

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

*Approved by the Board of Directors on 25 May 2022*

**1.0 OBJECTIVES**

- 1.1 The Board Nomination & Remuneration Committee ("**BNRC**") is responsible for identifying, evaluating and recommending to the Board of Directors ("**Board**"), suitable candidates to fill Board vacancies at the Company level as well as within the VELESTO Group. Such nominations are based on the following:
- (a) Objective criteria, merit, and with due regard for diversity in skills, qualifications experience, age, cultural background and gender;
  - (b) Consideration of the current composition and the tenure of each director on the board;
  - (c) Fit and Propriety assessments made on the candidates based on the requirements in the Fit and Proper Policy;
  - (d) Consider composition or of its skills matrix, as and when necessary, in order to strengthen board leadership and oversight of sustainability issues; and
  - (e) 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 is discouraged from being appointed as a director on board.
- 1.2 The BNRC is responsible to review for the following:-
- (a) appointment, dismissal, transfer and promotion for all Direct Reports to the President/Executive Director for position holding Job Grade 20 and above; and
  - (b) 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 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.

- 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.

## **2.0 SIZE AND COMPOSITION**

- 2.1 The BNRC comprises 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 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.

## **3.0 CHAIRMAN**

- 3.1 The Chairman of the BNRC shall be an INED.

- 3.2 The Chairman of the BNRC is not the Chairman of the Board.

- 3.3 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 the performance of each individual Director and Chairman of the board are 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 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.

- (b) The selection of candidates may come on recommendations by any existing Board members, Management or major shareholders.
- (c) BNRC may also consider appointing an independent party or source out to third party in identifying suitably qualified candidates.
- (d) 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.
- (e) 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 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;
  - 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.
- (f) The tenure of an Independent Director shall not exceed a cumulative term limit of nine (9) years.
- (g) In addition to the above, the BNRC also evaluates and make recommendations to the Board, on:-
  - Directors to fill seats on Board Committees;
  - 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, Head of Internal Audit and Head of Integrity Governance Unit;

- 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;
- 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 (“**MMLR**”), recommendation under any applicable legislation and the Malaysian Code of Corporate Governance (“**MCCG**”):
  - i. re-appointment of Non-Executive and Executive Directors retiring by rotation; and
  - ii. the review of the re-appointment of Non-Executive Directors at the conclusion of a specified term of office.

(h) 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.

(i) 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.

The board may engage independent experts at least every three years, to facilitate objective and candid board evaluations.

(j) 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.

- (k) To review the term of office and performance of the Board Audit Committee (“BAC”) and each of its members annually to determine whether the BAC and members have carried out their duties pursuant to the Terms of Reference.
- (l) 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 experiences) of the Board has been undertaken and changes recommended, where necessary; and
  - 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.
- (m) 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.

#### 4.1.1.1 **Selection Process**

The following selection process applies:-

- (a) Potential candidates are referred to the BNRC for consideration and recommendation to the Board;
- (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;
- (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;

- (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;
- (e) In formulating its recommendation, the 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 all Direct Reports to the President/Executive Director for 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.
- (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 experiences 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 organisation targets as 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 the Management's proposals on:-
  - 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 staff, if any;

- annual bonus limits/guidelines;
- ex-gratia for 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 the industry standards and major changes in benefits package.

#### 4.1.3 Employees' Share Option Scheme ("**Scheme**")

- (a) To oversee the administration the Scheme and the shares granted under it, subject to the By-Laws.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.

- (g) 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.
- (h) 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.
- (i) The following matters shall be matters reserved for the Board:
  - The determination and approval of grants of options to the President and/or any other Executive Directors of the Company pursuant to the Scheme.
  - 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.

## **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) The BNRC meeting shall be conducted separately and not be combined with the main board meeting.
- (d) The members may join meetings via the Company's approved method of communication, which include telecommunication, videoconferencing and/or other equivalent mode of online communications.
- (e) The BNRC may invite the President and/or the officers of VELESTO Group to attend the meeting.
- (f) The BNRC will decide on 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 BNRC 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 may consider and decide on matters by way of circular resolutions in lieu of formally convening a meeting.

8.2      A resolution in writing signed or approved by letter, 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.

8.3      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.

**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 revisions or amendments to the Terms of Reference shall be approved by the Board.