

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5243
COMPANY NAME : Velesto Energy Berhad
FINANCIAL YEAR : December 31, 2023

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The direction and strategic aims of VELESTO Group are steered by its Board of Directors. Evaluating the Group's strategic and business plans involves active engagement from both the Board and Management, who participate in strategic discussions addressing various critical factors impacting the Group's trajectory.</p> <p>These deliberations draw upon recommendations from respective Board committees throughout the year, further enriched during Management Away Day, and deeply explored during the Board Away Day held from 4 to 6 September 2023.</p> <p>Aligned with VELESTO's Wawasan 2030 roadmap, encompassing six pillars including "Business Growth", "Technology & Capabilities", "People", "Business Process", "Stakeholder Management", and "ESG", the Group's Business Plan and Key Performance Indicators (KPIs) delineate strategic objectives for both the current year and the roadmap to 2030.</p> <p>The Board undertakes several key responsibilities:</p> <ul style="list-style-type: none">• Setting the Strategic Aims: Through collaborative dialogues, the Board and Management review, understand, assess, and approve specific strategic directions and initiatives. These encompass evaluating issues, risks, and forces influencing the Group's short and long-term performance. For FY2023, this involved assessing global and domestic outlooks, potential risks, and opportunities aligned with the Group's organizational purpose.• Optimal Manpower Sizing Implementation: People-focused strategies entail considerations of staffing levels to align with Group objectives. Upskilling and reskilling initiatives were implemented in

	<p>FY2023.</p> <ul style="list-style-type: none"> • Reviewing Group Performance: Evaluation against set objectives includes financial performance, operational metrics, project outcomes, and qualitative assessments related to risk management, compliance, and stakeholder engagement. • Setting Values & Standards: Guided by the Code of Business Conduct and Ethics, driven by the Group's ILEAP values, the Board, Management, and employees adhere to the highest standards of business ethics, as reflected in the Group's Vision and Mission. • Board Roles & Responsibilities: Outlined in the Board Charter, the Board's activities and management approaches are detailed in the Annual Report 2023, including key areas of focus and priorities highlighted in the Management Discussion and Analysis and Corporate Governance Overview Statements. 	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Mohd Rashid Mohd Yusof, a Non-Independent Non-Executive Director (NINED), holds the position of Chairman of the Board. In this capacity, he shoulders the responsibility of guiding the Board and ensuring its effectiveness. His role involves facilitating the contributions of Board members and leveraging the diverse talents and energies they bring to the table.</p> <p>As Chairman, Mohd Rashid Mohd Yusof's key responsibilities include:</p> <ul style="list-style-type: none"> • Providing leadership to the Board to enable effective performance of its duties. • Setting the agenda for Board meetings and ensuring that members receive comprehensive and timely information. • Leading discussions during Board meetings, fostering active participation, and encouraging the expression of dissenting views. • Managing the relationship between the Board and Management. • Ensuring effective communication with stakeholders and representing their views to the Board. • Leading efforts to establish and monitor good corporate governance practices within the Company. • Additionally, the Chairman presides over Board meetings, guiding discussions to ensure that allocated time is used productively and that decisions are reached efficiently.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Mohd Rashid Mohd Yusof holds the position of Chairman of the Board, while Megat Zariman Abdul Rahim serves as the President and Executive Director of the Company.</p> <p>The Board emphasizes the necessity of clearly defined power and responsibilities at the Company's helm to maintain a balanced distribution of authority. Separating the roles of Chairman and President promotes accountability and ensures a clear division of duties. This arrangement prevents any individual from exerting undue influence over Board discussions and decision-making processes.</p> <p>The roles of Chairman and President are explicitly outlined in the Board Charter, highlighting the importance of transparency and governance in the Company's operations. The Board Charter is readily accessible on VELESTO's corporate website at www.velesto.com, showcasing the Company's commitment to openness and accountability.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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>	
Application	: Applied
Explanation on application of the practice	: Mohd Rashid Mohd Yusof, the Chairman of the Board, does not hold membership in either the Board Audit Committee (BAC) or the Board Nomination & Remuneration Committee (BNRC) of VELESTO. For FYE2023, the Chairmanship of the BAC was held by Datuk Tong Poh Keow, an Independent Non-Executive Director (INED) until her departure on 1 December 2023. With Alan Hamzah Sendut appointment as Independent Non-Executive Director of the Company since 2 February 2024, he was appointed as Chairman of BAC. Whereas the BNRC is chaired by Ir. Dr. Mohd Shahreen Zainooreen Madros, a Senior INED within the Company.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

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.

Application	: Applied
Explanation on application of the practice	<p>The Board receives support from two highly qualified and capable Company Secretaries:</p> <ul style="list-style-type: none">• Lee Mi Ryoung• Sazlyna Sapiee <p>Both Company Secretaries are accredited to serve as company secretaries under Section 235(2) of the Companies Act 2016 (CA 2016). They are registered with the Companies Commission of Malaysia (CCM) under Section 241 of the CA 2016 and hold practicing certificates issued by the Registrar of Companies.</p> <p>Detailed profiles and qualifications of the Company Secretaries are accessible under the "Our Leaders" section of the 2023 Annual Report. Throughout FY2023, the Company Secretaries provided valuable assistance to the Board in various capacities:</p> <ul style="list-style-type: none">• Managing logistical arrangements for all Board and Board Committees' meetings.• Attending and accurately recording minutes of these meetings, while facilitating effective communication.• Offering guidance to the Board on their roles and responsibilities.• Facilitating the onboarding process for new Directors and supporting their training and development.• Advising the Board on matters related to corporate disclosures and ensuring compliance with company and securities regulations, as well as listing requirements.• Overseeing processes related to the annual shareholder meeting.• Monitoring developments in corporate governance and aiding the Board in implementing governance practices to meet their needs and stakeholders' expectations.• Serving as a central point of contact for communication and engagement with stakeholders on corporate governance issues.

