

Empowering
**GROWTH AND
EXCELLENCE**

VELESTO
energy

SUSTAINABILITY REPORT 2023



About Us

Velesto

COVER RATIONALE

EMPOWERING GROWTH AND EXCELLENCE

are at the core of our commitment. With our people as the driving force, we are pushing the boundaries of progress and achievement. We persistently drive forward, upholding excellence in service, safety, sustainability, and innovation – reinforcing our industry standing. Milestone by milestone, we are not just making an impact; we are redefining it in this new chapter of our journey.



INFORMATION

This Integrated Annual Report is also available on our website. The icons below allow you to access information easily, search for a specific section or navigate between pages and sections.

OUR ILEAP CORE VALUES

Integrity

- We do the right things at all times.
- We act with honesty & adhere to the highest standards of moral & ethical values.
- We are accountable, open & responsible in all that we do.
- We earn people's trust.

Leadership

- We aspire to be the leader in our business.
- We support & encourage our people to become a competent and recognised team in the industry.
- We embrace humility, clear communication, teamwork & respect.
- We lead by example.

Excellence

- We are passionate to do our best to exceed expectations.
- We are committed, disciplined & focused to achieve excellence in everything we do.
- We oblige safety as our utmost priority.
- We continuously identify & innovate better ways to improve our own targets & beyond what people & customers expect of us.
- We deliver value through performance, innovation & service quality.

Agility

- We are strong & committed to our objectives & are able to adapt to changes.
- We are willing to improve ourselves & our Company.
- We are proactive to create new & better ways to address challenges.
- We are resilient & committed to create value.

People-Focused

- We care for our people who are the greatest asset to our organisation.
- We respect & value the diversity of our people & their opinions.
- We recognise the efforts & achievements; appreciating & rewarding our people when they do good things & guide them to improve when they perform below expectations.
- We work as a team, respecting & supporting each other.



WHO WE ARE

Velesto Energy Berhad is a Malaysia based multinational provider of services for the upstream sector of the oil and gas industry. The Group owns and operates six premium jackup drilling rigs, which are capable of operating in water depths of up to 400 feet - ideal for the shallow waters of South East Asia. Velesto is also a provider of workover services through its fleet of hydraulic workover units. To ensure continuity and quality in the drilling sector, Velesto plays its part through Velesto Drilling Academy.

VISION

To be a leading player in the oil and gas industry, operating both domestically and globally supported by proven track records, true spirit, quality services and healthy growth potential.

MISSION

Developing a Malaysian owned company that provides quality services to the oil and gas industry and maintaining standards by matching - if not surpassing - other international companies providing similar global services.

Scan the QR code to download our Integrated Annual Report 2023



www.velesto.com

SUSTAINABILITY **AT VELESTO**

Welcome to Velesto Energy Berhad’s Sustainability Report 2023. This Report serves as a comprehensive guide to our sustainability approaches, objectives and strategies, alongside transparent disclosures of our performance and progress across the Environmental, Social and Governance (“ESG”) spectrum during the year.

04.



EMBRACING A SUSTAINABLE FUTURE

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ABOUT THIS SUSTAINABILITY REPORT

SCOPE AND BASIS OF REPORTING

Presented herein is the Sustainability Report 2023 (“SR2023” or “Report”) for Velesto Energy Berhad (“Velesto” or the “Group”), covering the financial period spanning 1 January 2023 to 31 December 2023. This Report has been prepared in accordance with the GRI Standards and marks the Group’s 8th annual publication of Environmental, Social and Governance (“ESG”) disclosures in adherence with our Listing Requirements.

Our SR2023 serves as a transparent communication channel for outlining the proactive steps taken to integrate sustainable practices throughout the Group’s operations, while providing details and updates on the tangible outcomes achieved thus far in our ongoing sustainability journey. The Report also offers a holistic measure of the positive and negative impacts of our business activities on stakeholders, the environment and the future prospects of the organisation.

Scope, Boundary and Exclusions

Adopting a “local where-we-operate” approach, the reporting scope of our SR2023 encompasses all subsidiaries of Velesto, including all primary business operations in drilling services, integrated project management services, and oilfield services. This covers data and information pertaining to the Group’s operational assets of offices, warehouses, six jack-up rigs (“JU”) and three hydraulic workover units (“HWUs”).

Where feasible, statistical data spanning three consecutive years is presented across this Report, providing context to facilitate comparisons and highlight trends and trajectories.

As we are a drilling services contractor and do not own the resources extracted for clients, this Report excludes ESG impacts arising from oil and gas resources discovered, produced, owned, and consumed by our clients and entities upstream of the Group’s value chain. Impacts of associate companies in which we assume no direct managerial control are also excluded from this Report.

Linkage to Integrated Reporting






For a comprehensive perspective on the interplay between our financial and sustainability performance, we recommend reviewing this SR2023 in conjunction with Velesto’s Integrated Annual Report (“IAR2023”). The IAR2023 provides an in-depth exploration of the Company’s business strategy, external operating environment, business model and other strategic information. Together, these Reports offer a comprehensive understanding of Velesto’s overall performance and the synergies between our financial and sustainability initiatives.

Precautionary Approach

Sustainability remains intrinsic to our risk management strategy at Velesto, fortifying the Group’s business model and guiding our attention towards potential growth opportunities. Applying a precautionary approach, we seamlessly integrate risk mitigation strategies into our ESG management framework, leveraging on this proactive stance to avert Occupational Safety and Health (“OSH”) incidents while concurrently curtailing potential adverse social and environmental impacts arising from our operations.

REPORTING STANDARDS

This SR2023 has been prepared in alignment with:

| | |
|---|---|
|  | BURSA Sustainability Reporting Guide 3rd Edition |
|  | Global Reporting Initiative (“GRI”) Standards 2021: Core Option |
|  | Task Force on Climate-related Financial Disclosures (“TCFD”) |
| Also benchmark disclosure against the indicators of: | |
|  | FTSE4Good Bursa Malaysia (“F4GBM”) Index |
|  | United Nations Sustainable Development Goals (“UNSDG”) |

For easy reference, we have detailed BURSA, GRI, FTSE4Good and TCFD content indices at the end of this Report.

