

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5243  
**COMPANY NAME** : Velesto Energy Berhad  
**FINANCIAL YEAR** : December 31, 2021

## **OUTLINE:**

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors (Board) of the Company sets the direction and formulation of VELESTO Group's strategic aims. Evaluation of the Group's strategic and business plan involves participation of the Board and the Management in strategic discourses of pertinent and multiple imperatives that involve the Group. These activities involve the culmination of considerations and recommendations from respective Board committees over the year and conducted during the tabling of the Business Plan and the Group's Key Performance Indicator (KPI) setting.</p> <ul style="list-style-type: none"><li>▪ <b>Setting the Strategic Aims</b> Strategic discourses of the Board and the Management involve the reviewing, understanding, assessing and approving specific strategic directions and initiatives. These involve assessing and understanding the issues, risks and forces that define and drive the Group's long-term performance, which for FY2021 involved among others, the following:-<ul style="list-style-type: none"><li>(a) Global outlook: Assessed the threats to business, return to normalcy, the state of global economy forecasting and beyond, oil price movements, market trends, oil majors' activities and capital expenditures spending, movements in upstream activities ahead.</li><li>(b) Global risks on the state of pandemic, geopolitics, micro and macro economies, pressures on oil prices, volatility of oil &amp; gas industry and market shifts and restructurings.</li></ul></li></ul>

	<p>(c) Domestic outlook: Focused on elements that affected the domestic economy and pressures. The shifting customers' focus and planning for drilling activities and workover services.</p> <p>(d) Domestic risks with stringent controls imposed in response to pandemic, capital expenditures movements of customers, demand for local contents in operations, increased competition and pressures on prices.</p> <p>(e) Company outlook dived into utilisation, day-rate pressures, opportunities, improving operational efficiencies, cost containment and improved overhead costs, optimisation and procurement enhancements, improved maintenance and asset and inventory management. People rationalisation and support services management. More localisation, structured people development and succession planning.</p> <p>(f) Company risks involved risks assessment of the Group's Top Risks, anticipated threats, risks action plans and effectiveness.</p> <ul style="list-style-type: none"> <li>▪ Right sizing resources: People focused strategies of the Group involve considerations of optimum staffing to meet the set objectives of the Group.</li> <li>▪ Review performance of the Group involve measurement and evaluation of performance of the Group against key objectives set in the beginning of the year. KPIs formulated focused on financial performance, operational metrics, project initiatives results and qualitative assessments:- <ul style="list-style-type: none"> <li>(a) Financial: how the Group strengthens the financial position by improving top and bottom line</li> <li>(b) Operational metrics: how to maximise utilization and efficiency of assets, initiate cost saving measures, ensure Health Safety &amp; Environment sound operations</li> <li>(c) Project initiatives: involve improving existing processes and structures, expanding existing business and developing the business for higher efficiency</li> <li>(d) Qualitative focus: involves managing business and operational risks. Ensuring compliance to the Group's operating policies on conduct, integrity and governance.</li> </ul> </li> <li>▪ Set values &amp; standard- The Board, the Management and the employees of the Group abide and are guided by the Code of Business Conduct and Ethics in leading and conducting the Group's business and operations. The Code is driven by the Group's ILEAP values and the highest standard of business ethics. The Group's dedication to achieve the highest standards in operations,</li> </ul>
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	<p>businesses and interactions with stakeholders are promulgated in the Group's Vision and Mission.</p> <ul style="list-style-type: none"> <li>▪ The Board's roles &amp; responsibilities are set out in the Board Charter. During the year under review, in performing their roles and responsibilities, the activities and the manner in which the affairs of the Company are managed are shared in the Annual Report 2021 and the Group's key areas and priorities in focus are available in the Management Discussion and Analysis and Corporate Governance Overview Statements of the Annual Report 2021.</li> </ul>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board is Mohd Rashid Mohd Yusof, a Non-Independent Non-Executive Director (NINED). The Chairman is responsible for leading the Board and for ensuring its effectiveness. He facilitates the contributions of Board members and leads to harness the talents and energy contributed by each of the individual Directors.</p> <p>Amongst the key responsibilities as a Chairman of the Board, include (but are not limited to) the following:-</p> <ul style="list-style-type: none"><li>• Providing leadership for the Board, so that the Board can perform its responsibilities effectively</li><li>• Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner</li><li>• Leading Board meetings and discussions</li><li>• Encouraging active participation and allowing dissenting views to be freely expressed</li><li>• Managing the interface between the Board and Management</li><li>• Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole</li><li>• Leading the Board in establishing and monitoring good corporate governance practices in the Company.</li></ul> <p>The Chairman also presides over Board meetings whilst leading the discussions and deliberations conducted in boardroom to ensure time allocated for meeting are used productively.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board is Mohd Rashid Mohd Yusof (NINED), whilst the President/Non-Independent Executive Director of the Company, Rohaizad Darus carried the role of President for FY2021 until his retirement on 25 February 2022. With effect from 25 February 2022, Megat Zariman Abdul Rahim is the President/ Non-Independent Executive Director of the Company.</p> <p>The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority.</p> <p>Separation of the positions of the Chairman and President promotes accountability and facilitates division of responsibilities between them. In this regard, no one individual can influence Board's discussions and decision-making. The role of Chairman as well as the President have been clearly outlined in the Board Charter. The Board Charter of the Company is available for viewing at the VELESTO's corporate website at <a href="https://www.velesto.com">https://www.velesto.com</a></p>
<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>FY2021, VELESTO is in compliance with Practice 1.4 of the Malaysian Code on Corporate Governance (MCCG) 2021, whereby the Chairman of the Board, Mohd Rashid Mohd Yusof is not a member of the Board Audit Committee (BAC) or the Board Nomination &amp; Remuneration Committee (BNRC) of VELESTO.</p> <p>The Chairman of BAC is Razalee Amin, the Senior Independent Non-Executive Director (INED) whilst the Chairman of BNRC is Ir. Dr. Mohd Shahreen Zainooreen Madros, an INED of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by two (2) qualified and competent Company Secretaries: -</p> <ul style="list-style-type: none"><li>• Lee Mi Ryoung</li><li>• Sazlyna Sapiee</li></ul> <p>Both Company Secretaries are qualified to act as company secretary under Section 235(2) of the Companies Act 2016 (CA 2016), and registered with the Companies Commission of Malaysia (CCM) under Section 241 of the CA 2016, with practising certificates issued by the Registrar of Companies.</p> <p>Their profiles and the qualifications are available for viewing under the "Our Leaders" section in pages 107 and 108 of the Annual Report 2021.</p> <p>For FY2021, the Company Secretaries supported the Board by providing the following :</p> <ul style="list-style-type: none"><li>• Managed all Board and Board Committees' meetings logistics, attended and recorded minutes of all Board and Board Committee meetings and facilitated communications;</li><li>• Advised the Board on its roles and responsibilities;</li><li>• Facilitated the orientation of new Directors and assisted in Directors' trainings and developments;</li><li>• Advised the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;</li><li>• Managed processes pertaining to the annual shareholder meeting;</li><li>• Monitored corporate governance development and assisted the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and</li><li>• Served as a focal point for stakeholders' communication and engagement on corporate governance issues.</li></ul>