	<p>The Company Secretaries plays a crucial role in providing advisory support to the Board, particularly concerning the Company's constitution, the formulation of Board policies and procedures, adherence to corporate governance best practices, and compliance with regulatory requirements, codes, guidelines, and legislation.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Before each Board meeting, Directors receive meeting materials at least 5 days in advance, or on a prior date before the meeting. Detailed Board papers are distributed ahead of time, with Directors granted access to these materials through a secure online platform. This streamlined software platform facilitates the efficient distribution of meeting papers.</p> <p>All Board proceedings are minuted and circulated to all Directors for review in timely manner before minutes are confirmed. The Company Secretaries record the meetings, documenting key issues, inquiries, responses, suggestions, decisions, and the rationale behind them. Any matters arising from the meetings are addressed at subsequent sessions, with decisions or requests promptly communicated to Management for further action.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board operates under its Board Charter, a document outlining principles and guidelines governing its actions. Regular reviews ensure it aligns with regulatory changes, evolving policies, and procedures.</p> <p>Periodic assessments of responsibilities among the Board, Committees, Directors, and Management enable adaptation to changing business dynamics. This includes among others strategic shifts, Board appointments, succession planning, Committee establishment, stakeholder communication, conflict of management or potential conflict of interest management and risk management.</p> <p>The Charter includes governance structure, authority, and Terms of Reference (TOR) of Board Committees, detailing roles, responsibilities, and expected commitments. Additionally, it outlines matters reserved for the Board's purview.</p> <p>Accessible on the Company's corporate website at www.velesto.com, alongside TORs of all Board Committees, the Board Charter provides transparent guidance for the Company's governance practices.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Directors and employees of the Group are expected to adhere to the Code of Business Conduct and Ethics (CoBE), which can be accessed on VELESTO's corporate website at www.velesto.com. The CoBE outlines measures to address various areas, including handling conflicts of interest, preventing corrupt practices, encouraging reporting of unlawful behaviour, protecting Company assets, and ensuring compliance with laws and regulations.</p> <p>Internal policies and Management System Procedures (MSP) are developed and implemented to achieve efficiency, quality of services, and standardisation of processes. These policies and procedures are communicated throughout the Group via the VELESTO intranet, with reinforcement through internal trainings and townhall sessions held throughout the year.</p> <p>Key policies and procedures include:</p> <ul style="list-style-type: none">• Anti-Bribery Corruption (ABC) Policy: Prohibits corrupt acts and ensures compliance with applicable laws and regulations.• Whistle-Blowing Policy: Ensures transparency, integrity, and accountability, with protections for whistle-blowers.• Human Resources Procedures and Guidelines: Governs all aspects of human resource management.• Corporate Gifts, Gift, Entertainment, and Hospitality Procedures (CGGEH): Establishes standards and procedures for dealing with corporate gifts and entertainment.• Vendor Integrity Pledge (VIP): Requires contractors, suppliers, and others to sign and subscribe to the pledge before doing business with the Group.• Money Laundering: Prohibits practices related to money laundering

	<p>and requires counterparty due diligence.</p> <ul style="list-style-type: none"> • Dealings in Securities of Affected Persons: Outlines processes and procedures for Directors and Principal Officers regarding dealings in securities during Open and Closed Periods. • These policies and procedures are periodically reviewed and updated to reflect changing business and operational requirements, with approval from the Board. 	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>To uphold the highest standards of professionalism and ethics, VELESTO Group's Whistle-Blowing Policy encourages the reporting of suspected wrongdoings such as mismanagement, malpractices, corrupt practices, fraud, conflict of interest, money laundering, abuse of authority, or breaches of laws and regulations by staff and management.</p> <p>This policy establishes a formal channel for employees and others to raise concerns responsibly and promptly. The Integrity Governance Unit & Compliance (IGU) ensures integrity and compliance standards are maintained within VELESTO Group. Reporting to the Board Whistle-Blowing Committee (BWBC), IGU operates under its Terms of Reference (TOR) and Integrity Framework approved by the Board.</p> <p>Whistle-blowers can report wrongdoing directly to the Head of IGU via various channels:</p> <ul style="list-style-type: none">i. in writing via VELESTO's intranet - SharePoint @ NEST or VELESTO's website;ii. via email to whistleblower@velesto.com;iii. verbally, through phone or face-to-face meetings; oriv. through any electronic audio or visual format. <p>Upon verification and notification to BWBC, IGU investigates the report. If substantiated, appropriate action is taken against the offending party, including disciplinary proceedings and enforcement actions. Details of the BWBC's TOR and the whistle-blowing process and procedure are available on VELESTO's corporate website at www.velesto.com.</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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>VELESTO's commitment to sustainability governance is a joint effort between the Board and Management. This entails shaping the company's sustainability strategies, priorities, and targets while upholding economic ambitions and long-term shareholder value. This commitment also underscores the importance of balancing these objectives with strong ESG considerations.</p> <p>The Board holds ultimate accountability for embedding sustainability into VELESTO's strategic direction and risk management practices. Through the BRMC, it continuously ensures the establishment of an effective governance framework for sustainability across the Group. For a deeper understanding of VELESTO's sustainability progress and initiatives, you can find more in our Sustainability Statement 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	VELESTO communicates its sustainability strategies, priorities, and targets to the BRMC, ensuring transparency and accountability; which thereafter are reported and approved by the Board. Following this, initiatives are cascaded down to members of the Sustainability Working Group and their respective divisions. Additionally, Senior Management provides sustainability updates directly to employees during VELESTO's townhall sessions. Information regarding sustainability efforts is readily available through our Sustainability Statement in the Annual Report and on our corporate website. Refer to our Sustainability Statement 2023, for a comprehensive overview of our sustainability progress and activities.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>At VELESTO, governance of sustainability is ensured through a robust structure that enables both the Board and Management to oversee ESG-related risks and identified material topics.</p> <p>This structure is designed to facilitate timely updates and accurate information flow from working levels to the highest decision-making bodies within the Group. This fosters effective two-way communication, allowing aspirations and directives from the Board and Senior Management to be conveyed and implemented Group-wide, while also enabling working levels to provide feedback on issues, challenges, and achieved results.</p> <p>The Chairman and the Board have made significant efforts to ensure oversight of the Group's ESG agenda. This includes focused dialogues during Board and BRMC meetings, where reports on sustainability agendas are presented to the BRMC and subsequently to the Board.</p> <p>Within this governance framework, the Board of Directors and Senior Management maintain oversight on various material ESG topics, including Occupational Health and Safety, Climate Change and Greenhouse Gas (GHG) Emissions, Energy and Water Consumption, Environmental Spills, Talent Management and Development, Business, Financial, Operational, and Strategic Risks, and Community Development.</p> <p>For more information on stakeholders' engagement conducted by the Group throughout FY2023, please refer to page 49 to 130 of the Sustainability Statement 2023.</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