ABOUT THIS SUSTAINABILITY STATEMENT



REPORTING RELIABILITY

The information presented in our SR2023 is sourced from official internal documents and records within Velesto. Independent third-party assurance has been obtained from our external auditors, Ernst & Young and DNV-GL, who provide assurance on our audited financial statements and HSE Management System respectively.

The internal team at Velesto, along with the Management with participation of the Board Committee, have maintained ongoing oversight in the preparation of this Report. Assurance of our sustainability data disclosures are undertaken through internal audit assessments, with full assurance details made available on page 83 of this Report.

Where applicable, we have computed and analysed data in accordance with industry standards and widely accepted calculation methodologies, including:

- Greenhouse Gas ("GHG") Protocol
- Annexes of the International Convention for the Prevention of Pollution from Ships (MARPOL) 73/ 78
- Fleet Certification Regulations (i.e. American Bureau of Shipping)
- International Civil Aviation Organisation ("ICAO") Carbon Emissions Calculator

Velesto's V has been reviewed by the Board of Directors and was approved on 15 April 2024.

FEEDBACK CHANNEL

Velesto values stakeholder engagement as a crucial part of the Group's sustainability process. Please feel free to direct any comments or inquiries regarding this Report and its contents to:

Velesto Energy Berhad Sustainability

Level 18, Block 3A, Plaza Sentral
 Jalan Stesen Sentral 5
 50470 Kuala Lumpur, Malaysia
 Tel: +603-2096 8788
 Email: sustainability@velesto.com

PRESIDENT'S STATEMENT

"Velesto is proud to announce our commitment towards Net Zero Emission 2050 in FY2024. We will intensify efforts to gain deeper understanding on our emission footprint and identify science-based pathway for decarbonisation. Our aim is to develop a comprehensive Net Zero roadmap by year-end."

Dear Stakeholders,

In the past twelve months, Velesto has made significant strides across the ESG spectrum, marking important milestones in our sustainability journey. By strengthening our governance, management framework and strategies, we have sharpened our focus on long-term goals and positioned ourselves favourably to tackle the challenges and seize the opportunities that are ahead.

Progressing along our sustainability journey, we acknowledge the paramount importance of sustaining our financial performance. Our strengthened revenue and profitability in FY2023 have facilitated increased distribution of shared value to stakeholders through dividends, employee pay outs and taxes thus ensuring the continued growth and stability of our organisation.

The foundation of our achievements is derived from our performance supported by an improved utilisation rate of our assets driven by heightened demand for energy supply. This is further reinforced by our dedication to fostering a 'Performance Driven, Operation Focused' ethos, resulting in outstanding quality services and operational uptime reaching 97% throughout the year. This synergy between optimised asset utilisation and a culture of exceptional performance has been instrumental in our success.

A pivotal component of our achievements is garnered in the continual integration of technology and innovation within our operations and processes. Notably in FY2023, this commitment was demonstrated through a collaborative effort with a client in the implementation of a pilot system aimed at enhancing rig operational efficiency. Beyond operation enhancements, we actively engage with our vendors to advance operational best practices and foster sustainability improvements across our supply chain.



**BURSA
ESG RATING
TOP**

25%

**/4-STAR
(FY2022: 3-STAR)**



**EMISSION
INTENSITY / OPS
DAY REDUCTION**

28%

(FY2022: 15%)

PRESIDENT'S STATEMENT

We are encouraged that our concerted efforts to strengthen Group-wide ESG practices have been recognised through improved independent market ratings. In FY2023, we made several significant improvements. Our FTSE4Good Index ESG score rose from 2.9 to 3.8. We were recognised by BURSA with a 4-star ESG rating positioning us among the Top 25% ESG performers among Public Listed companies and were rated as being low ESG risk company by sustainability ratings service provider, Sustainalytics. We were also honoured with multiple safety awards from clients recognising our commitment to safety and operational excellence.

Beyond our value chain, we are committed to expanding our coral restoration efforts at Perhentian Island in 2024, to contribute to the broader understanding of coral conservation methods while raising awareness among the public. Additionally, we are deepening our partnership with Sarawak Economic Development Corporate ("SEDC") to drive community impact through sustainable education initiatives. By focusing on Science, Technology, Engineering, and Math ("STEM") fields, we aim to foster innovation and awareness in learning. These efforts underscore our dedication to internal engagement, external impact on the planet and people, as we strive to build a more sustainable future for all.

“ Our commitment to sustainability runs deep within every facet of our organisation. It's not just about meeting regulations; it's about ingraining sustainability into the very core of what we do. ”

While we are proud of our efforts and achievements, we acknowledge the sustainability challenges inherent in the dynamic energy landscape in which we operate. Notably, FY2023 marked significant milestones with the inaugural presence of oil and gas companies at COP28 and the landmark launch of the Oil and Gas Decarbonisation Charter, signalling a collective commitment by the sector to environmental stewardship.

At Velesto, our dedication to a fair energy transition remains unwavering. We have pledged to achieve a 10% reduction in emissions intensity per operating day and 30% reduction in emissions intensity in terms of revenue by 2030. As we move forward, we continue to navigate towards a sustainable future to ensure that we balance progress with responsibility.

To this end, we remain vigilant in monitoring emerging ESG regulations, including the adoption of Integrated Financial Reporting Standards ("IFRS") and the Taskforce on Nature-related Financial Disclosures ("TNFD"), alongside local regulations from regulators, clients, and investors. We are also cognizant of how Malaysia's recently launched National Energy Transition Roadmap ("NETR") will shape the future energy industry, and will seek to participate in opportunities presented by this transition.

