

## BOARD NOMINATION AND REMUNERATION COMMITTEE TERMS OF REFERENCE

*Approved by the Board of Directors on 28 November 2024.*

<b>1.0</b>	<b><u>OBJECTIVES</u></b>	
1.1	The Board Nomination & Remuneration Committee (" <b>BNRC</b> ") is responsible for identifying, evaluating and recommending to the Board of Directors (" <b>Board</b> "), suitable candidates to fill Board vacancies at the Company level as well as within the VELESTO Group. Such nominations are based on the following:	
	1.1.1	Objective criteria, merit, and with due regard for diversity in skills, qualifications experience, age, cultural background and gender;
	1.1.2	Consideration of the current composition and the tenure of each director on the board;
	1.1.3	Fit and Propriety assessments made on the candidates based on the requirements in the Fit and Proper Policy;
	1.1.4	Consider composition or of its skills matrix, as and when necessary, in order to strengthen board leadership and oversight of sustainability issues; and
	1.1.5	Persons linked directly with the executive powers such as heads of state, heads of government and ministers should not serve on board. An active politician shall not be appointed as a director on board.
1.2	The BNRC is responsible to review for the following:-	
	1.2.1	appointment, dismissal, transfer and promotion for all Direct Reports to the President/Executive Director for position holding Job Grade 20 and above (except for Head of Internal Audit and Head of Integrity Governance Unit and Compliance); and
	1.2.2	fit and propriety assessment made on the senior management who are Direct Reports to the President/Executive Director based on the requirements in the Fit and Proper Policy.
1.3	Based on evaluation parameters set by BNRC, the Committee assists the Board to carry out annual reviews on the following scope:	
	1.3.1 mix of skills and experiences, which the Non-Executives Directors bring to the Board;	
	1.3.2 the process of evaluating the effectiveness of the Board as a whole;	
	1.3.3 the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as	

	the President of the Company, and to identify areas for improvement.	
1.4	The BNRC administers VELESTO Employees' Share Option Scheme ("Scheme") in accordance with the rules, terms and conditions of the Scheme ("By-Laws") as approved by shareholders of the Company.	
<b>2.0</b>	<b><u>FUNCTIONS AND RESPONSIBILITIES</u></b>	
2.1	The BNRC shall exercise its functions and carry out its duties and responsibilities in accordance with the BNC Terms of Reference ("TOR").	
2.2	The functions and duties of the BNRC shall include the following:-	
<b>2.2.1</b>	<b><u>Nomination</u></b>	
	2.2.1.1	To identify and recommend to the Board, nominee(s) to fill board positions for VELESTO, its subsidiaries and associated companies, whether to be filled by Board members, major shareholders or the Management. Consideration for identification shall include nominee's character, integrity, experience, competence, time availability and commitment to serve the board effectively, his/her existing board positions held, including on boards of non-listed companies, and any information on his/her integrity and governance practices.
	2.2.1.2	The selection of candidates may come on recommendations by any existing Board members, Management or major shareholders.
	2.2.1.3	BNRC may also consider appointing an independent party or source out to third party in identifying suitably qualified candidates.
	2.2.1.4	If the selection of candidate was solely based on recommendations made by existing Board members, Management or major shareholders, BNRC should explain why other sources were not used.
	2.2.1.5	For appointment of Independent Non-Executive Director, the Independent Test shall be conducted prior for the appointment, i.e. whether the candidate:-  (a) is independent of the Management, free from any businesses or other relationship which could interfere with the exercise of independent judgement or ability to act in the best interest of the Company;  (b) within the last two (2) years, is not an officer of the Company or its related corporation;