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>In the year under review, the Board conducted a comprehensive Board Effectiveness Evaluation (BEE), which notably included ESG criteria in its assessment questionnaire. This addition aimed to evaluate the board's performance in addressing the Company's material sustainability risks and opportunities. The Board maintains vigilant oversight of VELESTO's sustainability agenda through the Board Risk Management Committee (BRMC). The BRMC, as outlined in its Terms of Reference (TOR), is tasked with overseeing various risks within the Group, including sustainability risks, as well as strategies, priorities, targets, and performance.</p> <p>Furthermore, specific sustainability goals are integrated into the performance evaluation criteria for both the Group and Senior Management. On an annual basis, the Board reviews the strategic alignment of the Group's strategy and sustainability initiatives, its long-term business aspirations, and the progress made on initiatives against commitments.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors, with a specific focus from the Board Risk Management Committee (BRMC), provides oversight of the Group's Sustainability Governance Structure.</p> <p>Under this structure, the Sustainability Management Committee, chaired by the President, plays a central role. The Vice President of Corporate Services, dedicated to managing sustainability strategically, supports the President. Additionally, the Vice President serves as the secretariat to the Sustainability Management Committee. Directly supporting these roles is the Head of Sustainability within the Sustainability Working Group.</p> <p>Comprising representatives from various divisions, the Sustainability Working Group is responsible for driving sustainability strategies and projects across the Group.</p> <p>For further insights into our Sustainability Governance Structure can be found in pages 49 to 130 of the Sustainability Statement 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, upon recommendation from the Board Nomination & Remuneration Committee (BNRC), decides on the appointment of new Directors.</p> <p>Appointments to Board Committees undergo an annual review or as necessitated by changes such as new Director appointments. The BNRC evaluates potential candidates for these committees considering factors like committee needs, results of Board Effectiveness Evaluations, time commitment, regulatory requirements, and governance best practices and board skill matrix, as further detailed in the Annual Report.</p> <p>Directors' re-election eligibility is assessed by the BNRC based on competencies, commitment, performance, fit & proper assessment, and alignment with the Company's interests. The Board has endorsed the BNRC's recommendation for the following Directors to stand for re-election at the upcoming 14th Annual General Meeting (AGM) according to relevant articles of VELESTO's Constitution:</p> <p><u>Article 96</u></p> <ul style="list-style-type: none">• Ir. Dr. Mohd Shahreen Zainooreen Madros• Datuk George Ling Kien Sing <p>Article 103</p> <ul style="list-style-type: none">• Fadzihan Abbas Mohamed Ramlee• Alan Hamzah Sendut <p>The Board Charter limits the tenure of Independent Non-Executive Directors (INEDs) to a maximum of 9 years. As of FY2023, none of the INEDs have exceeded this limit.</p> <p>The BNRC oversees the succession plan for the Board and reviews its composition. Guided by applicable regulations and best practices, the BNRC considers factors, among others, such as leadership, competency,</p>

	<p>diversity, integrity, and expertise in its evaluations. For FY2023, the BNRC reviewed the Board's composition, considering diversity, age, ethnicity, and merits, and recommended changes as necessary. Further details are available in our Integrated Annual Report 2023 Corporate Governance Overview Statement.</p>
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Explanation for departure :		
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Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>In FY2023, the Board consisted of a Chairman, an Executive Director, and 8 Non-Executive Directors (NED), with 5 out of 9 or 55% of the Board being Independent Non-Executive Directors (INEDs).</p> <p>Throughout the year, Independent Directors are required to declare any conflicts or situations that may affect their independence.</p> <p>During the Board Effectiveness Evaluation (BEE) exercise for FY2023, the INEDs conducted self-assessments of their independence. These assessments were based on regulatory provisions, emerging practices, and the principle of “independence in thought and mind” as outlined in Guidance to Practice 5.3 of the Malaysian Code on Corporate Governance (MCCG).</p> <p>Based on the results of the BEE 2023, all the INEDs affirmed their independence from management and declared that they are free from any business or other relationships that could compromise their ability to exercise independent judgment or act in the best interests of the Group. These assessment outcomes were presented to the Board as part of the FY2023 BEE results.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

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

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>	
Application	: Adopted
Explanation on adoption of the practice	: The Board has established a policy outlined in the Board Charter, setting a maximum tenure of 9 years for its Independent Non-Executive Directors (INEDs). As of 2023, none of the INEDs have exceeded this nine-year limit. For further details, the Board Charter can be accessed on our corporate website at www.velesto.com .