	<p>The Company Secretaries provided advisory support to the Board, particularly with regards to the Company's constitution, Board's policies and procedures, corporate governance (CG) best practices and its compliance with regulatory requirements, codes, guidelines and legislations.</p> <p>Following the issuance of the revised MCCG in April 2021, the Company Secretaries conducted a gap analysis study of the internal practices in VELESTO against the best practices in the revised MCCG. The action plan(s) to close the gap and further enhance the internal CG practices were recommended to the Board for consideration and decision.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.6

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Prior to the Board meetings, Directors receive the meeting materials five (5) days before the meeting or such date as approved by the Board before the meetings.</p> <p>Detailed Board papers are circulated in advance. The Directors are granted with access to the Board papers online, through a secured software platform. This software eases the process of distribution of meeting papers.</p> <p>All proceedings of the Board were duly minuted and circulated to all Directors in timely manner for their perusal prior to the confirmation of the minutes. The proceedings of the meetings were recorded by the Company Secretaries, which included pertinent issues, the substance of inquiries, if any, and responses thereto, suggestions, decisions and rationale. Any matters arising from the meetings were updated at the next meeting and decisions or requests made were circulated to the Management for further actions.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In discharging the Board's duties and responsibilities effectively, the Board is guided by its Board Charter, a 'living charter' which sets out the principles and guidelines that are to be applied by the Board.</p> <p>The Board Charter was reviewed and updated in December 2021 to reflect relevant changes to the policies, procedures and processes as well as amendments as directed by the regulators to ensure the document remains relevant and consistent with the applicable rules and regulations and recommended best practices under MCCG 2021.</p> <p>The division of responsibilities in respect of the Board, Board Committees, individual Directors and Management is reviewed periodically to ensure that the Company is able to adapt to changing business circumstances i.e strategic directions of the Group, Board appointments and succession planning, establishment of Board Committees, stakeholder communication, risk management.</p> <p>Featuring therein, the governance structure, authority and Terms of Reference (TOR) of its Board Committees, identification of respective roles and responsibilities and what is expected of them in terms of commitment, the Board Charter also sets out the matters reserved for the Board.</p> <p>The Board Charter is available on the Company's corporate website, <a href="https://www.velesto.com">https://www.velesto.com</a> together with the TORs of all Board Committees.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Directors and the employees of the Group are expected to behave ethically and professionally for or on behalf of the Company, comply with the Code of Business Conduct and Ethics (CoBE) of the Company. The CoBE is available for viewing at the VELESTO's corporate website at <a href="https://www.velesto.com">https://www.velesto.com</a></p> <p>The CoBE describes measures in place to address on the following:-</p> <ul style="list-style-type: none"><li>• Handle actual or potential conflict of interests;</li><li>• Prevent corrupt practices which include the offering and acceptance of gifts and other form of benefits;</li><li>• Encourage the reporting of unlawful or unethical behaviour i.e corruption, insider trading and money laundering;</li><li>• Protect and ensure the proper usage of the Company's assets; and</li><li>• Ensure compliance with laws, rules and regulations.</li></ul> <p>Internal policies and Management System Procedures (MSP) are developed and complied to achieve efficiency, quality of services/ output and standardisation of processes through the relevant charter, terms of reference, organisational structures and appropriate authority limits. The policies and procedures are communicated throughout the Group via the VELESTO intranet for implementation and compliance. Reinforcement of communications are carried out throughout the year during internal trainings and shared during townhall sessions of the Group. The policies are approved by the Board and periodically updated or as when required to reflect changing business and operational requirements.</p>

	<p>The key supporting policies and procedures in place are: -</p> <p><b>i) Anti-Bribery Corruption (ABC) Policy</b>  This policy strongly prohibits employees and the Board of VELESTO from committing a corrupt act. It outlines VELESTO Group's commitment to conducting its business in accordance with all applicable laws, rules and regulations with the highest ethical standards. This commitment is embodied in the Group's CoBE. It iterates commitment of compliance by VELESTO to the Malaysian Anti- Corruption Commission (MACC) Act 2009 and similar Acts in relation to countering bribery and corruption.</p> <p><b>ii) Whistle-Blowing Policy</b>  This policy addresses the Group's commitment towards achieving the highest ethical standards in all of its practices as well as to ensure transparency, integrity and accountability. This policy also covers situations where an individual as the whistle-blower, raises a concern on risk, malpractice or wrongdoing that affects others such as clients, suppliers, staff, company and the public interest. It also addresses the protections accorded to whistle-blowers.</p> <p><b>iii) Human Resources Procedures and Guidelines</b>  The procedures and guidelines on Human Resources govern all aspects of human resource management from talent acquisition and development, performance and consequence management to cessation of employment. Disciplinary procedures are established to ensure that structured disciplinary actions are taken fairly, consistently and in line with the prevailing labour laws and employment regulations.</p> <p><b>iv) Corporate Gifts, Gift, Entertainment and Hospitality Procedures (CGGEH)</b>  CGGEH set out the standard of conduct and procedures to guide employees and members of the Board across the Group in dealing with corporate gifts, gifts, entertainment and hospitality. Covering legal, ethical and cultural considerations involved when dealings in CGGEH, it establishes a framework to ensure VELESTO Group's employees and members of the Board promote high integrity and adhere to legal requirements and ethical standards while performing their daily business activities.</p>
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	<p><b>v) Vendor Integrity Pledge (VIP)</b> Vendor Integrity Pledge is an initiative by VELESTO to promote high standards of governance wherein VELESTO Group fully subscribes to VELESTO' objective and require contractors, subcontractors, suppliers, vendors, consultants, agents, representatives and others to sign and subscribe to the pledge before doing business with the Group.</p> <p><b>vi) Money Laundering</b> VELESTO Group prohibits any practices related to money laundering, including dealing in the proceeds of criminal's activities. With the conduct of counterparty due diligence such as 'Know Your Counterparty,' the prospective counterparty is required to provide business and background information. Contracts with customers and vendors have acknowledgements and representations on compliance with the laws and regulations of the business envisaged in/applicable to the contracts, including anti money laundering.</p> <p><b>vii) Dealings in Securities of Affected Persons</b> VELESTO has in place the MSP for the process and procedure to be adhered by the Directors and Principal Officers of VELESTO Group (Affected Persons) on dealings in securities occurring during Open and Closed Period. This is to ensure compliance with the requirements of the relevant regulatory authorities in relation to timely disclosure of information in relation to the dealings of shares of the Company by Affected Persons to the general investing public.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	



### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In promoting the highest level of professionalism and ethics in the conduct of the VELESTO Group's businesses, the Whistle-Blowing Policy supports disclosures of any suspected wrongdoings that include mismanagement, malpractices, corrupt practices, fraud, conflict of interest, money laundering, abuse of authority or breach of any laws and regulations by any staff and management.</p> <p>The Policy serves to provide a formal channel of communication for the employees and any other persons to raise concerns in a responsible and timely manner. The Integrity &amp; Governance Unit (IGU) is responsible to ensure that integrity is upheld and dissemination of highest standards of compliance within VELESTO Group. IGU reports to the Board Whistle-Blowing Committee (BWBC) and is governed by its TOR and integrity framework approved by the Board.</p> <p>A Whistle-Blower may report or disclose the wrongdoing directly to the Head of IGU through the following manner:</p> <ul style="list-style-type: none"><li>i) in writing via VELESTO's intranet - SharePoint @ NEST or VELESTO's website;</li><li>ii) direct email to whistleblower@velesto.com;</li><li>iii) verbal communication either via phone or face to face meeting;</li><li>or</li><li>iv) in any form of electronic audio and visual.</li></ul> <p>Upon verification and notification to BWBC, the report will be investigated by the IGU. If the report is substantiated, appropriate action(s) will be taken on the offending party, through commencement of disciplinary proceedings and thereafter enforcement of actions against the offending party.</p>

	The TOR of BWBC and details on the whistle-blowing process and procedure are available at the VELESTO's corporate website at <a href="https://www.velesto.com">https://www.velesto.com</a>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board together with Management are committed in undertaking the responsibility for the governance of sustainability in the Company including setting the VELESTO's sustainability strategies, priorities and targets. VELESTO is committed to achieve our economic ambitions and creating long-term value for our shareholders, whilst acknowledging that we also have the responsibility to balance this aspiration with good ESG considerations.</p> <p>The Board is ultimately accountable for ensuring that sustainability is integrated into the strategic direction and risk management of VELESTO and its operations. To achieve this, the Board through the BRMC continuously ensures that there is an effective governance framework for sustainability within the Group.</p> <p>Read more on VELESTO's sustainability progress and activities please refer to pages 46 to 93 of our Sustainability Report 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company communicates the sustainability strategy, priorities and targets as well as performances against these targets are deliberated internally via Sustainability Steering Committee, whereby the updates are presented to the BRMC and initiatives are cascaded to the Sustainability Working Group members and their respective divisions. They are also communicated externally through our Sustainability Statement section of the Annual Report.  Read more on VELESTO's sustainability progress and activities at pages 46 to 93 of our Sustainability Report 2021.	
<b>Explanation for departure</b>	:		
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<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Governance of sustainability at VELESTO is achieved through its robust governance structure that enables Board and Management oversight on ESG related risks and identified material topics.</p> <p>Beyond oversight, the structure is designed to enable the highest decision-making bodies of the Group to receive timely updates and accurate information from working levels on a wide range of business and operational matters.</p> <p>The structure facilitates two-way communication, where aspirations and broad directives set by the Board and Senior Management can be conveyed and implemented Group wide, whilst at the same time, enabling working levels to provide timely and precise feedback of issues, challenges as well as results achieved.</p> <p>The Chairman and the Board have taken great lengths to ensure Board's oversight of the Group's ESG agenda. This involved focused dialogues during Board and BRMC meeting, reports of the Sustainability Steering Committee tabled to BRMC and thereafter to the Board.</p> <p>Within the governance structure, the Board of Directors and Senior Management maintain oversight on the following material ESG topics:-</p> <ul style="list-style-type: none"><li>• Occupational Health and Safety;</li><li>• Climate Change and Greenhouse Gas (GHG) Emissions;</li><li>• Energy and Water Consumption;</li><li>• Environmental Spills;</li><li>• Talent Management and Development;</li><li>• Business, Financial, Operational and Strategic Risks; and</li><li>• Community Development.</li></ul> <p>Further details of the stakeholders' engagement conducted by the Group throughout FY2021 is disclosed in pages 46 to 93 of our Sustainability Report 2021.</p>

<b>Explanation for departure</b>	:			
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<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td> <td></td> </tr> </table>		

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>For FY2021, the Board Effectiveness Evaluation (BEE) conducted have amongst others, included ESG criteria as part of the questionnaire for assessment of performance of the board in addressing the Company's material sustainability risks and opportunities.</p> <p>The Board maintains oversight on VELESTO's Sustainability agenda through the BRMC. The BRMC under its TOR set out the BRMC's responsibilities in overseeing the Group's various risks including sustainability risks, strategies, priorities, targets and performance. The BRMC also oversees the employees' awareness and understanding of the Company's approach to sustainability, keeping them engaged on sustainability issues and support initiatives on sustainability for the Group.</p> <p>Annually, strategic alignment of the Group's strategy and sustainability initiatives, its long-term business aspirations as well as progress on initiatives against commitments are presented and reviewed by the Board.</p> <p>Specific Sustainability goals, such Zero LTI and Zero Major Spills are also incorporated into the performance evaluation for the Group and Senior Management.</p>
<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

*Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.*

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Group's Sustainability Steering Committee is chaired by the President. He is supported by the Head of Strategic Planning, who is the designated person to provide dedicated focus to manage sustainability strategically, and ensure sustainability related dialogues and activities are driven by the Group. He also functions as the secretariat to the Sustainability Steering Committee.</p> <p>The Group has in place the Sustainability Governance Framework which provides the frame and guidance on relevant key sustainability matters and ensuring the effective implementation and management of the various ESG objectives and initiatives. The Sustainability Working Group consists of representatives from various divisions, responsible for sustainability strategies and projects.</p> <p>For more details on the Group's Sustainability Governance Structure, please refer to pages 53 and 54 of VELESTO's Annual Report 2021.</p>



### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The appointment of a new Director is a matter for consideration and decision by the Board upon recommendation from the BNRC.</p> <p><b><u>Appointments to Board Committees</u></b></p> <p>The review is conducted on annual basis or as and when the need arises, such as when a new Director is appointed. In determining the candidates for appointment to the Board Committees, various factors are considered by the BNRC, including (but are not limited to) the following factors:-</p> <ul style="list-style-type: none"><li>• The needs of the particular Board Committees;</li><li>• The results of the Board Effectiveness Evaluation for the Board Committees;</li><li>• Time commitment and availability;</li><li>• Regulatory requirements; and</li><li>• Best practices or governance practices.</li></ul> <p><b><u>Directors' Re-election and Re-appointment</u></b></p> <p>In assessing the candidates' eligibility for re-election, the BNRC considers their competencies, commitment, contribution, performance based on the BEE and their ability to act in the best interest of the Company. The Board at its meeting held on 1 April 2022 endorsed the recommendation of the BNRC for the following Directors to be considered for re-election pursuant to the following relevant Articles of VELESTO's Constitution at the Company's forthcoming 12<sup>th</sup> Annual General Meeting (AGM).</p> <p>In accordance with the Article 96 of the Company's Constitution, at the forthcoming AGM, Datuk Tong Poh Keow is due for retirement and being eligible have offered herself for re-election.</p>