		<p>(c) is not a major shareholder;</p> <p>(d) is not a family member of the Executive Director, officer or major shareholders of the Company;</p> <p>(e) is not a nominee of any Director or major shareholder; or</p> <p>(f) has either been engaged as advisor by the Company nor is a Partner, Director or major shareholders of a firm/corporation which provides professional advisory services to the Company.</p>
	2.2.1.6	The tenure of an Independent Director shall not exceed a cumulative term limit of nine (9) years.
	2.2.1.7	<p>In addition to the above, the BNRC also evaluates and make recommendations to the Board, on the following:-</p> <p>(a) Directors to fill seats on Board Committees;</p> <p>(b) Oversight and plans for succession for President /Executive Director and other Direct Reports to the President/ Executive Director for holding positions Job Grade 20 and above, Company Secretary (except for Head of Internal Audit and Head of Integrity Governance Unit &amp; Compliance);</p> <p>(c) Approval and/or Performance Assessment including recommendations for the monetary and/or non-monetary incentive quantum for all Direct Reports to the President /Executive Director for position holding Job Grade 20 and above (except for Head of Internal Audit and Head of Integrity Governance Unit &amp; Compliance);</p> <p>(d) The review of the following based on the requirements in the Fit and Proper Policy, provisions of the Constitution of VELESTO Group and in compliance with the regulations of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("<b>MMLR</b>"), recommendation under any applicable legislation and the Malaysian Code of Corporate Governance ("<b>MCCG</b>"):</p> <ol style="list-style-type: none"> <li>i. re-appointment of Non-Executive and Executive Directors retiring by rotation; and</li> <li>ii. the review of the re-appointment of Non-Executive Directors at the conclusion of a specified term of office.</li> </ol>
	2.2.1.8	To review and assess annually and recommend to the Board on the structure, size, tenure, directorships, balance and composition of the Board and Committee including the required mix of skills and experiences, core competencies, fitness and propriety criteria which the Directors should bring to the Board and other qualities to function effectively and

		efficiently. The BNRC should review the overall composition with at least 30% women directors sits on Board.
	2.2.1.9	<p>Based on evaluation parameters set by BNRC, to carry out the annual process for evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the President of VELESTO, and to identify areas for improvement. The performance evaluations shall include performance review to address the Group's material sustainability risks and opportunities.</p> <p>The board may engage independent experts at least every three years, to facilitate objective and candid board evaluations.</p>
	2.2.1.10	Based on the parameters set and in reviewing the performance of the Board as a whole and the contribution of the Chairman and individual Directors, performance is assessed and measured against, amongst others, the Group's strategic plan, principal duties expected of the Board, the Chairman and individual Directors, obligations to support the Management, available expertise, governance factors, commitment, knowledge of the industry, and team contribution. Board self-assessment allows the Board to collectively identify opportunities to improve processes.
	2.2.1.11	<p>Subject to the evaluation parameters set, the evaluation process takes into account whether:-</p> <ul style="list-style-type: none"> <li>(a) adequate time has been allocated by Non-Executive Directors on matters pertaining to the VELESTO Group's operations;</li> <li>(b) full consideration to succession planning has been given, taking into account challenges and opportunities facing VELESTO, and the skills and expertise needed on the Board in the future;</li> <li>(c) review of the structure, size and composition (including skills, knowledge and experiences) of the Board has been undertaken and changes recommended, where necessary; and</li> <li>(d) review of the leadership needs of the VELESTO Group, executive and non-executive, has been undertaken to ensure continued ability to compete effectively in the market place.</li> </ul>
	2.2.1.12	To review the Management's proposals for the appointment, promotion, transfer or dismissal of all Direct Reports to the President/Executive Director for position holding Job Grade 20 and above and the Company Secretary (except for Head of Internal Audit and Head of IGU & Compliance)