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The appointment of a new Director is a deliberation undertaken by the entire Board, following a recommendation from the BNRC. This recommendation considers a diverse range of factors, including skills, experiences, competencies, and qualities such as gender, ethnicity, and age diversity, all of which contribute to the Board's effectiveness and alignment with the Company's objectives.</p> <p>Throughout FY2023, the Board, via the BNRC, conducted an annual review of its size and composition, ensuring it aligns with the Company's strategic goals and objectives while maintaining diversity and independence.</p> <p>When appointing members to Board Committees, the BNRC evaluates various criteria, including the Committee's needs, results from the Board Effectiveness Evaluation, time availability, regulatory requirements, and best governance practices.</p> <p>To facilitate effective participation in board meetings, the Board reserves meeting slots well in advance, in quarter 3 of 2022 for the year 2023, ensuring Directors have ample time to prepare. Papers are circulated beforehand, allowing members to review materials ahead of meetings.</p> <p>When considering new or existing Directors, the Board assesses their current board positions and any potential conflicts of interest. Due diligence checks are conducted, and candidates must adhere to VELESTO's Code of Business Conduct and Ethics (CoBE), iLEAP core values, and anti-bribery and corruption standards.</p> <p>In appointing Senior Management positions, merit is the primary consideration, with factors such as qualifications, experience, and</p>

	<p>professional contributions weighed. VELESTO recruits based on merit, ensuring equal opportunities for all qualified candidates.</p> <p>VELESTO is committed to fostering diversity, setting a 30% gender diversity target for its Senior Management Team, a goal surpassed with 40% representation of women in FY2023. Candidates undergo due diligence checks and must adhere to the Company's ethical standards and governance principles before appointment.</p>
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Explanation for departure :		
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Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Nomination and Remuneration Committee (BNRC) plays a pivotal role in identifying and evaluating potential candidates to fill board vacancies both within the Company and across the Group.</p> <p>When it comes to appointing new Directors, the Board relies on recommendations put forth by the BNRC. This process involves careful consideration of the Board's composition and the skills needed to effectively guide the Group. The steps outlined in the Board Charter guide this process:</p> <ul style="list-style-type: none">• Identification of the necessary skills, attributes, and qualifications required.• Exploration of potential candidates from diverse sources, including existing Board members, Management, major shareholders, and external channels.• Shortlisting of candidates for BNRC review and subsequent recommendation to the Board.• Thorough evaluation of individual candidates by the BNRC, considering factors like fit and proper assessment, existing Board dynamics, and relevant qualifications.• Final approval of selected candidates by the Board. <p>The Board Charter permits candidate recommendations to originate from various sources, including existing Board members, Management, or major shareholders. Moreover, the BNRC has the flexibility to engage independent parties or third-party organisations, such as the Institute of Corporate Directors Malaysia, to assist in identifying suitable candidates.</p>
Explanation for departure	:	

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the vital role of shareholder communication and ensures transparency by providing shareholders with Notices of Annual General Meeting (AGM) at least 28 days prior to the event, along with the publication of the Annual Report.</p> <p>These Notices contain detailed statements aimed at transparently conveying information to shareholders, including:</p> <ul style="list-style-type: none">• Director details such as name, age, gender, nationality, qualifications, and whether the position is executive or non-executive, along with independence status.• Work experience, occupation, directorships in public companies and listed issuers, and other positions held.• Securities interests in the listed issuer and its subsidiaries, family relationships with directors and/or major shareholders, and any conflicts of interest.• Disclosure of convictions for offenses within the past 5 years and any public sanctions or penalties imposed by relevant regulatory bodies during the financial year. <p>Additionally, the Board conducts an annual internal evaluation to assess the effectiveness of the Board and its Committees. The Board Nomination and Remuneration Committee (BNRC) and the Board itself determined that retiring directors have positively contributed to the Board's performance. These directors have abstained from deliberations on their own eligibility for re-election and will continue to provide valuable insights through active participation.</p> <p>Both the BNRC and the Board recommend the re-election of Ir. Dr. Mohd Shahreen Zainooreen Madros and Datuk George Ling Kien Sing pursuant to Article 96 of the Constitution and Fadzihan Abbas</p>

