

# **Remuneration Policy and Procedures for Non-Executive Directors**

Velesto Energy Berhad

## 1. Introduction

### 1.1 Purpose

- 1.1.1 This Remuneration Policy and Procedures is the guiding document (“Document”) for the Board of Directors (“Board”) of Velesto Energy Berhad (“VELESTO” or the “Company”) to administer the **remuneration of its Non-Executive Directors**, taking into account the demands, complexities and performance of the Company as well as skills, experience, time commitment required and responsibilities reposed on the Non-Executive Directors.
- 1.1.2 This Document seeks to set out an over-arching framework for the development of a fair and transparent framework for the remuneration of Non-Executive Directors of VELESTO.

### 1.2 Scope and application

- 1.2.1 This Document should be read together with the relevant enumerations encapsulated in the following legislations:
- (a) Companies Act 2016; and
  - (b) Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”).
- 1.2.2 Where there is a conflict between the contents of this Document and the aforementioned legislations, the relevant enumerations contained in the said legislations shall prevail.
- 1.2.3 References made to the nomenclature “Directors” shall also include Non-Executive Directors as they fall within the said ambit.
- 1.2.4 Where applicable, words importing one gender include the other gender and words importing the singular include the plural and vice versa.
- 1.2.5 This Document is also developed in alignment with the Malaysian Code on Corporate Governance (“MCCG”). Where paragraphs in this Document make reference to provisions in legislations or other corporate governance promulgations, they are indicated accordingly in italics.
- 1.2.6 This Document will be reviewed periodically by the Board and/or by the Board Nomination & Remuneration Committee (“BNRC”) and made available on the Company’s website.

### 1.3 Definition and interpretation

- 1.3.1 Non-Executive Director – A Director who does not assume management responsibilities in VELESTO. A Non-Executive Director may be an Independent Director or a Non-Independent Director.
- 1.3.2 Independent Non-Executive Director – A Director who is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of an applicant or a listed issuer. The Director fulfils the independence criteria set out in *paragraph 1.01 of Listing Requirements*.
- 1.3.3 Nominee Director - A Director who is appointed as a representative of a shareholder (*Section 217 of Companies Act 2016*). Such a Director is regarded as a Non-Independent Non-Executive Director.

- 1.3.4 Major shareholder – A person who has an interest in one or more voting shares in VELESTO and the number or aggregate number of those share is:-
- (a) 10% or more of the total number of voting shares in VELESTO; or  
(b) 5% or more of the total number of voting shares in VELESTO where such person is the largest shareholder of VELESTO.  
*(paragraph 1.01 of Listing Requirements).*
- 1.3.5 Substantial shareholder – A person who has an interest in one or more voting shares in VELESTO and the number or aggregate number of those share is NOT less than 5% of the total number of all the voting shares included in VELESTO.
- 1.3.6 Per diem – Payment in the form of a daily rate allowance (amounting to RM 500) that is accorded to Non-Executive Directors for attending formal meetings, events or engagement sessions, outside the normal course of the boardroom that last for more than three hours (excluding actual travel time). Any remittance of per diem should be mutually exclusive of a meeting allowance payment.
- 1.3.7 Remuneration – All forms of consideration rendered to Non-Executive Directors for services rendered to VELESTO. This includes but is not limited to fees, meeting allowances and benefits.
- 1.3.8 Risk appetite – Aggregate level and types of risk VELESTO is willing to assume, decided in advance and within its risk capacity, to achieve VELESTO’s business objectives and strategies.

## 2. Remuneration philosophy

- 2.1 The remuneration practices of VELESTO’s Non-Executive Directors are anchored on the following overarching objectives:
- (a) Drive behaviour that is consistent with VELESTO’s sacrosanct values.  
(b) Promote symmetric outcomes with the risk appetite of VELESTO by encouraging prudent risk taking in decision-making;  
(c) Deliver a total reward proposition that is affordable yet fair so as to incentivise actions towards the value accretion of the VELESTO;  
(d) Attract and retain high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver on strategy; and  
(e) Encourage a culture of collective and individual performance that is in line with the strategic goals of VELESTO.