	2.2.1.13	<u>Selection Process</u>
		The following selection process applies:-
		<p>(a) Potential candidates are referred to the BNRC for consideration and recommendation to the Board;</p> <p>(b) The BNRC will determine appropriate means for seeking additional candidates, including engagement of outside consultants to assist the BNRC in the identification of candidates;</p> <p>(c) Shareholders who wish to suggest candidates should submit their suggestions in writing to the Chairman of the Board, the Chairman of the BNRC, President, or Company Secretary, providing relevant information about the candidates;</p> <p>(d) The BNRC shall decide and assess based on the Fit and Proper Policy on the appropriate means for the review and recommend for approval to the Board of individual candidates. In the event of a vacancy, the BNRC members shall initiate efforts to identify appropriate candidates;</p> <p>(e) In formulating its recommendation, the BNRC will consider the following:</p> <p>(i) The findings and conclusions of its evaluation process, but also the current composition of the Board, the attributes and qualifications that should be represented on the Board and whether the candidate can provide such additional attributes, capabilities or qualifications; and</p> <p>(ii) The nature and extent of any conflict of interest or potential conflict of interest, including interest in any competing business, that such candidate has/may have with the Company or its subsidiaries. Such considerations would then be shared with BAC for consideration.</p>
<b>2.2.2</b>	<b><u>Remuneration</u></b>	
	2.2.2.1	<p>To review and recommend to the Board of Directors of VELESTO, the remuneration of the following:-</p> <p>(a) the President/Executive Director of the Company, including benefits;</p> <p>(b) all Direct Reports to the President/Executive Director for</p>

		position holding Job Grade 20 and above and the Company Secretary, including the extension of service and compensation and benefits package of such executives who have attained the retirement age of 60 years (except for Head of Internal Audit and Head of Integrity Governance Unit & Compliance).
	2.2.2.2	The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company as well as skills and experiences required. The policies and procedures are periodically reviewed and made available on the Company's website.
	2.2.2.3	To ensure that a strong link is maintained between the level of remuneration and individual performance against the performance of the Group and the achievement of the organisation targets as the performance-related elements of remuneration setting forms a significant proportion of the total remuneration package of the Executive Director.
	2.2.2.4	To ensure that the remuneration and incentives for Independent Directors do not conflict with their obligation to bring objectivity and independent judgment on matters discussed at Board meetings.
	2.2.2.5	To recommend to the Board after reviewing the Management's proposals on:-  (a) framework of remuneration for Directors, covering fees, allowances and benefits-in-kind in their work as Directors of all Boards and Committees; (b) overall annual salary increment guidelines/limits for all staff, if any; (c) annual bonus limits/guidelines; (d) ex-gratia for staff; if any and (e) remuneration benefits and other terms and conditions of employment, which have to be introduced as part of VELESTO Group's overall human resource development plan. This would include matters such as pegging the Group's salaries in line with the industry standards and major changes in benefits package.
<b>2.2.2A</b>	<b><u>Training Responsibilities</u></b>	
	The Committee shall have the authority to review and approve substantial training and development expenses for the President, ensuring alignment with the strategic objectives of the VELESTO Group and the President's professional growth. Any training expenses exceeding the threshold of USD 10,000 shall be subject to review and approval by the BNRC.	

<b>2.2.3</b>	<b><u>Employees' Share Option Scheme ("Scheme")</u></b>	
	2.2.3.1	To oversee the administration the Scheme and the shares granted under it, subject to the By-Laws.
	2.2.3.2	To do all acts and things and in such manner as it, in its discretion, deems fit and enter into any transaction, agreement, deed, document or arrangement and make such rules and regulations, impose such terms and conditions, delegate part of its power relating to the administration of the Scheme, pursuant to the By-Laws.
	2.2.3.3	To construe and interpret the By-Laws, to define the terms therein and to establish, amend and revoke rules and regulations relating to the Scheme and its administration and shall have the power by resolution to add to, amend and/or delete all or any of the By-Laws, subject always to the terms of the By-Laws. The BNRC in the exercise of this power may correct any defect or any omission or reconcile any inconsistency in the By-Laws or in any agreement in such manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective in accordance with the By-Laws.
	2.2.3.4	To determine all questions of policy and expediency that may arise in the administration of the Scheme, and generally the exercise of such powers and performance of such acts, things and in such matter as it, in its discretion, deems fit to facilitate the administration, operation and management of the Scheme and/or as are deemed necessary or expedient to promote the best interests of the Company.
	2.2.3.5	To set the rules and regulations, or impose such terms and conditions, or delegate part of its power, as may be required in connection with the administration of the Scheme.
	2.2.3.6	To determine if any special terms to apply to offers of the options to grantees who are employed by any one of the subsidiaries in jurisdictions outside Malaysia as may be considered necessary or appropriate to accommodate for differences in applicable law, tax, policy or custom and the approval of such supplements to or amendments, restatements or alternate versions of the Scheme made in relation thereto.
	2.2.3.7	To extend, at the BNRC's discretion, the period of any offer for the Scheme Shares which would have otherwise lapsed and become null and void in accordance with the provisions of the By-Laws.