	Mohamed Ramlee and Alan Hamzah Sendut pursuant to Article 103 of the Constitution as Directors of the Company at the forthcoming 14th AGM. Furthermore, Ir. Dr. Mohd Shahreen Zainooreen, Datuk George Ling and Alan Hamzah, as Independent Non-Executive Directors, have provided their annual declaration of independence to the Company.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Senior Independent Non-Executive Director (INED) of the Company, Ir. Dr. Mohd Shahreen Zainooreen Madros, also serves as the Chairman of the Board Nomination and Remuneration Committee (BNRC).	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	The Group's Board Charter includes a Gender Diversity policy aiming for a minimum of 30% female representation on the Board. Currently, the Board composition includes 30% female directors, who are: <ul style="list-style-type: none">• Rowina Ghazali Seth• Haida Shenny Hazri• Ar. Ahila Ganesan
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>VELESTO's Board Charter includes a gender diversity policy aiming for a minimum of 30% female representation on the Board. With 3 women Directors, VELESTO's Board meets this requirement.</p> <p>VELESTO is committed to non-discriminatory practices regarding gender, age, and ethnicity/cultural background in Board and Senior Management appointments, which are solely based on merit.</p> <p>The BNRC regularly reviews the Board's structure, size, and composition, considering skills, knowledge, experience, and diversity. Recommendations for Board appointments, re-elections, and succession planning are made based on corporate leadership, skills, knowledge, and diversity of experiences.</p> <p>For Senior Management positions, candidates are selected based on merit, including qualifications, experiences, and contributions. VELESTO promotes hiring local talent based on merit, provided they meet job requirements.</p> <p>The recruitment process ensures equal opportunities for qualified candidates. VELESTO aims for 30% gender diversity in Senior Management, with the FY2023 team comprising 40% women.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The BNRC conducts an annual assessment to evaluate the effectiveness of the Board, Board Committees, Chairman, and President of the Company, aiming to identify areas for improvement.</p> <p>For FY2023, the BEE was conducted internally, with all Directors completing online questionnaires. The Company Secretaries compiled and analysed the evaluation results, which were then collectively reviewed by the BNRC and presented to the Board for deliberation.</p> <p>The scope of the BEE encompassed the performance of the Board, Board Committees, Chairman, and Executive Director, focusing on various aspects such as overall performance, fit and proper assessment, and independence assessment by Independent Directors.</p> <p>The results of the BEE for 2023 were presented to the Board on 25 March 2024. The Board acknowledged the findings, which would be considered for enhancing efficiencies and effectiveness within the Board and its Committees. Overall, the evaluation confirmed that the Group's Board and Committees comprise dedicated members who performed strongly in FY2023, indicating a robust composition and effective deliveries of its roles and responsibilities. Refer to page 164 of the Integrated Annual Report 2023.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of providing fair remuneration to Directors and Senior Management to attract, retain, and motivate individuals with the necessary expertise to effectively manage the Company's affairs.</p> <p>Responsibility for recommending fees and benefits for Non-Executive Directors (NED) lies with the BNRC, subject to approval from VELESTO's shareholders. The Board considers these recommendations, taking into account factors such as individual performance, experience, responsibilities, and market conditions. Additionally, Directors are reimbursed for expenses incurred in the course of their duties.</p> <p>The BNRC also oversees the remuneration of Direct Reports to the President/Executive Director with Job Grade 20 and above, as well as the Company Secretary. This includes reviewing compensation packages and considering extensions of service, especially for executives reaching the retirement age of 60 years.</p> <p>The Remuneration Policy and Procedures for Non-Executive Directors can be found on the Group's website at www.velesto.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

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.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The BNRC holds a pivotal role in overseeing succession planning, remuneration, and performance of directors and senior management within the Board. Comprised solely of Non-Executive Directors (NEDs), the BNRC implements the Group's remuneration policies and procedures as approved by the Board, adhering to its Terms of Reference (TOR).</p> <p>In line with Article 105 of the Company's Constitution, Directors' remuneration is presented to shareholders at the general meeting. The BNRC reviewed the proposed remuneration for Non-Executive Directors from the 14th AGM to the next AGM in 2025. This proposal, endorsed by the Board, will be tabled for shareholder approval at the upcoming 14th AGM. The remuneration structure, aligned with the Remuneration Policy & Procedures for Non-Executive Directors, considers factors such as scheduled meetings for the Board and its Committees, and the involvement of Directors during their tenure.</p> <p>Additionally, the BNRC is tasked with reviewing the remuneration of Direct Reports to the President/Executive Director with Job Grade 20 and above, as well as the Company Secretary. This review encompasses considerations such as extensions of service and compensation for executives who have reached the retirement age of 60 years.</p> <p>The TOR of the BNRC, along with the Remuneration Policy and Procedures for Non-Executive Directors, are available for public viewing on VELESTO's corporate website at www.velesto.com.</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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has developed a comprehensive Directors' Remuneration Policy outlining fees, meeting allowances, and benefits-in-kind for both the Board and its Committees.</p> <p>The breakdown of the remuneration for individual directors, encompassing fees, salaries, bonuses, benefits-in-kind, and other emoluments for the financial year ended on 31 December 2023, is available in page 248 of the Annual Report and detailed 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 Chairman	120	20	Nil	Nil	100	Nil	239	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Ir. Dr. Mohd Shahreen Zainooreen Madros	Senior Independent Non-Executive Director	110	33	Nil	Nil	4	0	147	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 Non-Executive Director	110	31	Nil	Nil	4	Nil	145	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 (Resigned on 30 November 2023)	Independent Non-Executive Director	105	29	Nil	Nil	4	Nil	138	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	25	Nil	Nil	4	0	127	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
6	Mohd Irwan Ahmad Mustafa (Resigned on 1 September 2023)	Non-Executive Non-Independent Director	71	19	Nil	Nil	2	Nil	92	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
7	Datuk George Ling Kien Sing	Independent Non-Executive Director	100	25	Nil	Nil	4	Nil	128	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
8	Ar. Ahila Ganesan	Independent Non-Executive Director	100	25	Nil	Nil	4	0	129	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
9	Megat Zariman Abdul Rahim	Executive Director	Nil	Nil	1,285	164	72	389	1,911	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
10	Fadzihan Abbas Mohamed Ramlee (Appointed on 1	Non-Independent	35	6	Nil	Nil	1	Nil	42	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

	September 2023)	Non-Executive														
11										Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

12		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
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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Acknowledging the importance of transparency, the Board also holds that retention priorities of the Group is important and the requirement to abide by the confidentiality. In view thereof, the remuneration of top five senior management is not disclosed, and in lieu thereof, the collective remuneration of Senior Management, excluding President for FYE 2023, is RM4.6 million.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Collective remuneration of Senior Management Team, excluding President is disclosed.	
Timeframe	:	Not applicable	