The Group continuous efforts in nurturing ESG culture goes beyond mere compliance. It is woven into the fabric of everything we do. We understand the critical role economic performance plays in creating lasting value sustainably. That is why, we will prioritise improving our commercial model, enhancing operational excellence through technological innovation and strengthening financial prudence. These strategies will be ingrained in our workforce, empowering every individual to play their part in driving collective action. Alongside, we are investing in enhancing the competencies our people, both operational and sustainability-related, so they can contribute meaningfully to our overarching goals.

Environmental stewardship remains at the forefront of our priorities. We continuously evaluate the impact of our operations on the environment and enhancing our strategies to mitigate it. In alignment with our commitment to decarbonize our value chain, we have pledged towards achieving Net Zero Emissions by 2050 in FY2024. This year, our focus will be on thoroughly understanding our emission footprint and identifying science-based pathways to decarbonisation. By the end of the year, we aim to contribute to the development of a comprehensive Net Zero roadmap.

I want to extend my sincere appreciation to our employees, partners and stakeholders for their invaluable contributions and steadfast support. Together, we will continue our journey towards consistent and sustainable value creation, with positive social and environmental impacts resonating for generations to come.




Sincerely,

Ir. Ts. Megat Zariman Abdul Rahim
President, Velesto Energy Berhad

2023 AT A GLANCE




ABOUT VELESTO

We are a Malaysia-based multinational provider of integrated services for the upstream sector of the oil and gas industry. Our services encompass drilling, workover and other essential oilfield services. We additionally provide training support and services for the drilling industry.

| | | | | | | | |
|--|---|------------------|---|---------------|--|--|---------------------------|
| <p>3 OFFICE LOCATIONS <i>(HQ, Kuching & Miri)</i></p>  | <p>OUR ASSETS</p>  | | | | | | |
| <p>732 TOTAL WORKFORCE</p>  | <table border="0"> <tr> <td>6 Jack-Up</td> <td>1 Oilfield Services Manufacturing Facility</td> </tr> <tr> <td>3 HWUs</td> <td>2 Warehouse Location <i>(ASB & KSB)</i></td> </tr> <tr> <td></td> <td>1 Drilling Academy</td> </tr> </table> | 6 Jack-Up | 1 Oilfield Services Manufacturing Facility | 3 HWUs | 2 Warehouse Location <i>(ASB & KSB)</i> | | 1 Drilling Academy |
| 6 Jack-Up | 1 Oilfield Services Manufacturing Facility | | | | | | |
| 3 HWUs | 2 Warehouse Location <i>(ASB & KSB)</i> | | | | | | |
| | 1 Drilling Academy | | | | | | |

OUR OPERATIONAL PERFORMANCE

We are dedicated to delivering value to our clients through reliable operations that consistently meet their requirements and expectations.

| | | | |
|--|---|------------------------------------|---|
| <p>OVERALL</p>  | <p>INTEGRATED PROJECT MANAGEMENT</p>  | | |
| <p>53 Total wells completed in FY2023</p> | <table border="0"> <tr> <td>21 Total Plug & Abandonment</td> <td>1 Total Workover wells Completed</td> </tr> </table> | 21 Total Plug & Abandonment | 1 Total Workover wells Completed |
| 21 Total Plug & Abandonment | 1 Total Workover wells Completed | | |
| <p>DRILLING OPERATION</p>  | | | |
| <p>31 Total wells completed</p> | <p>1,856 Operating Day</p> | <p>83% Utilisation Rate</p> | <p>97% Efficiency / Uptime</p> |

OUR FINANCIAL VALUE CREATION











We believe a strong financial performance is an important indicator for sustainable value creation to all stakeholders. In 2023, Velesto created value to our stakeholders in many ways through profit-making and dividend payout, as an employer, taxpayer, participant of the procurement ecosystem, and impact maker in communities.

| | | |
|---|---|--|
| <p>Revenue</p> <p>RM1.2 BILLION</p> | <p>Dividends</p> <p>RM20.5 MILLION</p> | <p>Wages & employees' benefits</p> <p>RM140 MILLION</p> |
| <p>EBITDA</p> <p>RM369 MILLION</p> | <p>Taxes to governments</p> <p>RM22 MILLION</p> | <p>Social investment spends</p> <p>RM118,000</p> |
| <p>Profit After Tax</p> <p>RM100 MILLION</p> | <p>Payment to local suppliers</p> <p>RM599 MILLION</p> | |

2023 AT A GLANCE

ESG HIGHLIGHTS

We are dedicated to making substantial advancements in our performance across the ESG spectrum annually. Below, we offer a glimpse of our progress and achievements across various key ESG metrics throughout 2023, along with the awards and recognitions achieved during the year.

| ENVIRONMENTAL | | SOCIAL | |
|--|--|--|--|
| <p>28% reduction in emissions intensity by operating days</p>  <p>62% reduction in emissions intensity by revenue</p> | | <p>732 EMPLOYEES (1.4% increase)</p>  | |
| <p>ZERO Major Spills</p>  | | <p>75% workforce is MALAYSIAN (2% increase)</p> | |
| <p>2.2% reduction in water consumption intensity by operating days</p>  | | <p>70% of total procurement was spent on LOCAL SUPPLIERS (14% increase)</p> | |
| <p>4 biodiversity assessments undertaken for new working sites</p> | | <p>403 days of (as of Dec 2023)</p> <p>ZERO LTI (Lost Time Incidents) FOR VELESTO EMPLOYEES</p>  | |
| <p>41% increase in investment towards biodiversity and environmental conservation</p>  | | <p>Women make up</p> <p>44% of our Board</p> <p>36% of our Senior Management</p> <p>51% of our Executive Employees</p>  | |
| <p>ZERO Incident Involving data breaches</p>  | | <p>86% our organisation was assessed for corruption risk</p>  | |
| <p>Launched new VELESTO ANTI-CORRUPTION PLAN ("VACP")</p>  | | <p>Supported educational equality and empowerment at two "Less Students Schools" in Miri, Sarawak</p> | |