## 3. Remuneration principles

- 3.1 VELESTO is guided by the following four (4) principles in determining its approach for the remuneration framework of Non-Executive Directors.

<b>Principle 1: Simple</b>	The framework should be simple and transparent for all stakeholders to understand.
<b>Principle 2: Competitive and fair</b>	Retaining leaders of the necessary calibre requires remuneration arrangements that are competitive in the marketplace. As such, Non-Executive Directors are attracted and remunerated fairly by reflecting the appropriate market rates for the skills and experience acquired.

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for Non-Executive Directors as at 25 Feb 2020**  
*Veleso Energy Berhad*

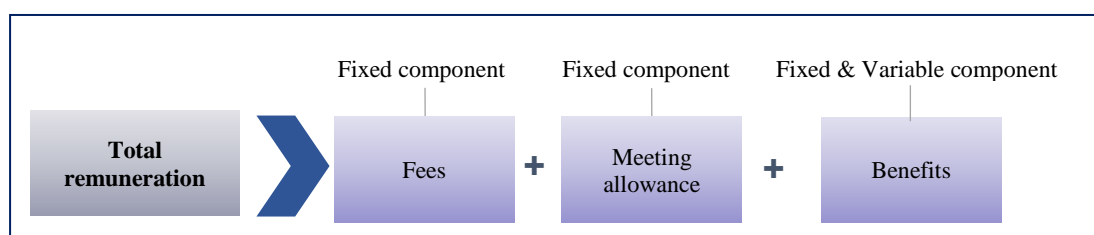
	VELESTO remains cognisant of the need to ensure that the remuneration accorded is value for money whilst simultaneously reflecting the status of the Company as a Malaysia based global provider of drilling and oilfield services for the upstream sector of the oil and gas industry.
<b>Principle 3: Performance accounted</b>	Whilst the remuneration of Non-Executive Directors should not be pegged to headline performance indicators of the Company, the said remuneration packages should give due cognisance to the achievement of sustainable performance by the Company as Non-Executive Directors should be held accountable for their resolve to steer the course of VELESTO's strategies for long-term sustainable growth.
<b>Principle 4: Aligned with the overall remuneration practices of the Company</b>	Remuneration structures are aligned to the context of the broader employee remuneration to ensure fair and responsible remuneration practices in line with the notion of "distributive justice".

#### 4. Remuneration structure

- 4.1 The table below summarises the main components that shall form the remuneration packages of Non-Executive Directors of VELESTO:

Category-Fixed/Variable	Component	Component description
Fixed	Fees	A fixed sum shall be provided to Non-Executive Directors for their ongoing contribution to the Board (Directors' Fees) and Board Committees (Board Committee Fees for Board Audit Committee; Board Nomination & Remuneration Committee; and Board Risk Management Committee. Whereby, the Board Whistle Blowing Committee will be entitled to half of the amount of the fixed sum.
Fixed	Meeting allowance	A payment shall be made to Non-Executive Directors on a per-meeting basis with a condition that attendance (physical or virtual) is a prerequisite for remittance.
Fixed & Variable	Benefits	Benefits may be provided to increase the economic security of Non-Executive Directors as an incentive to attract and retain talent.  Non-Executive Directors may be provided with benefits such as per diem, mobile phone allowance as well as medical, hospitalisation and dental benefits.  In addition to the aforementioned benefits, the Chairman of the Board shall be entitled for Company car (inclusive of driver).

- 4.2 Expenses (e.g. travel expenses) incurred by Non-Executive Directors in discharging their duties relating to the ordinary course of VELESTO's affairs shall be reimbursed accordingly upon approval in accordance with the Company's Financial Limit of Authority Governance ("FLAG"). All reimbursements must be accompanied with the claimable receipts and shall be submitted to the Company Secretary for processing on a timely basis.
- 4.3 In addition to travel expenses, Non-Executive Directors who reside outside Klang Valley are entitled to claim for a daily rate allowance (that is equivalent to the per diem quantum) in lieu of ancillary expenses (e.g. food, accommodation) incurred for the purpose of attending Board and Board Committee meetings.
- 4.4 A typical remuneration structure for Non-Executive Directors of VELESTO is illustrated below:



The quantum of specific remuneration components accorded to Non-Executive Directors is outlined in Appendix I.