	2.2.3.8	To process and approve the acceptance forms and other documents of the Scheme, which have been completed and submitted in accordance with the terms of the By-Laws.
	2.2.3.9	The following matters shall be matters reserved for the Board:  (a) The determination and approval of grants of options to the President and/or any other Executive Directors of the Company pursuant to the Scheme. (b) The determination of all other matters relating to or in connection with the Scheme as the Board may in its discretion consider to be necessary or desirable for giving full effect to the Scheme.
2.2.4		The Committee shall undertake any such other functions as may be determined by the Board from time to time
<b>3.0</b>	<b><u>SIZE AND COMPOSITION</u></b>	
		The composition of the Committee shall be as follows:
	3.1.	BNRC comprises of a minimum four (4) members, all of which shall be Non- Executive Directors with a majority being Independent Non-Executive Director (" <b>INED</b> ").
	3.2	Board members who are shareholders or representing the shareholders should abstain from voting at general meetings to approve their fees. Similarly, Executive Directors should not be involved in deciding their own remuneration
	3.3	The Chairman of the BNRC shall be an INED.
	3.4	The Chairman of the BNRC is not the Chairman of the Board.
	3.5	The Chairman of the BNRC shall lead the succession planning, appointment and re-election of Board members, including the future Chairman and President / Executive Director and lead the annual review of the Board effectiveness, ensuring that subject to parameters set, the performance of each individual Director and Chairman of the board are independently assessed.
<b>4.0</b>	<b><u>MEETINGS, QUORUM AND PROCEDURES</u></b>	
4.1	<u>Frequency</u>  The BNRC shall convene a meeting twice a year or at any time as and when necessary.	



4.2	<u>Quorum</u>	
	The quorum for each meeting shall be three (3) persons, with the majority of members present forming a quorum in respect of such meetings shall be of INED.	
4.3	<u>Meeting Mode</u>	
	4.3.1	A meeting of BNRC may be conducted in physical mode, tele/video conferencing and/or other online communication mode.
	4.3.2	The BNRC may invite such other senior management of the Company, including but not limited to the President, the Chief Financial Officer and Internal Auditor to attend the meeting, to provide information and clarification required on items on the agenda.
	4.3.3	The BNRC shall decide on its own administrative procedures to effectively discharge its responsibilities.
	4.3.4	The BNRC meeting shall be conducted separately and not be combined with the main board meeting.
4.4	<u>Voting</u>	
	All resolutions of the BNRC shall be adopted by a simple majority vote. In case of a tie, the Chairman shall have a casting vote.	
4.5	<u>Meeting Minutes</u>	
	4.5.1	Minutes are kept by the Secretary as evidence that the BNRC has discharged its functions.
	4.5.2	The approved minutes of the BNRC Meetings are forwarded to the Board members for information and significant issues are to be discussed at Board Meetings.
	4.5.3	The approved minutes of the BGRC shall be tabled at the next available Board Meeting, for notation.
4.6	<u>Circular Resolution</u>	
	4.6.1	The BNRC may consider and decide on matters by way of circular resolutions in lieu of formally convening a meeting.
	4.6.2	A resolution in writing signed, approved by written notification, or other written electronic communications by the majority of

		BNRC members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting.
	4.6.3	All such resolutions shall be forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the minutes book and/or electronic storage. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.
<b>5.0</b>	<b><u>REVIEW OF BNRC</u></b>	
		The Board must review the term of office and performance of the BNRC to determine whether the BNRC members have carried out their duties in accordance with their terms of reference.
<b>6.0</b>	<b><u>THE TERMS OF REFERENCE</u></b>	
		The review and assessment of the adequacy of this TOR may be instructed by the Board on a periodic basis or as and when necessary. Any revision or amendments to the TOR shall be approved by the Board.