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	FYE2023, the BAC was chaired by Datuk Tong Poh Keow, who also served as an INED, distinct from the Chairman of the Board, Mohd Rashid Mohd Yusof. Since appointment on 2 February 2024, Alan Hamzah Sendut serves as the Chairman of Board Audit Committee and is INED.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	The BAC has implemented a policy outlined in its TOR that mandates a cooling-off period of at least 3 years for former partners of the Company's external audit firm before they can be appointed as BAC members. The TOR of the BAC can be accessed on the Group's corporate website at www.velesto.com .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The BAC is responsible for evaluating and overseeing the performance, suitability, objectivity, and independence of the External Auditors on an annual basis. This assessment adheres to the established External Auditors Assessment Policy Statement, considering factors such as:</p> <ul style="list-style-type: none">• The competence, quality, and resources of the external auditor in relation to the audit.• The nature and extent of non-audit services provided and the appropriateness of fees.• Obtaining written assurance from the external auditors confirming their independence throughout the audit engagement. <p>During FY2023, the BAC conducted its annual assessment of its external auditors, considering various factors including:</p> <p>Independence: Ensuring the External Auditors remain independent from the Group and do not provide services that could compromise their independence.</p> <p>Non-Audit Services: Permitting non-audit services that do not conflict with the role of External Auditors, with compliance with relevant professional regulations.</p> <p>Rotation of Audit Partner: Mandating rotation of the audit partner responsible for the Group's external audit at least every 5 years.</p> <p>The BAC evaluated the quality, independence, and performance of the External Auditors, Ernst & Young PLT (EY), for FY2023. EY provided written confirmation of their ongoing compliance with ethical standards and independence requirements. They declared no compromising relationships or non-audit services affecting their independence.</p>

	<p>At a BAC meeting on 4 April 2024, EY reaffirmed their independence. The BAC was satisfied with EY's technical competence and audit independence, recommending their re-appointment to the Board.</p> <p>Board, in turn, proposes this re-appointment for shareholder approval at the upcoming 14th AGM.</p>
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Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

The Audit Committee should comprise solely of Independent Directors.

Application	:	Applied	
Explanation on application of the practice	:	The Board Audit Committee comprised of solely Independent Directors:-	
		Board Audit Committee	
		FY2023	Current
		Datuk Tong Poh Keow (Chairperson)	Alan Hamzah Sendut (Chairman)
		Ir. Dr. Mohd Shahreen Zainoreen Madros	Ir. Dr. Mohd Shahreen Zainoreen Madros
		Datuk George Ling Kien Sing	Datuk George Ling Kien Sing
Ar. Ahila Ganesan	Ar. Ahila Ganesan		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Our BAC members possess the requisite qualifications and experience in financial and auditing matters, with their profiles detailed in the Board of Directors' section of the Integrated Annual Report 2023 and on the Company's website.</p> <p>The Chairperson of the BAC, Datuk Tong Poh Keow, for FYE2023 holds membership in the Malaysian Institute of Accountants and is a Fellow of the Association of Chartered Certified Accountants, UK. Consequently, the BAC fulfills the requirements of Paragraph 15.09(1)(c)(i) of MMLR. Alan Hamzah Sendut was appointed on 2 February 2024 as Chairman of BAC and INED of the Company. He holds qualifications on Bsc Accountancy & Computer Science from University of Wales and Institute of Chartered Accountants in England and Wales (ICAEW), Malaysian Institute of Accountants and Institute of Risk Practitioners.</p> <p>Our BAC members engage in continuous training and development programmes, as outlined in the Corporate Governance Overview Statement of the Annual Report 2023. They stay updated on relevant developments in accounting and auditing standards through regular briefings by External Auditors, ensuring they remain abreast of key changes in accounting practices and rules.</p> <p>Based on the FY2023 annual assessment, BAC members exhibit financial literacy and a thorough understanding of the Group's business. Collectively, the BAC possesses the necessary skills and knowledge to effectively discharge their duties.</p>

	<p>Details of the training sessions attended by BAC members are accessible in the Corporate Governance Overview Statement of the Integrated Annual Report 2023.</p>
<p>Explanation for departure</p>	<p>:</p>

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

Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board holds responsibility for overseeing the Enterprise Risk Management Framework and the internal control system of the Group, ensuring their effectiveness. This duty entails regular reviews conducted by the BRMC and BAC to uphold robust risk management processes and internal control procedures, safeguarding shareholders' investments and Company assets.</p> <p>The Enterprise Risk Management Framework and internal control system within VELESTO Group serve to identify and evaluate the Group's top risks, enabling Management and the Board to manage these risks effectively. While designed to align with the Group's needs and exposed risks, the system is not intended to eliminate risks entirely, recognising inherent limitations. Consequently, while providing robust assurance, it cannot guarantee absolute protection against material misstatement or loss. To maintain efficacy, the Group's internal control system undergoes regular review by the BAC, BRMC, and the Board.</p> <p>Details regarding the Group's risk management approach, including how risk profiles are identified, along with key features of the Enterprise Risk Management and internal control framework, are disclosed in the Statement of Risk and Internal Control (SORMIC) and BAC Report of the Integrated Annual Report 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's enhanced Enterprise Risk Management (ERM) system navigates evolving environments and trends, aiding risk mitigation. Complementing ERM, the internal control system covers governance, compliance, operations, and finances.</p> <p>The Board holds overall responsibility for enterprise-wide risk management and internal control, ensuring their effectiveness in protecting shareholders' investments and assets. These are embedded in the way the Group operates through complementary structures, framework and procedures (among others):</p> <ul style="list-style-type: none">• Defined organizational structure.• Annual planning and budgeting.• iLEAP Core values and Code of Ethics.• ISO-complied policies.• Key policies on authority limits, anti-bribery, whistle-blowing, and others.• Key Management System Procedures. <p>Oversight over enterprise risk management and internal control are helmed by the following:</p> <ul style="list-style-type: none">• Board Risk Management Committee (BRMC): Enhances ERM, Business Continuity, and ESG matters.• Board Audit Committee (BAC): Ensures internal control effectiveness and compliance.• Board Whistle-Blowing Committee (BWBC): Promotes integrity, investigates complaints, and fosters compliance. <p>These committee then reports and recommends to the Board.</p> <p>The Management implements approved frameworks and drive programmes and activities as well as operates businesses aligned with its culture of ERM and internal control.</p>