	<p>In accordance with the Article 103 of the Company's Constitution, at the forthcoming AGM, the following Directors are due for retirement and being eligible has offered themselves for re-election:-</p> <ul style="list-style-type: none"> <li>• Ir. Dr. Mohd Shahreen Zainooreen Madros</li> <li>• Mohd Irwan Ahmad Mustafa</li> <li>• Datuk George Ling Kien Sing</li> <li>• Megat Zariman Abdul Rahim</li> </ul> <p>The Board Charter limits the tenure of its INEDs to up to nine (9) years. As at FY2021, none of the INEDs have served the Board more than nine (9) years.</p> <p>BNRC provides oversight on succession plan for Board and reviews the composition of the Board. Guided by the applicable rules, regulations and best practices on the composition of the Board from the Velesto's Board Charter and its constitution, Malaysian Code of Corporate Governance 2021, MMLR and Asean Corporate Governance Scorecard, BNRC considers, debate and delve into the composition focused on the foundation and mix of leadership, competency, skillset matrix, governance, integrity, expertise and experience, character, industry backgrounds, knowledge, traits, expertise in strategy and influence. For FY2021, BNRC reviewed the composition of the Board based on the above factors of considerations including considerations of diversity, age, ethnicity and merits of the candidates and recommended to the Board changes to the Board. For further details, refer to Corporate Governance Overview Statement in pages 110 to 131 of VELESTO's Annual Report 2021.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.2

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During FY2021, the Board comprised of Chairman, an Executive Director and seven (7) Non-Executive Directors (NED). Thus, five (5) out of nine (9) or 56% of the Board's composition comprises of Independent Directors.</p> <p>During the BEE exercise for the year 2021, the INEDs conducted self-assessment of independence based on criteria of regulatory provisions as well as emerging and leading practices and "independence in thought and mind" in accordance with Guidance to Practice 5.3 of MCCG.</p> <p>Derived from the results from the BEE 2021, all the INEDs declared independence from the management and that they are free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Group. The assessment results were then tabled to the Board, as part of BEE results for FY2021.</p> <p>In addition to annual assessment, throughout the year, Independent Directors are required to declare any conflict or situation that may impact their independency.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.3**

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - Step Up 5.4 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.4 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
<b>Application</b>	: Adopted
<b>Explanation on adoption of the practice</b>	: The Board has instituted a policy by way of inclusion in the Board Charter, which limits the tenure of its INED up to nine (9) years. For 2021, none of the INEDs have served the Board more than nine years.  The Board Charter is available for viewing at the VELESTO's corporate website at <a href="https://www.velesto.com">https://www.velesto.com</a>

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.5

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the BNRC. In making these recommendations, the BNRC will consider the required mix of skills, experiences, core competencies, other qualities and diversity in terms of gender, ethnicity and age, which the Directors bring to the Board. Focused on leadership, governance, integrity, expertise, character, industry backgrounds, knowledge, traits, expertise in strategy, influence and merits of the candidates.</p> <p>During FY2021, the Board through its BNRC conducted an annual review of its size and composition, to determine if the Board has the right size and adequate diversity with independence elements that fit the Company's objectives and strategic goals.</p> <p>For appointment to Board Committee, the review is conducted as and when the need arises, such as when a new Director is appointed or arising from assessment of BEE and the requirements of the Board Committee. In determining the candidates for appointment to the Board Committees, various factors are considered by the BNRC, including (but are not limited to) the following factors:-</p> <ul style="list-style-type: none"><li>• The needs of the particular Board Committees;</li><li>• The results of the Board Effectiveness Evaluation for the Board Committees;</li><li>• Time commitment and availability;</li><li>• Regulatory requirements; and</li><li>• Best practices or governance practices.</li></ul> <p>For the Directors be able to devote the required time and for effective conduct of board meetings, the calendar of meetings for the Board and</p>

	<p>Board committees for the year 2021 was reserved in Quarter 3 of 2020. Reservations included indicative time of the meetings and reminders are sent to individual directors in advance of the meetings for upcoming meetings of the Group. Papers of the Board and Board Committees were circulated in advance of meetings so that members would have time to review the papers prior to meetings.</p> <p>For new and existing Directors, the BNRC and the Board consider the existing board positions held by the director and any future appointments outside of the Velesto Group declared by the director. Considerations include declaration of conflict of interest or potential confidential interest of the proposed appointment of the director outside the Group and recommendations of BNRC are considered by the Board on the declarations made by the director. Due diligence checks are conducted prior to appointment of the proposed candidate as a director and declaration on appointment of director as requested by applicable law and regulations are made by the director prior to appointment.</p> <p><b><u>Appointments to Senior Management</u></b></p> <p>For the appointment of Senior Management positions, candidates are considered based on merit, which include considerations but not limited to their qualifications, experiences and professional contributions and achievements. The Group promotes hiring of local talents based on merit, provided such talents match the required job scope.</p> <p>VELESTO focuses on ensuring a fair talent recruitment process that enables qualified candidates to have an equal opportunity to apply for jobs. Velesto has set a target of 30% gender diversity for Senior Management. For FY2021, VELESTO is proud that the Company's Senior Management Team comprises of 40% women.</p> <p>Prior to appointment, due diligence checks are conducted on the candidates and selected candidates would be required to ascribe to VELESTO's CoBE, iLEAP core values and standards of integrity and governance of the Group.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The BNRC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill board vacancies at the Company level as well as within the Group.</p> <p>The appointment of a new Director is a matter for consideration and decision by the Board upon recommendation from the BNRC. In making recommendation, BNRC considers Board balance, right composition as required by the Group. In accordance with the Board Charter, the following process of appointment of Directors is applied:-</p> <ul style="list-style-type: none"><li>• Identification of skills/gaps, additional attributes, capabilities or qualifications;</li><li>• Identifying candidates from existing Board, Management, major shareholder or independent sources externally;</li><li>• Shortlisted candidates referred to BNRC for consideration and recommendation to Board;</li><li>• BNRC decide on appropriate means for review and approval of individual candidates;</li><li>• BNRC will consider findings of evaluation process &amp; current composition, attributes and qualifications that should represent at Board;</li><li>• The Board will approve the appointment of selected candidate.</li></ul> <p>In respect of the above, the Board had in FY2021 established a pool of potential candidates (Director Candidates Pool), for its reference when considering new appointments, in line with the sourcing process and criteria for potential candidates as set out in the Board Charter.</p>

	<p>As part of the Board succession planning process, the Director Candidates Pool is also maintained and updated from time to time.</p> <p>The Board Charter provides that 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 (i.e. Institute of Corporate Directors Malaysia) in identifying suitably qualified candidates.</p> <p>On the process applied on the appointment of new directors of the Group, refer to the Corporate Governance Overview Statement in page 118 of the Annual Report 2021.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is cognisant on the importance of communications with the Shareholders. The Shareholders received Notices of AGM at least 28 days in advance together with the publication of the Annual Report.</p> <p>Statements accompanying Notice of AGM contain the following to ensure transparent dissemination of communication with shareholders:</p> <ul style="list-style-type: none"><li>• the name, age, gender, nationality, qualification, and whether the position is an executive or non-executive one and whether such director is an independent director;</li><li>• the working experience and occupation;</li><li>• any other directorships in public companies and listed issuers, and other positions held;</li><li>• the details of any interest in the securities of the listed issuer and its subsidiaries;</li><li>• the family relationship with any director and/or major shareholder of the listed issuer;</li><li>• any conflict of interests that they have with the listed issuer; and</li><li>• other than traffic offences, the list of convictions for offences within the past five (5) years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any.</li></ul> <p>For the financial year under review, the Board undertook a formal and objective annual evaluation to determine the effectiveness of the Board, its Board Committees as well as each of the individual director.</p>