AWARDS AND ACHIEVEMENTS

| | | |
|--|---|---|
| FTSE4Good – ESG rating score of 3.8 (improved from 2.9) | BURSA ESG 4-Star ESG rating (improved from 3-Star rating in 2022) | Sustainalytics Rated – ESG Risk Rating 17.8 (Low Risk) (improved from 21.2 in 2022) |
| 2023 CSR Initiative of the Year – Coral Restoration at Perhentian Island | MSOSH Awards 2023 – Gold Class 1 Award (2 nd Consecutive Year) | Roc Oil HSE Excellence Appreciation Award – NAGA 2 |
| SHELL Malaysia Safety Awards – Silver Safety Award (Upstream Category) | EMEPMI STAR Excellence Award (Gold) – GAIT 6 | 2023 IADC SEAC Safety Award for the Years Recordable Free category – NAGA 6 |

SUSTAINABILITY LENSES

| | Month | Programme / Event | Description |
|---|-----------|--|--|
|  | January | Emissions Workshop with Operations team | Identified quick wins and emissions reduction initiatives for 2023, alongside implementing rig specific ESG KPIs. |
| | April | Released Sustainability Report 2022 | Introduced new data collection template and enhanced performance data disclosures to improve BURSA compliance and TFCO alignment. |
|  | May | IADC HSE & Sustainability Asia Pacific 2023 Conference & Exhibition | Staying abreast of the latest trends and developments in HSE practices and sustainability initiatives within the oil and gas drilling industry. |
| | | Annual General Meeting | A formal platform for Velesto's shareholders to engage with the Company's management held on 29 May 2023. |
|  | June | International Energy Week Energy Asia | Participated in the industry events to share on the Company capabilities and offerings, including our efforts on sustainability. |
| | | MPM DrillTEC Focus Group (GHG Reduction) | Collaborated with Malaysian oil and gas leaders in MPM-led group supporting PETRONAS Net Zero 2050, driving industry decarbonisation. |
|  | August | Internal Trial Data Assurance | Conducted assessment of ESG data assurance scope, process and audit checklist with Internal Audit Division. |
| | | Supply Chain Summit | Enhance inventory management for efficiency, waste reduction, and process optimisation. |
|  | September | Vendor Engagement Day | The inaugural event aimed to enhance integrity, procurement practices, HSE, and sustainability with our vendors and suppliers. |
| | | Digital ESG Data management | Kicked off for the implementation of digital and centralised ESG data management platform. |
| | | Corruption Free Pledge and Launch of Velesto Anti-Corruption Plan ("VACP") | The Board and Management team reaffirmed their commitment to integrity by taking the Corruption Free Pledge, witnessed by Malaysia Anti-Corruption Commission ("MACC") officers and launched VACP in Kuching, Sarawak. |
| | | Coral Planting | Undertook Phase 2 of our Coral Planting programme at Perhentian Island, Terengganu. |
|  | October | MPRC National OGSE Sustainability Roadmap ("NOS-R") Workshop | Joined industry round-tables and workshops for NOS-R development, integrating relevant sustainability practices, metrics, and targets for the Oil & Gas Services and Equipment industry. |
| | | Zero Incident Zero Accidents ("ZIZA") Monsoon | Participated in exhibition aimed to promote safety and share best practices to prepare for the potential risks from seasonal weather elements. |
| | | Business Partner Integrity Day | Awareness programme held to ensure compliance with MACC regulations in client and regulator interactions. |
|  | December | MoU signing for CSR collaboration in Sarawak | Formally commenced CSR collaboration with SEDC to promote education as a driver of sustainable development in Sarawak. |
| | | Community Investment – CSR education | Contributed teaching materials and equipment to promote equal education opportunities at 'Less Students Schools' in Miri, Sarawak. |
| | | Business Continuity Management ("BCM") Refresher Sessions | Conducted two sessions for Management and Business Continuity leaders, covering BCM fundamentals and current threat updates. |

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY FRAMEWORK

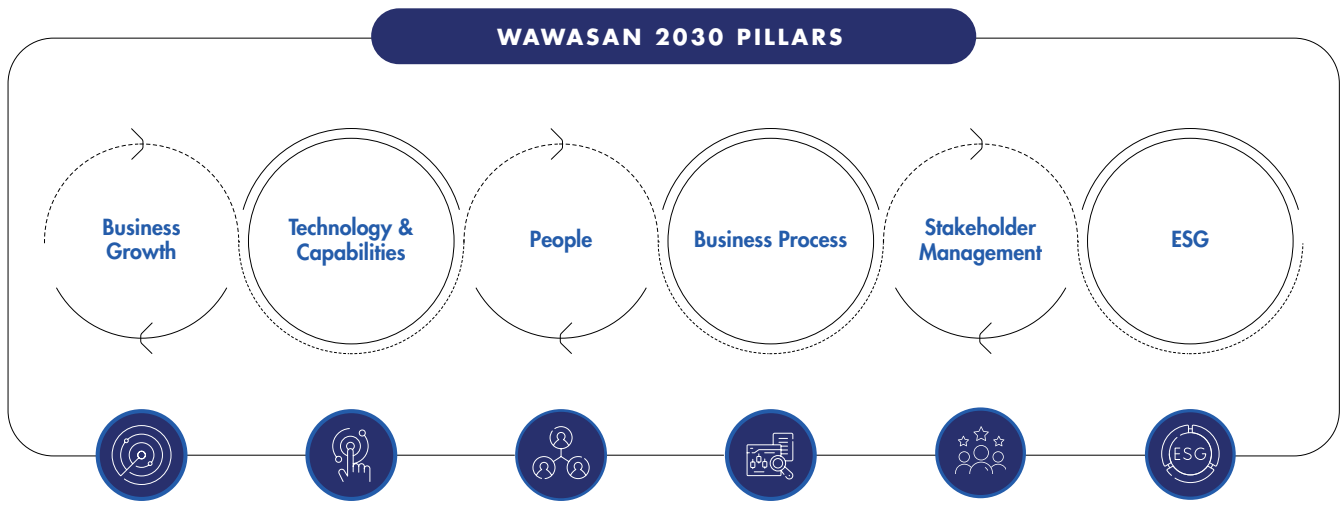
Our aspirations for sustainable and enhanced value creation for stakeholders are steered by our Wawasan 2030 business strategy, within which ESG principles have been integrated as a fundamental pillar to drive the Group's aspirations.