## 5. Remuneration policy and procedures

VELESTO is guided by the following principles in remunerating its Non-Executive Directors:

- (a) Fees payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover (*paragraph 7.23 of Listing Requirements and Clause 100 of the Company's Constitution*);
- (b) Independent Non-Executive Directors generally shall not be remunerated with shares or stock-options. If exceptionally granted, the quantum granted shall not amount to an extent that it would result in the Independent Director becoming a major shareholder (*paragraph 1.01 of Listing Requirements*);
- (c) Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of remuneration packages vis-à-vis other companies. However, such comparisons will be utilised with caution, in view of the risk of an upward ratchet in the remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary.

### 5.1 Policy and procedures for remunerating Non-Executive Directors

- 5.1.1 VELESTO's remuneration policy for Non-Executive Directors is to develop a remuneration structure that is commensurate with the Non-Executive Directors' responsibilities at both the Board and Board Committee level and is sufficient to attract, incentivise and retain high-calibre Non-Executive Directors.
- 5.1.2 Non-Executive Directors' remuneration packages shall be determined on the bases of their qualification, experience, level of responsibility and competence, having regard to their responsibilities, time commitment and annual evaluation as undertaken by the BNRC.
- 5.1.3 Non-Executive Directors shall be paid via fixed fees, meeting allowances and other benefits (as the case may be). Non-Executive Directors shall not be entitled for any gratuity, ex gratia or agreed upon severance payments.

- 5.1.4 As for meeting allowance, no distinction shall be made between participation in person and virtual participation by video, teleconference or other electronic modes that permit Non-Executive Directors to participate. Virtual participation during meetings will constitute attendance and as such, meeting allowance will be accorded accordingly.
- 5.1.5 In-camera meetings amongst Independent Directors to discuss special interest matters represent private and informal sessions. Given the ad-hoc nature of in-camera sessions, there shall not be any additional entitlement to a separate fee. However, the Senior Independent Director (as chairman of the meeting) and other members are entitled to receive meeting allowance for attending meetings of the said meeting.
- 5.1.6 Payment and/or disbursement of the said Fees, Allowances and Benefits to Nominee Directors shall be guided by the respective policy of the institutional investor or shareholder that nominated the said Director to represent its interests.
- 5.1.7 As a taxable service provider, where a Non-Executive Director and/or the institutional investor / shareholder which is the recipient of the fees, allowances or benefits of its Nominee, is liable to be a Service Tax registrant under *Section 12 of Service Tax Act 2018 and First Schedule of Service Tax Regulations 2018*, then such Service Tax applicable on the remuneration payable to such Directors shall be borne by the Company at the prevailing rate as stipulated under the Service Tax (Rate of Tax) Order 2018.
- 5.1.8 In the event any individual is appointed as an Alternate Director for a Non-Executive Director, there shall be no payment for such Alternate Director. (*paragraph 7.31 of Listing Requirements*).

## 6. Governance of remuneration

### 6.1 Oversight of remuneration

- 6.1.1 The BNRC shall assist the Board in implementing its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Non-Executive Directors (*Practice 6.1 of MCCG*).
- 6.1.2 The BNRC shall develop and administer fair and transparent procedures for setting policy on remuneration of Non-Executive Directors so as to ensure that remuneration packages are determined on the bases of the Non-Executive Directors' merit, qualification and competence, having regard to the Company's performance, individual performance and comparable market statistics (*Guidance to Practice 6.2 of MCCG*).
- 6.1.3 In considering the remuneration policy and procedures, the BNRC may also enlist the expertise of external advisors where necessary.