	<p>The BNRC and the Board were satisfied that all the retiring directors has contributed positively to the overall performance of the Board and that in consideration of the wealth of experience which the retiring directors possess, they will continue to bring sound advice and valuable contributions to the Board deliberations through active participation and decision making by the Board.</p> <p>All retiring directors, have abstained from deliberations and decisions on their own eligibility to stand for re-election at BNRC and Board (whichever is applicable) and will also abstain from deliberation and decision on re-election at the forthcoming 12<sup>th</sup> AGM.</p> <p>Both the BNRC and the Board recommended the re-election of Datuk Tong Poh Keow, Ir. Dr. Mohd Shahreen Zainooreen Madros, Mohd Irwan Ahmad Mustafa, Datuk Ling Kien Sing and Megat Zariman Abdul Rahim as the Directors of the Company, at this 12<sup>th</sup> AGM. In addition, Datuk Tong Poh Keow, Ir. Dr. Mohd Shahreen Zainooreen Madros and Datuk Ling Kien Sing being the Independent Non-Executive Directors, have provided his/her annual declaration of independence to the Company.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.8**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the BNRC, Ir. Dr. Mohd Shahreen Zainooreen Madros, is an INED of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.9**

The board comprises at least 30% women directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In conformance with the requirements of Practice 5.9 MCG 2021, the Group's Board Charter has a policy on gender diversity that strives to have at least 30% women Directors on the Board.</p> <p>The following women Directors, represents 33% of the Board's composition:-</p> <ul style="list-style-type: none"> <li>• Rowina Ghazali Seth;</li> <li>• Datuk Tong Poh Keow; and</li> <li>• Haida Shenny Hazri.</li> </ul> <p>The Company has met the target of having at least 30% women directors on the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.10

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In conformance with the requirements of Practice 5.9 MCGG 2021, the Group's Board Charter has a policy on gender diversity that strives to have at least 30% women Directors on the Board. With three women Directors, the Board of Directors at VELESTO has met the requirement of 30% women Directors.</p> <p>VELESTO does not discriminate on the grounds of gender, age and ethnicity/cultural background. All appointments to the Board and to the Senior Management Team are based on merit.</p> <ul style="list-style-type: none"><li>▪ The BNRC is responsible for regularly reviewing the structure, size and composition of the Board, with due regard to skills, knowledge, experience and diversity. Leading the process for Board appointments, re-election and succession of Directors, BNRC makes recommendations to the Board, including the composition and skills of the Board and proposed changes to the Board. Candidates are identified based on their corporate leadership, skills, knowledge, competencies, experience and expertise to complement the Board. Diversity of experiences in business, professionalism, corporate industry standing, integrity as well as academic background, age, gender and ethnicity/cultural background are also considered by the Board, prior of appointing any new Director.</li><li>▪ For the appointment of Senior Management positions, candidates are considered based on merit, which include considerations but not limited to their qualifications, experiences and professional contributions and achievements. The Group promotes hiring of local talents based on merit, provided such talents match the required job scope.</li></ul> <p>VELESTO focuses on ensuring a fair talent recruitment process that enables qualified candidates to have an equal opportunity to apply for jobs. Velesto has set a target of 30% gender diversity for Senior</p>

	Management. For FY2021, VELESTO is proud that the Company's Senior Management Team comprises of 40% women.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

## Practice 6.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>In compliance with the Board Charter, an external consultant is engaged once every three (3) years to assist the BNRC to facilitate an objective and candid board evaluation. For FY2021, BEE exercise was assisted by KPMG Management &amp; Risk Consulting Sdn Bhd (KPMG) and conducted based on the following evaluation process:-</p> <ul style="list-style-type: none"><li>▪ The enhanced questionnaires were circulated to the Directors and based on Board committee membership;</li><li>▪ Interview sessions were conducted with all board members to obtain candid feedback;</li><li>▪ Reviewed documentation including Board Charter and Terms of Reference; and</li><li>▪ The responses from the completed questionnaires and feedbacks from interviews together with results of the documentation review were consolidated and assessed for the development of insights and completion of report.</li></ul> <p>KPMG prepared a report on the performance of the Board, Board Committees and individual Directors, assessed against other large companies in their benchmark repository covering a wide cross-section of industries. The results of the BEE 2021 were presented to the Board in February 2022 where the Board noted the findings and areas for improvements.</p> <p>The resultant insights and findings of the evaluation confirmed that the Group has a good composition of the Board and Board Committees with</p>

	<p>dedicated members who functions well through mutual respect and esteem.</p> <p>For information on BEE 2021, refer to pages 120 and 121 of the Annual Report 2021.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 7.1

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is mindful that fair remuneration for Directors and Senior Management are important in attracting, retaining and motivating knowledgeable and experienced individuals of the calibre needed to manage the business of the Company.</p> <p>The BNRC is responsible of providing recommendation on the fees and benefits for NED to the Board for consideration which will be subjected to the approval from the shareholders of VELESTO. The Company also reimburses expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors. For the recommendation to the Board, the BNRC will factor in the individual Director's performance, time commitment, experience, level of responsibilities, as well as the performance of the VELESTO Group and market conditions.</p> <p>A copy of Remuneration Policy and Procedures for NED is available on the Group's website at <a href="https://www.velesto.com">https://www.velesto.com</a></p> <p>The BNRC is entrusted to review 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.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 7.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied										
<b>Explanation on application of the practice</b>	:	<p>BNRC plays a key oversight role for the Board, particularly on overseeing all aspects of succession planning, remuneration and performance of directors and senior management.</p> <p>BNRC is responsible to implement the Group’s policies and procedures on remuneration, approved by the Board, based on its TOR. The BNRC currently comprises exclusively of NEDs:-</p> <table><tr><th>Director</th><th>Designation</th></tr><tr><td>IR. DR. MOHD SHAHREEN ZAINOOREEN MADROS – appointed on 25 August 2021</td><td>Chairman (INED)</td></tr><tr><td>ROWINA GHAZALI SETH</td><td>Member (INED)</td></tr><tr><td>DATUK TONG POH KEOW – appointed on 25 August 2021</td><td>Member (INED)</td></tr><tr><td>MOHD IRWAN AHMAD MUSTAFA – appointed on 25 August 2021</td><td>Member (NINED)</td></tr></table> <p>In compliance with Article 105 of the Company’s Constitution, the Directors’ remuneration is tabled to shareholders at the Company’s general meeting.</p> <p>The BNRC had on 30 March 2022, reviewed the remuneration proposed for Non-Executive Directors from the 12<sup>th</sup> AGM to next AGM in 2023, which was endorsed by the Board to be tabled to the shareholders at the upcoming 12<sup>th</sup> AGM. The remuneration is in accordance with the Remuneration Policy &amp; Procedures for Non-Executive Directors, and takes into account various factors including the number of scheduled</p>	Director	Designation	IR. DR. MOHD SHAHREEN ZAINOOREEN MADROS – appointed on 25 August 2021	Chairman (INED)	ROWINA GHAZALI SETH	Member (INED)	DATUK TONG POH KEOW – appointed on 25 August 2021	Member (INED)	MOHD IRWAN AHMAD MUSTAFA – appointed on 25 August 2021	Member (NINED)
Director	Designation											
IR. DR. MOHD SHAHREEN ZAINOOREEN MADROS – appointed on 25 August 2021	Chairman (INED)											
ROWINA GHAZALI SETH	Member (INED)											
DATUK TONG POH KEOW – appointed on 25 August 2021	Member (INED)											
MOHD IRWAN AHMAD MUSTAFA – appointed on 25 August 2021	Member (NINED)											