	Further information is available in the SORMIC, BAC report and Corporate Governance Overview Statement of the Integrated Annual Report 2023.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

Application	:	Adopted																		
Explanation on application of the practice	:	<p>The Board Risk Management Committee comprised of majority independent directors with oversight over enterprise risk management and its policies.</p> <table border="1"><thead><tr><th colspan="3">Board Risk Management Committee</th></tr><tr><th>FY2023</th><th colspan="2">Current</th></tr></thead><tbody><tr><td>Rowina Ghazali Seth (Chairperson)</td><td>Rowina Ghazali</td><td>Seth (Chairperson)</td></tr><tr><td>Mohd Irwan Ahmad Mustafa</td><td>Fadzihan Abbas</td><td>Mohamed Ramlee</td></tr><tr><td>Datuk George Ling Kien Sing</td><td colspan="2">Datuk George Ling Kien Sing</td></tr><tr><td>Ar. Ahila Ganesan</td><td colspan="2">Ar. Ahila Ganesan</td></tr></tbody></table> <p>Rowina Ghazali Seth, Datuk George Ling and Ar. Ahila Ganesan are INED and Fadzihan Abbas is NINED and during Mohd Irwan Ahmad Mustafa's tenure at the Company, he was NINED.</p>	Board Risk Management Committee			FY2023	Current		Rowina Ghazali Seth (Chairperson)	Rowina Ghazali	Seth (Chairperson)	Mohd Irwan Ahmad Mustafa	Fadzihan Abbas	Mohamed Ramlee	Datuk George Ling Kien Sing	Datuk George Ling Kien Sing		Ar. Ahila Ganesan	Ar. Ahila Ganesan	
Board Risk Management Committee																				
FY2023	Current																			
Rowina Ghazali Seth (Chairperson)	Rowina Ghazali	Seth (Chairperson)																		
Mohd Irwan Ahmad Mustafa	Fadzihan Abbas	Mohamed Ramlee																		
Datuk George Ling Kien Sing	Datuk George Ling Kien Sing																			
Ar. Ahila Ganesan	Ar. Ahila Ganesan																			

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.

Application	:	Applied	
Explanation on application of the practice	:	The Internal Audit Department (IAD) reports directly to the BAC to ensure impartiality and independence in its role. IAD employs a systematic approach to evaluate and enhance governance, risk management, and control processes, aiding the Group in achieving its objectives. Aligned with International Standards for the Professional Practices of Internal Auditing, IAD carries out its function independently and objectively. To maintain integrity, IAD avoids scopes that may lead to conflicts of interest and compromise judgment. The functions of IAD are outlined in the Internal Audit Charter and detailed in the SORMIC and BAC Report of the Integrated Annual Report 2023.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit Department (IAD) serves as an integral component of the Group's assurance structure. It conducts internal audits and offers independent assurance on the effectiveness of the Group's internal control and governance processes.</p> <p>Supporting the BAC in fulfilling its governance responsibilities, the in-house IAD is headed by Norzalizah Alias, whose profile is detailed in the Integrated Annual Report 2023. Norzalizah Alias reports functionally to the BAC and administratively to the President, providing regular updates on activities and key control issues.</p> <p>The Internal Audit Charter, updated in 2021 to align with MCCG 2021 requirements, outlines IAD's purpose, authority, and responsibilities. Maintaining independence, IAD lacks operational authority over auditees' activities.</p> <p>With a staff of 5 as of 31 December 2023, IAD incurred RM1.15 million for its operations, primarily covering manpower, travel, and training costs. Adopting a risk-based approach, IAD focuses on significant risks and evaluates control effectiveness.</p> <p>Guided by the Institute of Internal Auditors' International Professional Practices Framework (IPPF), IAD adheres to standards ensuring integrity and professionalism. The Internal Control Oversight Structure, including IAD, is detailed in the SORMIC section of the Integrated Annual Report 2023.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>VELESTO emphasizes the significance of transparent communication and proactive engagement with stakeholders to ensure sustainable business growth. The Group is committed to fostering open and transparent interactions with stakeholders.</p> <p>Led by the President and Senior Management, Investor Relations are managed by the Commercial Division. Regular dialogues with institutional shareholders, fund managers, and analysts are facilitated throughout the year.</p> <p>Stakeholders are kept informed about key business activities, decisions, and announcements via various channels, including Bursa Malaysia announcements, VELESTO's website, press releases, briefing sessions, press conferences, one-to-one meetings, and annual general meetings.</p> <p>The Group's website provides comprehensive information on its operations, financial reports, presentations, and other relevant details.</p> <p>Details of stakeholder engagements conducted during FY2023 are disclosed in the Sustainability Statement section of the Integrated Annual Report 2023.</p> <p>For inquiries regarding Investor Relations matters, stakeholders can refer to the dedicated Investor Relations Contact section on the Group's website or contact the following:</p> <p>Attention: Head, Strategic Marketing Contact: +603-2096 8788 Email: investor.relations@velesto.com</p> <p>For more information on communications and engagements in</p>

	<p>Velesto, please refer to the Sustainability Statement section in the Integrated Annual Report 2023.</p>
<p>Explanation for departure</p>	<p>:</p>

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

Measure :		
Timeframe :		

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.

