
- (s) review and make recommendations on any other matters related to nomination of directors and senior management referred by the Board from time to time; and
- (t) act in line with the directions of the Board.

10.0 NOMINATION OF DIRECTORS

10.1 Selection Criteria for New Directors

The Nomination Committee will identify individuals qualified to fill vacant positions based on the following criteria:

- (a) Candidates must possess competencies, integrity and leadership skills required to direct and oversee the Company's management in the best interests of its shareholders, customers, employees, communities it serves and other stakeholders;
- (b) The suitability of the candidates would be based on the current needs of the Company and the Board, including but not limited to specific business and financial expertise, to enhance the quality of decision making. Experience as a director of public companies would be an added advantage;
- (c) The gender, nationality, ethnicity, age, culture and socio-economic background of candidates to achieve boardroom diversity and consequently, better decisions and performance of the Board;
- (d) Candidates should be enthusiastic and excited about their service on the Board, willing to regularly attend Board and Board committees meetings, participate in Board's development programs, develop a strong understanding of the Company, its businesses and requirements, contribute their time and knowledge to the Company and be prepared to exercise their duties with skill and care to create value for the shareholders and stakeholders;
- (e) Candidates should declare their number of directorships held in other listed companies and/or external appointments, and indicate their willingness to allocate sufficient time and commitment to the Company; and

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- (f) Independent directors should be free of any relationship with the Company or its management that may impair, or appear to impair, the director's ability to make independent and objective judgments. Independent directors must satisfy the definition and criteria for independence established by the Code and Listing Requirements. No individual or group of individuals should dominate the Board, to ensure the interests of minority shareholders are safeguarded.

10.2 Selection Process

Nomination Committee shall follow the following selection process for new directors:

- (a) Candidates for election to the Board will be solicited by the Nomination Committee from sources deemed reasonable by the Nomination Committee or nomination by shareholders;
- (b) Potentially qualified candidates will be interviewed to determine their interest and capability to serve on the Board; and
- (c) The Nomination Committee will make a formal recommendation of the successful candidate to the Board for consideration and approval.

10.3 Evaluation Criteria for Existing Directors

The Nomination Committee will continuously and on an annual basis evaluate the existing directors based on the following criteria:

- a. Understanding the Company's values, mission, and strategic and business plans, and reflect this understanding on key issues throughout the year;
- b. Possess integrity, commitment and ethics to behave honestly in all dealings and act honourably at all times;
- c. Ability to ensure Company's performance and conformance to the Code, Listing Requirements and other statutory and regulatory requirements, vis a vis; understanding the application of the principles for good governance and the role of the director; and add value to the organisation, within the context of the stakeholders' interests;
- d. Ability to understand the potential impact on the organisation of trends, opportunities, issues and events, manage priorities, and develop the optimum response consistent with the strategic capabilities of the business;
- e. Proven business acumen and ability to contribute to the organisation, to create significant shareholders' value and increase shareholders' wealth;

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- f. Ability to understand situations or key information to identify principal issues, use experience and sound judgement to make appropriate decisions;
 - g. Be a team player and interacts well with fellow Board members and the management team, and actively participate in the activities of the Board;
 - h. Express oneself clearly and effectively, both in written and oral communications, with ability to listen and absorb information, express ideas and opinions in a way that ensures the message gets across effectively and is appropriate to the audience, the situation and medium;
 - i. Ability to inspire commitment to the organisation's vision and values, through the provision of consistent and clear message to all stakeholders;
 - j. Must at least fulfil the minimum attendance at Board Meetings requirement set by the Listing Requirements;
 - k. Must not hold more than five (5) directorships in listed issuers pursuant to the Listing Requirements;
 - l. Ability to devote/allocate sufficient time and commitment to the Company for performance of duties effectively;
 - m. Ability to keep abreast of changes and future developments in the global economy, current development in business environment and devote sufficient time for attendance of appropriate training programmes annually;
 - n. Ability of independent directors in contributing independent and objective judgements to the Board;
 - o. Independent director must satisfy the definition and criteria for independence established by the Code and Listing Requirements and can continue to bring independent and objective judgement to Board deliberations. The tenure of an independent director should not exceed a consecutive service of nine (9) years or a cumulative term of nine (9) years with intervals. In the event of any retention, it will be as follows:
 - in the capacity of a non-independent director; or
 - independent director is subject to shareholders' approval at every annual general meeting with strong justification; and
 - p. The positions of Chairman of the Company and CEO should be held by different individuals, and the Chairman of the Company:
 - must be a non-executive and independent director of the Company; or
 - the Board must comprise a majority of independent directors where the Chairman of the Company is not an independent director.

The Nomination Committee adopted the following forms/checklist for evaluation:-

- (i) Director Evaluation Form;
- (ii) Board/Board Committees Evaluation Form; and
- (iii) Independent Directors' Self-Assessment Checklist.

11.0 CIRCULAR RESOLUTIONS / EXTRACTS OF MINUTES OF MEETING

- 11.1 A resolution in writing signed by a majority of all Members present in Malaysia and for the time being entitled to receive notice of a meeting of Nomination Committee shall be as valid and effectual as if it had been passed at a meeting of the Nomination Committee duly convened. Any such resolution shall be described as "Nomination Committee's Circular Resolutions In Writing" and may consist of several documents substantially the same, each signed by one or more Members and shall constitute one document in those terms. The expressions "in writing" or "signed" include approval by legible confirmed transmission via facsimile, telex, cable, telegram or other forms of electronic communications.
- 11.2 A document purporting to be a copy of resolution of the Nomination Committee or an extract from the minutes of a meeting of the Nomination Committee which is certified by any one of the Members and the Secretary shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Nomination Committee.

12.0 RESOURCES AND AUTHORITY

- 12.1 The Nomination Committee shall have the resources and authority appropriate to discharge its duties and responsibilities detailed in this Terms of Reference without seeking approval of the Board or management.

Delegation of Authority

To the extent permitted by applicable law and the Listing Requirements, the Nomination Committee may at its discretion, establish sub-committees consisting of one or more of its Members, and/or other directors and management to carry out such duties as the Nomination Committee may delegate.

Resources

The Nomination Committee has the authority to engage such outside advisors, including legal counsel or other experts, as it deems appropriate, and to approve the fees and expenses of such advisors.

13.0 REVIEW AND REVISION OF THE TERMS OF REFERENCE

- 13.1 This Terms of Reference shall be reviewed annually by the Nomination Committee and recommendation be made to the Board for approval.
- 13.2 The review of the Terms of Reference is to reflect changes to the Company's circumstances and any changes to the current and best practices of the Code, Listing Requirements and statutory requirements.
- 13.3 Any revision to this Terms of Reference as proposed by the Nomination Committee and approved by the Board shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

14.0 APPROVAL AND ADOPTED

- 14.1 This Terms of Reference was approved and adopted by the Board on 24 February 2016.

ENDORSED FOR AND ON BEHALF OF THE BOARD,

DATO' IR. A. RASHID BIN OMAR
CHAIRMAN
MTD ACPI ENGINEERING BERHAD
Date: 24 February 2016