	<p>meetings for Board and Board Committees, and the number of Directors involved based on consideration that they remain in office.</p> <p>The BNRC is entrusted to review the remuneration of Direct Reports to the President/Executive Director holding Job Grade 20 and above and the Company Secretary, including the extension of service and compensation of such executives who have attained the retirement age of 60 years.</p> <p>The TOR of BNRC and the Remuneration Policy and Procedures for Non-Executive Directors are available for viewing at the VELESTO's corporate website at <a href="https://www.velesto.com">https://www.velesto.com</a></p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established the Directors' Remuneration Policy which sets out the Board and Board Committee fees, meeting allowances and benefits in-kind.</p> <p>The remuneration breakdown of individual directors which includes the fees, salary, bonus, benefits in-kind and other emoluments for the financial year ended 31 December 2021 is enumerated in Table below.</p>

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Mohd Rashid Mohd Yusof	Non-Executive Non-Independent Director	120	0	0	0	49	18	187	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Razalee Amin	Independent Director	110	0	0	0	4	34	148	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Rowina Ghazali Seth	Independent Director	105	0	0	0	4	32	141	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Datuk Tong Poh Keow	Independent Director	110	0	0	0	4	37	151	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Haida Shenny Hazri	Non-Executive Non-Independent Director	98	0	0	0	4	22	124	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
6	Ir. Dr. Mohd Shahreen Zainooreen Madros (appointed on 25 August 2021)	Independent Director	37	0	0	0	1	21	59	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
7	Mohd Irwan Ahmad Mustafa (appointed on 25 August 2021)	Non-Executive Non-Independent Director	34	0	0	0	1	13	48	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
8	Datuk George Ling Kien Sing (appointed on 29 November 2021)	Independent Director	8	0	0	0	0.3	1	9.3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
9	Dato' Ibrahim Marsidi (retired on 28 June 2021)	Independent Director	53	0	0	0	2	13	68	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here



10	Rizal Rickman Ramli (retired on 28 June 2021)	Non-Executive Non-Independent Director	48	0	0	0	2	8	58	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
11	Dato' Dayang Fatimah Johari (retired on 31 July 2021)	Independent Director	58	0	0	0	2	12	72	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
12	Rohaizad Darus (retired on 25 February 2022)	Executive Director	0	95	1,167	108	11	220	1,601	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
13	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
14	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
15	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 8.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure					
<b>Explanation on application of the practice</b>	:						
<b>Explanation for departure</b>	:	While the Board is cognisant on the importance of transparency, the Board is of the view that the disclosure of the top five senior management’s remuneration would be unfavourable to the Group due to the intense competition, scarcity for talents and to safeguard its senior management retention efforts.					
		As an alternative to the recommended practice of MCCG 2021, the Board has opted to disclose the remuneration of the top five Senior Management on a group basis for FY2021.					
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
<b>Measure</b>	:	The remuneration of top five Senior Management on a group basis for FY2021 is as follows:-					
		<table><tr><th>Remuneration Top 5 Senior Management</th><th>RM (‘000)</th></tr><tr><td>Salary, benefits in-kind and other emoluments*</td><td>4,700</td></tr></table>	Remuneration Top 5 Senior Management	RM (‘000)	Salary, benefits in-kind and other emoluments*	4,700	
		Remuneration Top 5 Senior Management	RM (‘000)				
Salary, benefits in-kind and other emoluments*	4,700						
* Excluding President’s remuneration							
<b>Timeframe</b>	:	Others	This was deliberated by the Board and will continue to review the disclosure method on an annual basis in its efforts towards the application of Practice 8.2.				

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The BAC is chaired by Razalee Amin, who is also the Senior INED, which is separated from the Chairman of the Board, Mohd Rashid Mohd Yusof.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.2**

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The BAC has instituted a policy by way of inclusion in the TOR of the BAC that requires a former partner of the external audit firm of the Company to observe a cooling off period of at least three (3) years before being appointed as a member of the BAC.</p> <p>The TOR of the BAC is available for viewing at the Group’s corporate website at <a href="https://www.velesto.com">https://www.velesto.com</a></p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>BAC is tasked to assess and monitor the performance, suitability, objectivity and independence of the External Auditors annually. The assessment is to be based on established External Auditors Assessment Policy Statement, that consider among others:-</p> <ul style="list-style-type: none"><li>• The competence, audit quality and resource capacity of the external auditor in relation to the audit;</li><li>• The nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and</li><li>• Obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</li></ul> <p>During the FY2021, the BAC has carried out the annual assessment and in its assessment, the BAC considered, inter alia, the following factors:-</p> <p><b><u>Independence</u></b></p> <p>The External Auditors must be independent from the Group and shall not provide any services that may materially impair their independence or conflict with their role as External Auditors.</p> <p><b><u>Non-Audit service</u></b></p> <p>The External Auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of the External Auditors.</p>



	<p>External Auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services.</p> <p>The Management shall obtain confirmation from the External Auditors that the independence of the External Auditors will not impair by the provision of non-audit services. All engagements of the External Auditors to provide non-audit services are subject to the approval of the BAC.</p> <p><b><u>Rotation of Audit Partner</u></b></p> <p>The audit partner responsible for the external audit of the Group is subject to rotation at least every five (5) years.</p> <p>The BAC has assessed the quality process/performance, audit team, independence and objectivity, audit scope and planning, audit fees and audit communications of External Auditors vide the findings and insights on External Auditors' Performance and EY Independence Evaluation on the External Auditors, namely Messrs. Ernst &amp; Young PLT (EY) for the FY2021.</p> <p>The External Auditors provided a written statement that they will continuously comply with the relevant ethical requirements regarding independence throughout the audit of the Group, in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Code of Ethics for Professional Accountants (including International Independence Standards). They are not aware of any relationship between EY and the Group that, in their professional judgment, may reasonably be thought to impair their independence. They have reviewed the non-audit services provided to the Company during the FY2021 and are not aware of any non-audit services that have compromised the independence as External Auditors of the Company.</p> <p>At the BAC meeting held on 18 April 2022, EY declared and confirm their independence.</p> <p>The BAC was satisfied with EY's technical competency and audit independence, and recommended to the Board the re-appointment of EY as External Auditors. The Board, in turn now recommends for the same for shareholders' approval at this coming 12<sup>th</sup> AGM of the Company.</p>
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<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The members of our BAC possess the necessary qualifications/experience in financial and auditing matters. Their profiles are disclosed under the Board of Directors' section set in pages 97 to 101 of Annual Report 2021 and on the Company's website.</p> <p>In addition, the Chairman of BAC, Razalee Amin, is a member of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Certified Public Accountants and a member of the Financial Planning Association of Malaysia. The BAC therefore, meets the requirements of Paragraph 15.09(1) (c)(i) of MMLR.</p> <p>The members of the BAC have attended various continuous trainings and development programmes as detailed in the Corporate Governance Overview Statement in pages 124 to 127 Annual Report 2021.</p> <p>To keep abreast of relevant developments in accounting and auditing standards, our BAC members are regularly briefed by the External Auditors on key changes in accounting standards, practices and rules. Based on the results of the annual assessment in FY2021, the BAC members are financially literate and understand the Group's business. The BAC as a whole, has necessary skills and knowledge to discharge their duties.</p> <p>The list of trainings attended by the BAC members are available for viewing in the Corporate Governance Overview Statement in pages 124 to 128 of Annual Report 2021.</p>

