

**BOARD NOMINATION & REMUNERATION COMMITTEE  
REVISED TERMS OF REFERENCE**

*Recommended by the Board Nomination & Remuneration Committee on 27 July 2018*

*Approved by the Board of Directors on 18 December 2018*

**1.0 OBJECTIVES**

1.1 The Board Nomination & Remuneration Committee (“BNRC”) is responsible for identifying, evaluation and recommending to the Board of Directors (“Board”), suitable candidates to fill board vacancies at the Company level as well as within the Group. The BNRC is also responsible for the appointment, dismissal, transfer and promotion for senior most-executives in the Group (for job grade CSM-22 and above). Apart from assisting the Board to carry out annual reviews on the mix of skills and experiences, which the Non-Executives Directors bring to the Board, the BNRC also carries out the process of 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 the Company, and to identify areas for improvement.

**2.0 SIZE AND COMPOSITION**

- 2.1 The BNRC comprise of a minimum four (4) members, all of which shall be Non-Executive Directors with a majority being Independent Non-Executive Director (“INED”).
- 2.2 Board members who are shareholders should abstain from voting at general meetings to approve their fees. Similarly, Executive Directors should not be involved in deciding their own remuneration.

**3.0 CHAIRMAN**

- 3.1 The Chairman of the BNRC shall be an INED or the Senior Independent Non-Executive Director identified by the Board.
- 3.2 The Chairman of the BNRC shall lead the succession planning and appointment of board members, including the future Chairman and President / Executive Director
-

and lead the annual review of the Board effectiveness, ensuring that the performance of each individual Director is independently assessed.

**4.0 FUNCTIONS**

4.1 The functions and duties of the BNRC shall include the following:

4.1.1 **Nomination**

- (a) 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 management.
- (b) The selection of candidates may come on recommendations by any existing board members, management or major shareholders.

BNRC may also consider appointing an independent party or source out to third party in identifying suitably qualified candidates.

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.

- (c) For appointment of Independent Non-Executive Director, the Independent Test shall be conducted prior for the appointment, i.e whether the candidate:
  - Is independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement or ability to act in the best interest of the Company;
  - Within the last two (2) years, is not an officer of the Company or its related corporation;
  - Is not a major shareholder;
  - Is not a family member of the executive director, officer or major shareholders of the Company;
  - Is not a nominee of any director or major shareholder; or
  - 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.
- (d) The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent

director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

- (e) In addition to the above, BNRC also evaluates and make recommendations to the Board, on:-
- Directors to fill seats on Board Committees;
  - Plans for succession for Directors and Senior Management for positions holding job grade of CSM-22 and above, the Company Secretary, Head of Internal Audit;
  - The review of the re-appointment of Non-Executive and Executive Directors retiring by rotation pursuant to the provisions of the Constitution of VELESTO Group and in compliance with the regulations of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR");
  - The review of the re-appointment of Non-Executive Directors at the conclusion of a specified term of office as required or recommended under any applicable legislation, the Malaysian Code of Corporate Governance, the MMLR, or the constitution of VELESTO applying thereat; and
  - The review of the re-appointment of Non-Executive Directors based on any age limits if so required under any applicable legislation, the MMLR, or the Constitution of VELESTO applying thereat.
- (f) To review annually and recommend to the Board with regard to the structure, size, tenure, directorships, balance and composition of the Board and Committee including the required mix of skills and experience, care competencies which the Directors should bring to the Board and other qualities to function effectively and efficiently.
- (g) 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.
- (h) 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 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.

- (i) To review the term of office and performance of the Board Audit Committee and each of its members annually to determine whether the Board Audit Committee and members have carried out their duties in accordance with their terms of reference.
- (j) The evaluation process takes into account whether:
  - Adequate time has been allocated by Non-Executive Directors on matters pertaining to the VELESTO Group's operations;
  - 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;
  - Review of the structure, size and composition (including skills, knowledge and experience) of the Board has been undertaken and changes recommended, where necessary;
  - 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.
- (k) To review Management's proposals for the appointment, promotion, transfer or dismissal of the senior-most executives in the Group, which is for Job Grade CSM 22 and above and the Company Secretary.

#### 4.1.1.2 **Selection Process**

The following selection process applies:-

- (a) Potential candidates are referred to BNRC for consideration and recommendation to the Board.
  - (b) BNRC will determine appropriate means for seeking additional candidates, including engagement of outside consultants to assist BNRC in the identification of candidates.
  - (c) Shareholders who wish to suggest candidates should submit their suggestions in writing to the Chairman of the Board, the Chairman of BNRC,
-

President, or Company Secretary, providing relevant information about the candidates.

- (d) BNRC shall decide on the appropriate means for the review and approval of individual candidates. In the event of a vacancy, the members of BNRC shall initiate efforts to identify appropriate candidates.
- (e) In formulating its recommendation, BNRC will consider not only 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.

#### 4.1.2 **Remuneration**

- (a) To review and recommend to the Board of Directors of VELESTO, the remuneration of Executive Directors and all executives holding Job Grade CSM-22 and above and Company Secretary, including the extension of service and compensation and benefits package of such executives who have attained the retirement age of 55 years.
- (b) 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 experience required. The policies and procedures are periodically reviewed and made available on the company's website.
- (c) 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 organization targets; the performance-related elements of remuneration setting forms a significant proportion of the total remuneration package of the Executive Director.
- (d) 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.
- (e) To recommend to the Board after reviewing management's proposals -
  - framework of remuneration for Directors, covering fees, allowances and benefits-in-kind in their work as Directors of all boards and committees;

- overall annual salary increment guidelines/limits for all non-unionised staff, if any;
- annual bonus limits/guidelines;
- ex-gratia for unionised staff; if any and
- 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 industry standards and major changes in benefits package.

**5.0 MEETINGS, QUORUM AND PROCEDURES**

- 5.1 (a) Meeting may be held as and when necessary.
- (b) The quorum for each meeting is three (3).
- (c) BNRC may join meetings via instant telecommunication.
- (d) BNRC may invite the President and/or the officers of VELESTO Group to attend the meeting.
- (e) BNRC will decide its own procedures and other administrative arrangements.

**6.0 FREQUENCY OF THE MEETING**

- 6.1 The BNRC shall meet at least once a year and additional meetings may be called at any time at the Chairman's discretion.

**7.0 REPORTS/MINUTES**

- 7.1 (a) Minutes of each meeting are kept by the Secretary as evidence that the Committee has discharged its functions.
- (b) The Chairman of the BNRC reports to the Board after each meeting. The approved minutes of BNRC meetings are forwarded to Board of Directors for information and significant issues are discussed at board meetings.

**8.0 CIRCULAR RESOLUTION**

- 8.1 The BNRC shall deal with matters by way of circular resolutions in lieu of formally convening a meeting.

8.2 A resolution in writing signed or approved by letter, telefax or other written electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the minutes book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

**9.0 REVIEW OF THE TERMS OF REFERENCE**

9.1 The BNRC shall review and assess the adequacy of this Terms of Reference on a periodic basis determined by the BNRC or as and when necessary. Any revision or amendments to the Terms of Reference shall be approved by the Board.

---

Dated : 26 July 2018