This alignment intertwines our business goals with our dedication to delivering positive social and environmental impacts. Our Sustainability Framework encapsulates this holistic approach, serving as the overarching guide to embedding sustainability deeply into our culture, decision-making, governance, systems and processes.

WAWASAN 2030

BUSINESS ASPIRATION




Ensuring a future ready and sustainable business with a mission to achieve RM2 billion in revenue and a Return on Capital Employed ("ROCE") above 10% by 2030




SUSTAINABILITY ASPIRATION

Delivering sustainable value through low carbon operations, environmental and social responsibility, robust governance and financial prudence.

PRINCIPLE

| | | |
|---|---|---|
|  <p>Environment Contribute towards environmental stewardship and low carbon operation</p> |  <p>Social Building ecosystem that enables our people and community to thrive</p> |  <p>Governance Upholding ethics, integrity and transparency in our work</p> |
|---|---|---|

OUR APPROACH TO SUSTAINABILITY

| FOCUS AREAS | | |
|---|---|--|
| Environment  | Social  | Governance  |
| <p>MATERIAL</p> <p>Energy & Emissions</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Reducing Scope 1 & 2 emissions by 2030 Implement emissions reduction technology and initiatives Improve operational efficiency | <p>MATERIAL</p> <p>Health & Safety</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Provide a safe and healthy working environment for our people Uphold the highest levels of HSE culture and leadership within our operation | <p>MATERIAL</p> <p>Economic Performance</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Implement the strategies of Wawasan 2030 Ensure financial prudence and uphold responsible management of shareholder resources Inculcate a 'Performance Driven, Operation Focused' ethos |
| <p>MATERIAL</p> <p>Climate Risk</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Establish climate governance and risk assessment Transition to low carbon operation Enhanced data monitoring and reporting | <p>MATERIAL</p> <p>Employment Practices</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Corporate culture development plan Optimum workforce and efficiency Continuous talent development Competitive remuneration and benefits | <p>MATERIAL</p> <p>Governance & Ethics</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Ensure sustainable governance Drive a culture of transparency and integrity beyond compliance |
| <p>MATERIAL</p> <p>Environmental Impact</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Advocating for environmental protection through policies Ensure compliance to environmental regulations Adopt operational controls & new technologies aimed at avoiding, minimising, and mitigating negative impacts Minimise use of resources and reduce waste | <p>MATERIAL</p> <p>Human Rights</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Zero tolerance for human rights violations Employee health and wellbeing initiatives | <p>MATERIAL</p> <p>Supply Chain</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Responsible and fair sourcing practices Collaborate and promote ESG capabilities amongst vendors |
| | <p>MATERIAL</p> <p>Diversity, Equity & Inclusion</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Promote an engaging and inclusive workplace Ensure our ability to attract and retain diverse talents | <p>MATERIAL</p> <p>Data Privacy & Security</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Enhance cybersecurity management through continuous risk assessment and technological improvement |
| <p>MATERIAL</p> <p>Nature & Biodiversity</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Contribute to knowledge development through research collaboration Raise awareness on coral conservation and undertake coral rehabilitation | <p>MATERIAL</p> <p>Community Impact</p> <p>STRATEGY</p> <ul style="list-style-type: none"> Contribute to community development through STEM education programmes | |

OUR APPROACH TO SUSTAINABILITY



SUSTAINABILITY JOURNEY

| PROGRESS | ACHIEVEMENTS |
|---|--|
| 2017 - 2019 | |
| <ul style="list-style-type: none"> Established sustainability governance. Strengthened sustainability disclosures. | <ul style="list-style-type: none"> Disclosed first Sustainability Report. Inclusion as BURSA's FTSE4Good Index constituent. |
| 2020 - 2021 | |
| <ul style="list-style-type: none"> Adoption of Integrated Reporting. Initiated climate risk assessment. Joined United Nations Global Compact ("UNGC"). | <ul style="list-style-type: none"> Rated 4 star in FTSE4Good Index. Winner of the MSWG - ASEAN Corporate Governance Award 2021. |
| 2022 - 2023 | |
| <ul style="list-style-type: none"> Established ESG alignment as a strategic pillar for Wawasan 2030. Committed to the target of reducing emissions by 2030. Aligned sustainability disclosures with BURSA Sustainability Reporting guidelines and Task Force on Climate-Related Financial Disclosures ("TCFD"). Refined sustainability framework. | <ul style="list-style-type: none"> MSOSH Gold Class 1 Award 2022 & 2023. Rated 4 star in FTSE4Good Index. Best CSR of the Year Award 2023 by Asian Business Review. |

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

Our Board of Directors set the tone for steering sustainability across the Group, assuming ultimate responsibility for all ESG matters and playing a pivotal role in defining the Company's sustainability strategies and priorities. Meanwhile, our Senior Management team takes the helm in steering the Group towards its objectives, with ESG goals and targets set within their purview.

Sustainability Leadership Driven from The Top

To enshrine an overarching commitment to responsible practices, the Board and Senior Management have integrated sustainability as one of the focus pillars of the Group's Wawasan 2030 strategic roadmap. This has intrinsically linked our sustainability agenda with our business strategy, providing our workforce with a clear perspective of our sustainability priorities and their alignment with the Group's long-term value creation plans.

In crafting sustainability strategies and priorities, the Board maintains keen oversight on all matters identified as material across the Environmental, Social and Governance spectrum (see Material Matters on page 22-27).

To effectively discharge its duties, the Board is supported by various committees within our sustainability governance structure, namely the Board Risk Management Committee ("BRMC"), the Sustainability Management Committee ("SMC") and the Sustainability Working Group ("SWG"). These committees feature distinct subgroups overseeing ESG matters, with the SMC oversee Economic strategies and performance.