<b>Explanation for departure</b>	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td> <td></td> </tr> </table>		

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 10.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is accountable for Enterprise Risk Management Framework and the system of internal control of the Group and for reviewing the effectiveness of the system. In the discharge of this responsibility, the Board through its BRMC and BAC review the risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Company.</p> <p>Enterprise Risk Management Framework and the system of internal control in VELESTO Group identify as well as enable the Management and the Board to evaluate and manage the Group's top risks. This system is aligned with the Group's needs and the risks to which it is exposed, and is designed to manage, rather than eliminate risks. Owing to the limitations inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss. The effectiveness of the Group's system of internal control is regularly reviewed by the BAC, BRMC and the Board.</p> <p>The Group's approach to risk management and how the risks profiles are identified together with the salient features of the Group's Enterprise Risk Management and internal control framework are disclosed in pages 132 to 139 of the SORMIC and in pages 140 to 144 of the BAC Report under "Our Governance" section of the Annual Report 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 10.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is accountable for Enterprise Risk Management Framework and the system of internal control of the Group and for reviewing the effectiveness of the system. In the discharge of this responsibility, the Board through its BRMC and BAC review the risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Company.</p> <p>Enterprise Risk Management Framework and the system of internal control in VELESTO Group identify as well as enable the Management and the Board to evaluate and manage the Group's top risks. This system is aligned with the Group's needs and the risks to which it is exposed, and is designed to manage, rather than eliminate risks. Owing to the limitations inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss. The effectiveness of the Group's system of internal control is regularly reviewed by the BAC, BRMC and the Board.</p> <p>The Group's approach to risk management and how the risks profiles are identified together with the salient features of the Group's Enterprise Risk Management and internal control framework are disclosed in pages 132 to 139 of the SORMIC and in pages 140 to 144 of the BAC Report under "Our Governance" section of the Annual Report 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		



<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 10.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted												
<b>Explanation on adoption of the practice</b>	:	<p>The BRMC comprises of the following Directors, which are majority Independent Directors:-</p> <table><tr><th>Director</th><th>Designation</th></tr><tr><td>ROWINA GHAZALI SETH</td><td>Chairperson (INED)</td></tr><tr><td>RAZALEE AMIN</td><td>Member (Senior INED)</td></tr><tr><td>HAIDA SHENNY HAZRI</td><td>Member (NINED)</td></tr><tr><td>DATUK GEORGE LING KIEN SING - appointed on 8 December 2021</td><td>Member (INED)</td></tr><tr><td>DATUK TONG POH KEOW – resigned on 8 December 2021</td><td>Member (INED)</td></tr></table> <p>Further details on BRMC are made available in page 116 of the Corporate Governance Overview Statement and pages 132 to 139 of the SORMIC in Annual Report 2021.</p>	Director	Designation	ROWINA GHAZALI SETH	Chairperson (INED)	RAZALEE AMIN	Member (Senior INED)	HAIDA SHENNY HAZRI	Member (NINED)	DATUK GEORGE LING KIEN SING - appointed on 8 December 2021	Member (INED)	DATUK TONG POH KEOW – resigned on 8 December 2021	Member (INED)
Director	Designation													
ROWINA GHAZALI SETH	Chairperson (INED)													
RAZALEE AMIN	Member (Senior INED)													
HAIDA SHENNY HAZRI	Member (NINED)													
DATUK GEORGE LING KIEN SING - appointed on 8 December 2021	Member (INED)													
DATUK TONG POH KEOW – resigned on 8 December 2021	Member (INED)													

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 11.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit Department (IAD) reports directly to the BAC, to ensure impartiality and independence in executing its role.</p> <p>The IAD undertakes a systematic and disciplined approach in evaluating and improving the effectiveness of governance, risk management and control processes within the Group and its key function is to assist the Group in accomplishing its goals.</p> <p>The IAD adopts the International Standards for the Professional Practices of Internal Auditing set by the Institute of Internal Auditors in carrying out the Internal Audit Function.</p> <p>In maintaining independence and objectivity, IAD will not be assigned any scopes that would lead to a conflict of interest and impair their judgement.</p> <p>The IAD functions is enshrined in the Internal Audit Charter of the Company. Further details are provided in the SORMIC in page 133 and BAC Report in page 144 of Annual Report 2021.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 11.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The IAD is an integrated part of the assurance structure of the Group. IAD performs the internal audit function of the Group and provides an independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance processes.</p> <p>The BAC is supported by an in-house internal audit function, the IAD, in discharging its governance responsibilities stated in the BAC's TOR.</p> <p>Norzalizah Alias, the Head of IAD's profile can be found at page 109 under "Our Leaders" section in Annual Report 2021. She reports directly to the BAC on a functional basis and to the President on administrative matters. She periodically reports to the BAC on the activities performed as well as the key control issues noted by the internal auditors.</p> <p>The purpose, authority and responsibility of IAD are reflected in the Internal Audit Charter, which was revised and reviewed by the BAC on 23 August 2021 and subsequently approved by the Board on 8 December 2021. The revised Internal Audit Charter incorporates the latest requirement stated in the MCCG 2021. In order to maintain its independence and objectivity, IAD has no operational responsibility and authority over the activities of the auditees.</p> <p>The total staff strength in IAD as at 31 December 2021 stood at five (5) staff and a total of RM0.76 million (2020:RM0.8 million) was incurred as part of resource allocation for an internal audit function, covering mainly manpower and incidental costs such as travelling and trainings.</p>