### 6.2 Liability Insurance

- 6.2.1 Non-Executive Directors are accorded with Directors and Officers Liability Insurance in respect of any liability (civil or criminal) arising in the course of discharging their duties as Directors and Officers of VELESTO, provided that such liabilities were occasioned in good faith and not as a result of negligence, default or breach of duty (*Section 288 of Companies Act 2016*). Where applicable, the Directors and Officers Liability Insurance coverage may have extra-territorial reach in tandem with the operational footprint of VELESTO.
- 6.2.2 The Directors and Officers Liability Insurance premium shall be borne primarily by the Company, and partially by the Directors and Officers. The premium paid does not form part

of the benefits awarded to Non-Executive Directors or any other constituents of their remuneration packages.

- 6.2.3 The Directors and Officers Liability Insurance coverage shall be reviewed periodically to ascertain its adequacy against the changes in Company's size, operating and business model, footprint and other attendant complexities that may entail.

### **6.3 Approval of Non-Executive Directors fees, meeting allowance and benefits payable**

- 6.3.1 The fees of the Non-Executive Directors, meeting allowance and any benefits payable to the Non-Executive Directors including any compensation for loss of employment of a Non-Executive Director or former Non-Executive Director of the Company shall be approved at the General Meeting [*Section 230(1) of Companies Act 2016 and paragraph 7.24 of Listing Requirements*].
- 6.3.2 Shareholders' approval of Non-Executive Directors' fees, meeting allowance and benefits payable may be sought in a prospective or retrospective manner. However, in any case, the payment of Non-Executive Directors' fees, meeting allowance and benefits payable can only be made upon obtaining shareholders' approval.
- 6.3.3. The payment of Non-Executive Directors' fees shall only be payable monthly in arrears after each month of completed service of the Non-Executive Directors during the financial year. The payment of Non-Executive Directors' fees may alternatively be made on a less frequent basis, if requested by the Non-Executive Directors or the nominator of such Directors. The meeting allowance can be paid upon conclusion of the respective meeting whilst benefit payable can be rendered upon crystallisation of its corresponding occasion.
- 6.3.4 In instances whereby prospective shareholders' approval is sought for the approval of Non-Executive Directors' fees, meeting allowance and benefits payable, the aggregate amount proposed in the resolution shall be premised on the existing quantum ascribed for the specific remuneration components with a projected frequency of Board and Board Committee meetings that is based on the historical data of the immediate three preceding years. Any buffer embedded in the aggregate amount proposed shall not exceed an overall maximum limit of 10% of the total projected quantum.
- 6.3.5 Non-Executive Directors who are shareholders shall abstain from voting at the General Meeting to approve their fees, meeting allowance and benefits payable (*Guidance to Practice 6.2 of MCCG*).
- 6.3.6 A general mandate of shareholders shall not be sought for the approval of Non-Executive Directors' fees, meeting allowance and benefits payable (*Item 6 of Employees Provident Fund's Voting Guidelines*). The resolution contained in the notice seeking shareholders' approval for Non-Executive Directors' fees, meeting allowance and benefits payable would include a quantitative breakdown of remuneration components (i.e. fees, meeting allowance and benefits) and the corresponding period for which approval is sought.

### **6.4 Disclosure of remuneration**

- 6.4.1 Non-Executive Directors' remuneration shall be disclosed on a named and individual basis and by the exact amount on a Company and Group (i.e VELESTO and its subsidiaries) level. The remuneration breakdown shall amongst others include fees, meeting allowance and benefits, as the case may be (*paragraph 11, Appendix 9C of Listing Requirements and Practice 7.1 of MCCG*). The disclosure shall also cover Non-Executive Directors who were appointed or retired during the year.

## 7. Review of the Policy and Procedures

- 7.1 This Policy and Procedures has been endorsed by the Board, upon recommendation by the BNRC. The Policy and Procedures shall be reviewed periodically or as and when it is necessary.
- 7.2 The BNRC, with the support of the Company Secretary, shall ensure that the provisions of this Policy and Procedures continue to comply with the legal requirements and corporate governance requirements and, if necessary, shall suggest amendments to this Policy and Procedures for consideration by the Board.

The Document is approved by the Board on 25 February 2020.