Application	:	Applied	
Explanation on application of the practice	:	The Company adopts integrated reporting based on GRI. Further information on the integrated sustainability reporting, please refer to the Sustainability Statement section in the Integrated Annual Report 2023.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 13.1

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 for the 13th AGM, along with the 2022 Annual Report, was sent to shareholders on 28 April 2023 for AGM held on 29 May 2023, which was more than 28 days before the meeting, exceeding the 21-day requirement under the CA 2016 and MMLR. This extended period allows shareholders ample time to arrange attendance in person or through proxies or attorneys.</p> <p>Detailed explanations for each proposed resolution were included in the notes accompanying the notice, empowering shareholders to make informed voting decisions.</p> <p>Similarly, the notice for the 14th AGM, along with the Integrated Annual Report 2023, was sent to shareholders on 30 April 2024 for AGM scheduled on 30 May 2024, which provides 28-days' notice before the meeting, well within the statutory requirement. It contains information and explanations for shareholders' consideration.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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.

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors, along with the Company Secretary and Senior Management, participated in the fully virtual 13th AGM held on 29 May 2023, via live streaming and online remote voting through Remote Participation & Voting (RPV) facilities. These facilities were accessible on the Securities Services ePortal's platform at https://sshsb.net.my.</p> <p>Before proceeding to vote on the proposed resolutions, the meeting included a Questions and Answers (Q&A) session to address queries from shareholders or proxies submitted before and during the meeting. The Company Secretary also shared the Company's responses to questions submitted in advance by the Minority Shareholders Watch Group.</p> <p>During the session, questions received in advance and those submitted via the query box were read out by the Company Secretary. The Chairman, President, Chief Financial Officer, Company Secretary, External Auditors, and Senior Management were invited to provide responses. No questions were directed to the Chair of BAC, BNRC, BRMC, or BWBC during this session.</p> <p>The Chairman assured shareholders that Management would address unanswered questions and upload the responses to the Company's website, which was duly completed. Additionally, the minutes of the 13th AGM, including all questions raised and their corresponding answers, were published on VELESTO's website for shareholders' reference.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company utilised technology to conduct its virtual 13th AGM on 29 May 2023, allowing remote shareholder participation and online voting through RPV facilities on the Securities Services ePortal's platform at https://sshsb.net.my.</p> <p>The AGM adhered to the Company's constitution and Paragraph 8.29A of the MMLR of Bursa Malaysia Securities Berhad, Section 327 of the CA 2016, and the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia.</p> <p>Commercial Quest Sdn Bhd was appointed as the Independent Scrutineer to verify poll results, ensuring transparency. The Chairman of the Meeting declared the resolutions based on verified poll results, which were promptly announced via Bursa LINK for all shareholders. Minutes of the 13th AGM were made accessible on the Company's website.</p> <p>VELESTO remains committed to offering remote shareholder participation in future general meetings and will assess additional measures to enhance participation and meeting quality through digital tools.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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 13.4

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.

<i>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.</i>	
Application	: Applied
Explanation on application of the practice	: The Company convened its 13th AGM virtually on 29 May 2023, utilizing RPV facilities accessible via the Securities Services ePortal's platform at https://sshsb.net.my . Shareholders were afforded the opportunity to participate remotely, engage through real-time text submissions, and cast votes electronically. During the AGM, the President provided an overview of VELESTO Group's operations, performance, industry insights, financial highlights, sustainability efforts, and future prospects for FY2023. The Chairman of the Board and the President addressed live questions from shareholders with comprehensive responses. Live questions from shareholders and representatives were received and addressed during the Q&A session, with some questions being repetitive or similar. Additionally, questions submitted after the conclusion of the session, were answered and uploaded onto the Company's website. The minutes of the 13th AGM, including responses to post-AGM queries, are accessible on the Company's website.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
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 13.5

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.

Application	: Applied
Explanation on application of the practice	<p>The 13th AGM of the Company, held on 29 May 2023, embraced technological advancements by hosting the meeting virtually through RPV facilities. Shareholders had the opportunity to attend and engage in the virtual AGM, streamed via the Securities Services ePortal's platform at https://sshsb.net.my.</p> <p>Detailed instructions for remote participation were provided to shareholders in the Administrative Guide of the AGM, which were included as part of the Annual Report, which was published on the Company's website and available as announced to BURSA. Notice of AGM were disseminated via email, ordinary post, published on the Company's website and announced to BURSA.</p> <p>The meeting witnessed participation from:</p> <ul style="list-style-type: none">• Shareholders present: 615, representing 10,407,183 ordinary shares• Corporate Representatives / Proxies present: 75, representing 5,476,059,283 ordinary shares, including the Chairman serving as a proxy for 1,105,927,226 ordinary shares. <p>Following presentations on the financial statements for FY2022 and the Group's performance by the President, shareholder questions were read by the Company Secretary. The Chairman and President addressed these inquiries, with each question displayed on-screen as it was answered, ensuring clear and orderly communication.</p> <p>Minutes of the 13th AGM are accessible on the Company's website at www.velesto.com.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 13.6

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>	
Application	: Applied
Explanation on application of the practice	: The minutes of the 13th AGM held on 29 May 2023 were published on VELESTO's website within 30 business days after the AGM.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

**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
