Objectives

The Stock Exchange of Thailand (SET)’s Nomination Committee Guidelines have been issued with key objective to benefit listed companies in the searching of experience, qualified, and talented Nomination Committee, meeting the Good Corporate Governance principles and ensuring effective implementation as a result.

The significance of Nomination Committee

Nomination Committee is one of listed companies’ sub committees promoted by SET to set up in order to lessen the tasks of the board of directors (BoD). It is significant to get qualified candidates to be appointed as director, resulting in bolstering transparency, maintaining continuous directors’ enhancement, boosting shareholders’ confidence on candidates who are their agents. Nomination Committee’s key duties are as follows:

- Consider criteria and process in searching qualified candidates to be appointed as director or top management executive and propose those candidates for the BoD and for shareholders’ approval
- Plan continuous advanced executive training programs for director and top management to enhance expertise
- Establish Succession Plan to ensure leadership and business operations continuity in case the existing directors or top management leave the company. The replacement can be carried out quickly or immediately.

The content of this Nomination Committee Guidelines is categorized into 4 sections as follows;

1) Structure and composition
2) Roles and responsibilities
3) Selection process
4) Effective and transparent procedures
Nomination Committee, an integral part of organizational structure

As the Nomination Committee is considered a listed company’s sub-committee, some organizations would delegate an existing sub-committee to be responsible for this task, if the committee members meet the required qualifications and comply with the company’s corporate governance. However, the company can set up another sub-committee to handle this task for more effective and flexible operation.

The appointment of Nomination Committee: The BoD is in charge of appointing Nomination Committee under set policy (if any) or of selecting qualified persons.

Sample of Nomination Committee’s qualifications:

- Knowledgeable, highly experienced, well-versed about the roles and responsibilities of Corporate Governance (CG)
- Be impartial and has been an independent director under Corporate Governance practices
- Highly responsible and devoted e.g. time
- Working freely and not influenced by any party to select qualified person to be appointed
- **Composition:** There should be at least three members of the Nomination Committee. The chair of Nomination Committee should be at senior level with experiences.

- **Qualifications:** All members of Nomination Committee should be independent. The chairman of the BoD should not be seated in the Nomination Committee so as to guarantee the check and balance system.

- **Tenure of Nomination Committee:** The tenure of director and Nomination Committee should be in line with others. As an example, if Mr. A is appointed as a director by the shareholders’ meeting with three-year tenure. If he is also appointed as a member in a Nomination Committee, his tenure for the latter position should be equal to that for the former position.
• **Reviewing the Board of Director’s structure and composition:** The BoD should determine the Nomination Committee’s duties to consider the BoD structure. This includes appropriate number of board members to fit with the business type and complexity as well as qualifications of individual director in terms of skills, experience, business or industry-related knowledge.

• **Assessing the qualifications of independent director:** Assess the independence characteristics of independent director to suit business and comply with SEC regulations.

• **Determining criteria for prospect candidates:** Set up criteria and selection method of qualified candidates. For example, the criteria to re-appoint the existing directors, the criteria for new director application, the principles of newly appointed director proposed by shareholders, the requirements to outsource a recruitment firm, the steps to select candidates from the hall of directors, the principle for existing directors to nominate any suitable candidate, etc. All these should be clearly disclosed on the company’s annual report and website.

• **Setting up director development and training program:** The training program should be formed to develop both existing and newly appointed directors, ensuring that they understand their key roles and gain updated information on business environment, laws and related regulations, among other things.

  Furthermore, newly appointed directors should be ascertained that they are provided sufficient information to perform their duties. Orientation session and documents directly handed to them are recommended (For more information, please find “Board Orientation Guidelines”)

• **Formulating Succession Plan:** Nomination Committee should form and review the Succession Plan for directors and top management to ensure business continuity when the current directors and top managements retired or are not able to perform their duties for any reason.

• **Frequency of Nomination Committee’s meeting:** The meeting should be held at least twice a year. Meeting attendance should not be less that 75%.
• **Report on Nomination Committee’s performance**: Nomination Committee should report its performance to the BoD annually.

• **Nomination Committee’s performance evaluation**

  ➢ The performance evaluation should be conducted at least once a year.

  ➢ The evaluation should be assessed for the committee as a whole and on an individual basis.

  The result should be disclosed on company’s annual report and notify to the BoD.

  ➢ The assessment should cover following items:

<table>
<thead>
<tr>
<th>The committee as a whole</th>
<th>An individual basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure and qualifications of Nomination Committee</td>
<td>Remarkable performance</td>
</tr>
<tr>
<td>Roles, duties and responsibilities of Nomination Committee</td>
<td>Commitment and concerns on duties and responsibilities</td>
</tr>
<tr>
<td>Communication and cooperation between Nomination Committee and the BoD</td>
<td>Responsibilities and time devoted by Nomination Committee</td>
</tr>
<tr>
<td>Performance consistency with Good Corporate Governance practice</td>
<td>Vision for long-term value creation</td>
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<tr>
<td>Participation during meetings</td>
<td>Independence</td>
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</tbody>
</table>
Selection process

Once qualified persons have been shortlisted, Nomination Committee should take the following factors into considerations:

1) To consider optimal experience, knowledge, and skills which are related and beneficial to a company, fulfilling the balance and diversity of the BoD, Nomination Committee can use “Board Skill Matrix” as a tool for evaluating knowledge and skills of existing directors and candidates.

Sample of Board Skill Matrix

<table>
<thead>
<tr>
<th>Director</th>
<th>Knowledge, skills and experience</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business/Management</td>
</tr>
<tr>
<td>Name</td>
<td>Status (ID, NED)</td>
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Reference: Nomination Committee Guide 2012, KPMG Singapore

2) To validate candidates to ensure they comply with the laws and rules such as the Securities and Exchange Act (1992).

3) To ensure of the time commitment. If existing director is re-appointed, the performance evaluation should be included for consideration. Moreover, if the selected director is also a director of other listed companies, there should be limit of only 5 companies to make sure of work efficiency.
4) To prevent the disqualification of independent director, the definition of “independence” stated by the SEC and what has been determined by a company must be reviewed to ensure the selected candidates meet the set criteria. As a preventive measure, it is recommended that additional independent director be appointed, to ensure and achieve the true “independence” aspect.

5) To consider the tenure for independent director, it should be limited to the maximum of nine years. If there is any independent director re-appointed after the tenure exceeding nine years, the BoD should rigorously review his or her continued independence characteristics.

6) To propose the final list of candidates to the BoD in sequence, together with qualifications and reasons.

7) To contact and confirm selected candidates and make sure if they are willing to become director, once approved by shareholders.
To achieve the most effective performance, the BoD shall examine the charter of Nomination Committee and disclose the committee's performance and remuneration to shareholders.

- **Charter:** The BoD should review and approve the written charter of Nomination Committee. Moreover, the BoD should review the charter annually to ensure that the charter meets up-to-date business and environment. The charter should clearly identify duties and responsibilities assigned by the BoD. Furthermore, it should cover the structure, composition and selection process (as previously mentioned on “Structure and composition”, “Roles and responsibilities” and “Selection process” sections).

- **Disclosure on Nomination Committee’s performance**
  - Annual report: members of Nomination Committee, frequency of meetings, members’ meeting attendance, various agenda proposed during the year, performance evaluation and summarized charter should be disclosed in the annual report.
  - Company’s website: A full content of Nomination Committee charter should be disclosed on company’s website.

- **Remuneration of Nomination Committee:** The BoD should ensure that the remuneration of Nomination Committee, on individual basis, is disclosed in the annual report.