Velesto's President serves as the Chairman of the SMC, enabling direct guidance to Senior Management leaders in effectively operationalising the Group's sustainability strategy.

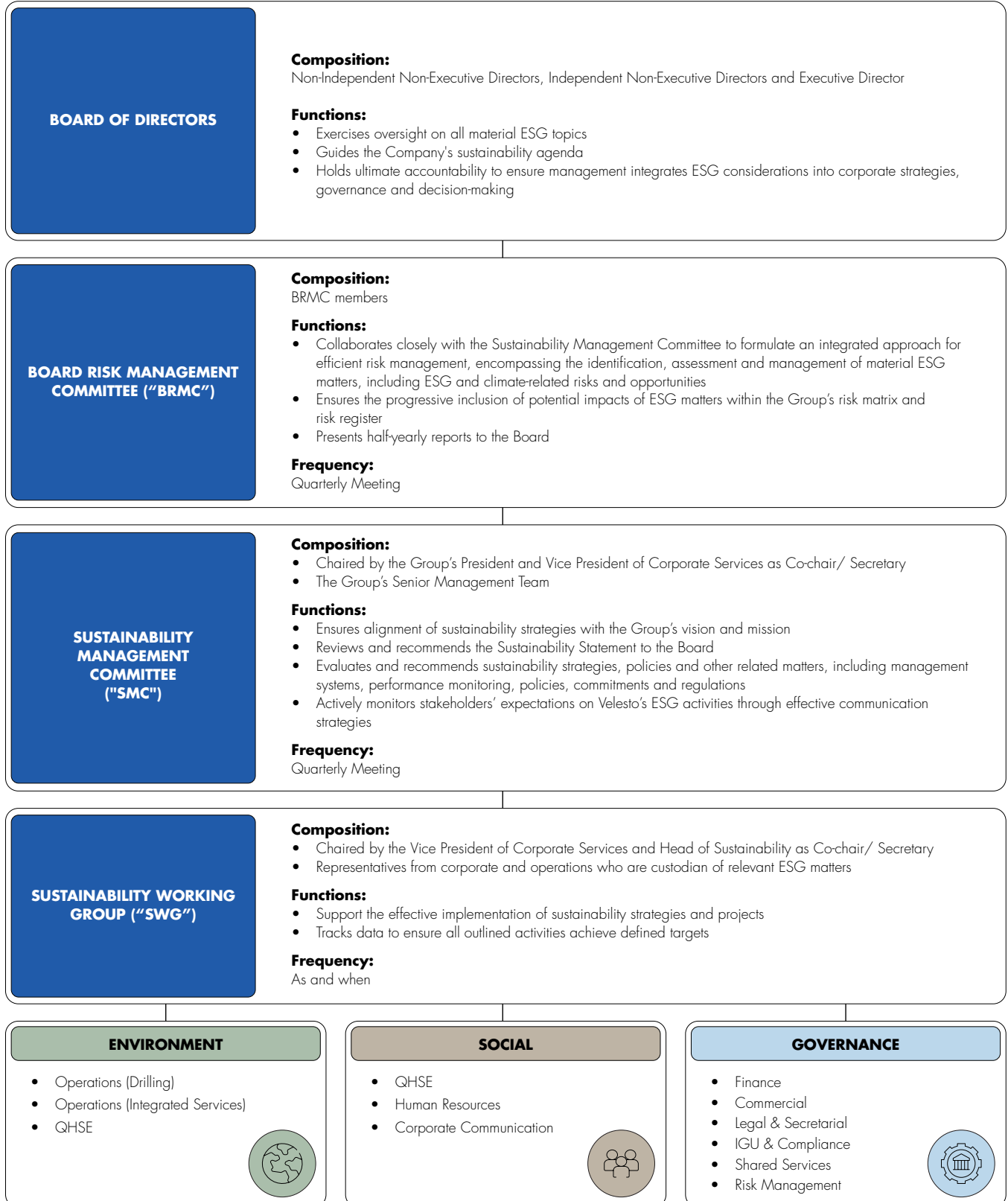
This robust and cohesive governance structure ensures our Board and Senior Management team stay well-informed on all emerging ESG matters, while fostering effective communication across organisation to convey objectives and directives, receive feedback and make realistic adjustments to strategies in tandem with our evolving capacity, capabilities and sustainability goals.

To stay abreast of the dynamic sustainability landscape, the Board and Senior Management remain committed to attending relevant sustainability training programmes, including those organised by market regulators and professional associations.



OUR APPROACH TO SUSTAINABILITY

Sustainability Governance Structure



For more details on the Board's roles and responsibilities, composition, independence and performance, please refer to Velesto's FY2023 CGOS. Velesto's adherence to Practices 4.1 to 4.5 of the MCCG 2021 on Sustainability Leadership is also detailed therein.

OUR APPROACH TO SUSTAINABILITY

Embedding ESG Considerations into Risk Management

Our Board discussions have increasingly centered on ESG matters⁽¹⁾, reflecting a deepening understanding and appreciation of their significant impact on the Group's value creation objectives. Consequently, we have progressively integrated more ESG considerations into our business process, enhancing our ability to monitor and assess the likelihood and potential impact of these sustainability issues on our business. In doing so, we are able to identify immediate or potential opportunities as part of our risk mitigation measures. Sustainability and ESG concerns have also received heightened emphasis in shaping the strategic plans and priorities undertaken by the Board and Senior Management team. In FY2023 and onwards, Sustainability and ESG have been included as permanent agenda at the BRMC meetings.

The Group's Enterprise Risk Management⁽²⁾⁽³⁾ policy provides comprehensive guidance for systematically identifying risks that are pertinent to our operations. During our annual materiality assessments, we further enhance our risk identification process by referencing external risk management frameworks and corporate reporting standards, as detailed below, to comprehensively pinpoint the full gamut of ESG risks relevant to our business sector and operating environment.