	<p>IAD adopts a risk-based approach as part of its audit planning and execution focusing on significant identified risks and effectiveness of the controls in mitigating the risks.</p> <p>In performing the audit engagements, IAD is guided by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) which includes the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.</p> <p>Internal Control Oversight Structure of which IAD is included, is further described in pages 132 to 139 of SORMIC in Annual Report 2021.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 12.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>VELESTO recognise the importance of clear communication and proactive engagement with stakeholders, for the sustainable growth of the business. The Group is committed and takes efforts to maintain an open and transparent engagement and communication with stakeholders.</p> <p>The President and Senior Management are closely involved in Investor Relations and managed by the Strategic Communications Division. Dialogues with key institutional shareholders, fund managers and analysts are organised throughout the year.</p> <p>Investors are kept informed of key business activities, decisions and other key announcements on an ongoing basis via the announcements released to Bursa Malaysia, VELESTO's website, press releases, briefing sessions, press conferences, one-to-one meetings, and annual general meeting with shareholders. The Group's website contains information on the Group, together with financial reports, presentations and other information on the Group's operations.</p> <p>Further details of the stakeholders' engagement conducted by the Group throughout FY2021 is disclosed in pages 46 to 93 of the Sustainability Report section of this Annual Report.</p> <p>A dedicated "Investor Relations Contact" section is available in the Group's website. For any queries on Investor Relations matters, please contact the following:</p> <p>Attention: Head, Corporate Development Contact: +603-2096 8788 Email: investor.relations@velesto.com</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 12.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	VELESTO Group continues to make progress in its adoption of the globally recognised, Integrated Reporting (<IR>) framework. Now in its third year of reporting, the Group has strengthened its disclosures in accordance to the principles-based framework of the International Integrated Reporting Council (<IIRC>). Refer explanation on the <IR> framework may be found in page 2 to page 3 of Annual Report 2021.  Further information on integrated sustainability reporting please refer to pages 46 to 93 of Annual Report 2021.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	<p>The notice of the 11<sup>th</sup> AGM together with the 2021 Annual Report was dispatched to shareholders more than twenty-eight (28) days prior to the meeting date, well in advance of the twenty-one (21) days requirement under the CA 2016 and MMLR. The additional time given to shareholders is to allow them to make the necessary arrangements to participate in person or through corporate representatives, proxies or attorneys.</p> <p>The notes to the Notice of the 11<sup>th</sup> AGM dated 28 May 2021 provided detailed explanations for each resolution proposed, to enable shareholders to make informed decisions in exercising their voting rights at the meeting.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Directors with the Company Secretary and the Senior Management were present at the fully virtual 11<sup>th</sup> AGM of the Company through live streaming and online remote voting via Remote Participation &amp; Voting (RPV) facilities which were available on Securities Services ePortal's platform at <a href="https://sshsb.net.my">https://sshsb.net.my</a></p> <p>Before putting the proposed resolutions to vote, the proceedings continued with Questions and Answers session to respond to questions raised by shareholders or proxyholders prior to and during the meeting. The Company Secretary also shared with the shareholders in attendance, the Company's responses to questions submitted in advance of the AGM by the Minority Shareholders Watch Group.</p> <p>The Company Secretary read out the questions received by the Company in advance and those via the query box from the shareholders/corporate representatives/proxies.</p> <p>Chairman of the Board, President, Chief Financial Officer, Company Secretary, External Auditors, and the Senior Management were invited to respond accordingly. There were no questions posed to the Chair of BAC, BNRC, BRMC or BWBC. The Chairman further informed that the Management will respond to these questions and upload it to the Company's website, which was duly uploaded on to the Company's website.</p> <p>The minutes of 11<sup>th</sup> AGM (including all the Questions raised at the meeting and the Answers thereto) were also made available on VELESTO's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.3

Listed companies should leverage technology to facilitate—

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company had leveraged technology and conducted its fully virtual 11<sup>th</sup> AGM held on 28 June 2021, which had enabled remote shareholders' participation and online remote voting through RPV facilities which are available on Securities Services ePortal's platform at <a href="https://sshsb.net.my">https://sshsb.net.my</a></p> <p>The AGM was conducted in accordance with the Company's constitution and in line with Paragraph 8.29A of the MMLR of Bursa Malaysia Securities Berhad, Section 327 of the CA 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia, including any amendment that have been made from time to time.</p> <p>The Company had also appointed Commercial Quest Sdn Bhd as Independent Scrutineer to verify the poll results at the Company's AGM. Upon verification of the poll results, the Chairman of the Meeting declared whether the resolutions were carried. The poll results were also announced by the Company via Bursa LINK on the same day for the benefit of all shareholders. Minutes of the 11<sup>th</sup> AGM were also made available on the Company's website.</p> <p>VELESTO will continue to offer remote shareholders' participation in future general meetings and will undertake a further review to determine the measures that can be taken to facilitate shareholders' participation and enhance the quality of general meetings through the use of digital tools.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

*Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.*

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company held its 11<sup>th</sup> AGM on 28 June 2021 virtually in its entirety via RPV facilities. The virtual AGM was streamed on Securities Services ePortal's platform at <a href="https://sshsb.net.my">https://sshsb.net.my</a>, whereby the shareholders were able to attend virtually, speak (in the form of real time submission of typed texts) and vote remotely.</p> <p>At the AGM, the President presented an overview of VELESTO Group's operations and its performance which included the overview of Velesto Group, industry update, financial and operational highlights of the year, sustainability, NAGA 7 incident updates, current status and future prospect of the Group as well as the outlook for the FY2021. The Chairman of the Board, the President endeavoured to answer all live questions posed by the shareholders.</p> <p>The Company received and addressed 32 live questions from the shareholders and their representatives during the Questions &amp; Answers (Q&amp;A) session.</p> <p>Some of the questions were repetitive or similar to one another and this included the question on door gifts from the shareholders (where the Company had received 40 questions on this topic) whilst 3 questions were received after the Q&amp;A session ended.</p> <p>The Q&amp;A (including questions which were not answered at the AGM) was appended to the Minutes of 11<sup>th</sup> AGM and published in the Company's corporate website.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

## Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

*Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.*

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 11<sup>th</sup> AGM of the Company held on 28 June 2021 was conducted leveraging on technology, holding the AGM virtually in its entirety via RPV facilities. The virtual AGM was streamed on Securities Services ePortal's platform at <a href="https://sshsb.net.my">https://sshsb.net.my</a>. The shareholders were able to attend and participate virtually.</p> <p>The detailed procedures to participate the meeting remotely were provided to the shareholders in the Administrative Guide of the AGM which were sent through email and/or by ordinary post and the same were also published in the Company's website.</p> <p>At the 11<sup>th</sup> AGM, the Company saw the participation from the following during the meeting:-</p> <ul style="list-style-type: none"><li>• Shareholders present: 454 representing 7,640,175 ordinary shares; and</li><li>• Corporate Representatives / Proxies present: 83 representing 5,210,428,805 ordinary shares including the Chairman who has been nominated as a proxy in respect of 729,507,008 ordinary shares</li></ul> <p>Subsequent to the presentations of financial statements for FY2020 and performance of the Group by the President, the Company Secretary read the questions posed by the shareholders. The Chairman and President answered the questions accordingly. To ensure effective communication, each question was also displayed on the screen as and when the Chairman and the President provided their responses to the respective questions accordingly in an orderly manner.</p>



	Minutes of the 11 <sup>th</sup> AGM were also made available on the Company's website. Refer to our website at <a href="http://www.velesto.com">www.velesto.com</a>			
<b>Explanation for departure</b>	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Minutes of the last AGM were uploaded to the website after the Board's confirmation at the next scheduled Board meeting. Moving forward, minutes will be uploaded within 30 business days after the general meeting.
		The Company endeavour to publish the Minutes of the forthcoming 12 <sup>th</sup> AGM within the stipulated time.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	To obtain Board's confirmation and upload the minutes of the general meeting not later than 30 business days after the general meeting.
<b>Timeframe</b>	:	Within 1 year

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

N/A
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