- ISO 31000 Risk Management Standard
- Integrated Reporting Principles Based Framework
- Global Reporting Initiative ("GRI") Standards 2021
- FTSE Russell's ESG Data Model
- Task Force on Climate-related Financial Disclosures ("TCFD")

Once relevant risks are identified, designated risk owners categorise the severity and likelihood of the risks' impact and seeks oversight from the Board Risk Management Committee ("BRMC") to mitigate these risks and implement controls. The BRMC is tasked with providing guidance on the Group's risk parameters and appetites, notifying the Board if a specific ESG matter is at risk of surpassing the Group's risk tolerance. Beyond risk assessment, the Group manages the potential impacts of identified risks via its Business Continuity Management (BCM) Framework⁽⁴⁾ to ensure operational readiness, resilience, safeguarding stakeholders' interests, brand equity, and reputation. Crises arise during our business activities are also managed according to our internal Crisis Management⁽⁵⁾ Plan to minimise potential damage.

Looking ahead, the Group aims to broaden the scope of our risk management framework to encompass more ESG risk factors, while seeking to establish clear linkages between the financial and operational impacts that may arise from these sustainability matters.

⁽¹⁾ For risks and opportunities consideration of our ESG matter, please refer to Our Material Matters section on page 22-27.

⁽²⁾ For more details on how Veleso as a group manages climate-related risks, please refer to the Task Force on Climate-Related Financial Disclosure ("TCFD") alignment section of this Report on page 67-70.

⁽³⁾ For more details on how Veleso as a group manages risks, please refer to the SORMIC section of our Integrated Annual Report on page 174-184.

⁽⁴⁾ For more details on the Group's Business Continuity Management ("BCM") Framework, please refer to the SORMIC section of our Integrated Annual Report on page 180-181.

⁽⁵⁾ For more details on the Group's Crisis Management activities, please refer to the SORMIC section of our Integrated Annual Report on page 182.

Robust and Diverse Governing Policies

Veleso's sustainability governance is underpinned by a dynamic set of policies, codes, charter and Terms of References ("TOR"). These documents articulate the principles and procedures that govern various aspects of the Group's operations, providing guidance for the responsible conduct of our Board of Directors, management, employees and stakeholders.

Accessible through the Group's Governance portal on our corporate website (www.veleso.com), these documents, including the Code of Business Conduct and Ethics ("CoBE"), are subject to periodic review and revision to ensure their ongoing relevance and effectiveness.

The adherence to our governance codes and policies is monitored by Veleso's Integrity Governance Unit and Compliance, which employs a Group-wide approach to identify and investigate any instances of non-compliance.

Governance Codes and Policies

- Code of Business Conduct and Ethics
- Health, Safety and Environment Policy
- Anti-Bribery and Corruption Policy
- Human Rights and Labour Standards Policy
- Whistle-Blowing Policy
- Fit and Proper Policy
- Remuneration Policy and Procedures for Non-Executive Directors
- Quality Policy
- Marine Operations Policy
- No Smoking Policy
- Stop Work Policy
- Substance Misuse Policy
- Personal Data Protection Policy
- Gender Equality Policy
- Supply Chain Management Policy
- Sexual Harassment Policy
- Enterprise Risk Management

Charter and Terms of Reference

- Board Charter
- Constitution
- TOR BAC
- TOR BNRC
- TOR BRMC
- TOR BWBC

OUR APPROACH TO SUSTAINABILITY

Operational Site Certification and Accreditation

Across our operational sites, we reinforce sustainability governance through the attainment and upkeep of top global certifications. To this end, all of our Jack-up ("JU") rigs and HWUs, along with our Kuala Lumpur Headquarter and operating bases in Kemaman and Labuan, are certified in accordance with globally recognised management system standards. Our Quality Team is tasked with monitoring and reviewing the audit assessments for these certifications.

Adapting to regulatory advancements, we have transitioned from OHSAS 18001:2007 to the updated ISO 45001:2018 Occupational Health and Safety Management System. More recently, we upgraded our certification for quality management systems specific to the oil and gas sector, moving from ISO/TS 29001:2010 to ISO 29001:2020 following our official certification for the latter on 14 March 2022.



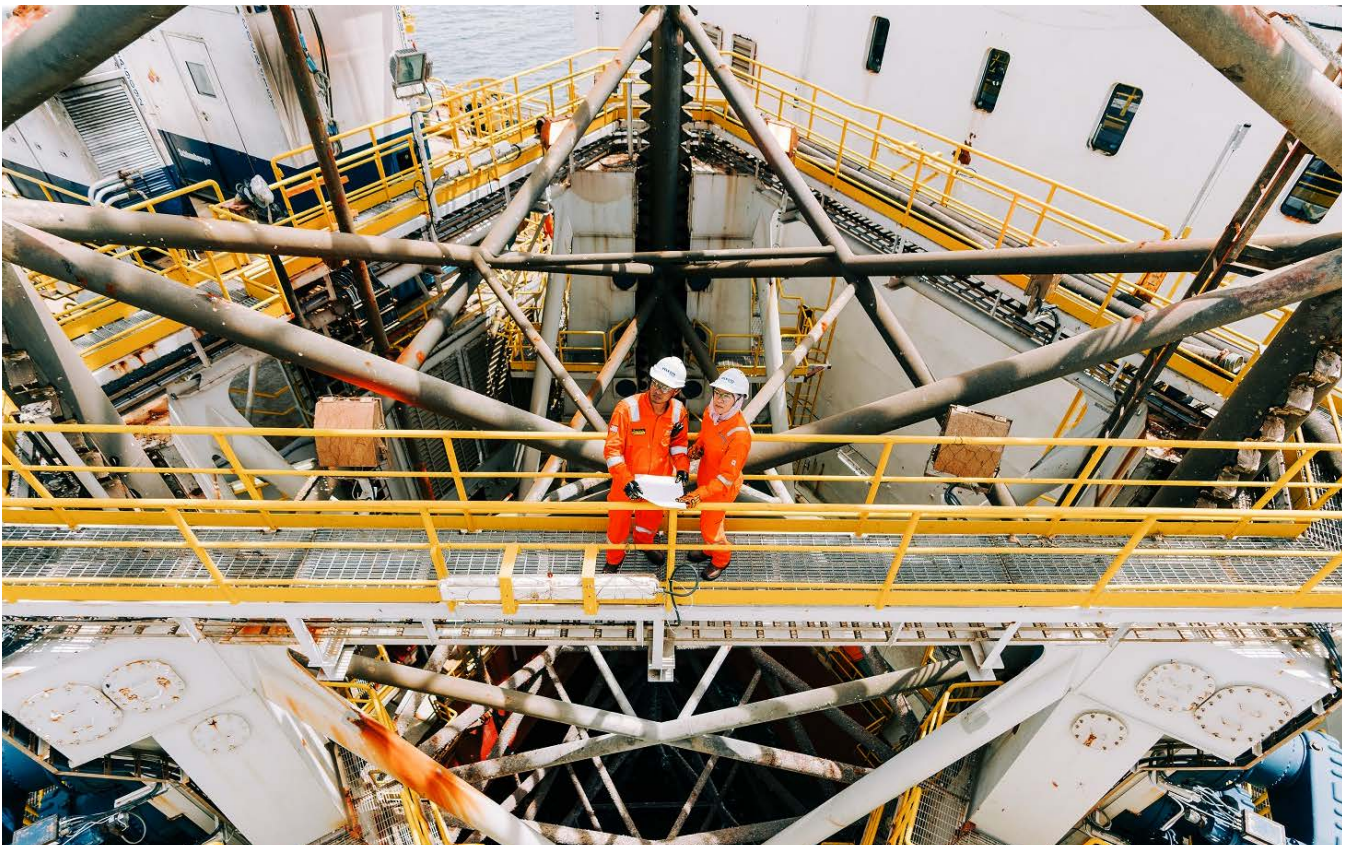
Note: The certificates for these accreditations can be found at www.velesto.com/quality

OUR STAKEHOLDERS' UNIVERSE

We place great emphasis on frequent and meaningful engagement with our key stakeholder groups, recognising their potential to influence or be influenced by the Group's operations, financial performance and reputation.

Through maintaining effective two-way communication, we gain essential feedback from our diverse stakeholders, subsequently leveraging these insights to ensure our strategies and business plans align with their evolving needs, expectations and concerns. We utilise various engagement channels to monitor, measure and address stakeholders' concerns, ensuring the development of an inclusive ESG sustainability agenda that remains relevant to them.

| Overview of our Stakeholder Engagement in 2023 | | |
|---|---|--|
| Six Stakeholder Groups | | |
| 20+ Engagement Sessions | | |
|  <p>Meetings / Discussions</p> |  <p>Workshops / Roundtable</p> |  <p>Industry Events</p> |



OUR STAKEHOLDERS' UNIVERSE

STAKEHOLDER ENGAGEMENT

| | 1 Regulators | 2 Investors |
|--|---|--|
| Who Are They | These are public organisations or private agencies responsible to regulate our business activities. | These are individuals, companies or institutions that own shares in Velesto. |
| Stakeholder Importance & Value Creation | <p>Continuous engagements build strong relationship with regulators as it is important for us to stay updated of current regulations to ensure compliance.</p> <p>We create values through:</p> <ul style="list-style-type: none"> • Consistent regulatory compliance • Corporate tax payments • Sustainable economic development | <p>Transparent relationship with investors is critical in ensuring responsible management of capital provided for our business growth.</p> <p>We create values through:</p> <ul style="list-style-type: none"> • Strong financial and growth performance • Sustainable shareholder returns |
| Matter Of Concern | <ul style="list-style-type: none"> • Compliance to regulatory requirements • Feedback on impact of policies • Areas of mutual support from government initiatives • ESG management and performance | <ul style="list-style-type: none"> • Overview of the performance of the Group • Updates on the strength and prospects of the Group • Transparent assessments of the current health of their investment • Regulatory developments • Updates on financial results • News and updates • ESG management and performance |
| Our Response | <ul style="list-style-type: none"> • Developed clear and mutual understanding on compliance requirements and adherence • Participated in regulatory initiatives and programmes • Gained clarification on regulations • Heightened potential for seeking appeal or concession, if required • Integrating ESG into business strategy to ensure sustainable business governance | <ul style="list-style-type: none"> • Promote greater coverage by analysts and media • Share price performance • Ensured compliance with capital market listing requirements • Integrating ESG into business strategy to ensure sustainable business governance |
| Mode Of Engagement | <ul style="list-style-type: none"> • Annual/ periodical compliance reviews as per relevant laws and regulations including report submission • Formal and informal meetings including dialogues, events or trainings • Written and email communications including through website and social media | <ul style="list-style-type: none"> • Annual General Meeting • Integrated Annual Report • Scheduled and ad-hoc investor and analyst briefings • Announcements of corporate developments to Bursa Malaysia • Quarterly announcements of financial results to Bursa Malaysia • One-on-one meetings • Updating the Investor Relations page on our corporate website • Press Releases |
| Frequency | Ongoing | ● |
| | As Needed | ● |
| | Quarterly | ● |
| | Annually | ● |

OUR STAKEHOLDERS' UNIVERSE

| <p>3</p> <p>Client & Industry Players</p> | <p>4</p> <p>Financial Institutions</p> | <p>5</p> <p>Employees</p> |
|--|--|--|
| <p>These are various companies operating in the energy sectors including strategic alliances that contribute to collective agenda. Some of our industry peers are also our clients who pay us for services delivered.</p> | <p>These are banker and lenders who provide us with financial capital and relevant advisory.</p> | <p>These are personnel who work under our payroll including permanent and contractual workers with responsibilities to deliver on our stakeholders' commitments.</p> |
| <p>The industry and the clients included, are operating in collaborative nature where each organisation and companies play a role in contributing to respective development of knowledge and skills as well as business growth.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Professional and high-quality services delivery Knowledge sharing and collaboration | <p>The financial institutions are critical source of capital to fund projects and other operational needs to ensure the Group is able to focus on excellence delivery of projects for our clients.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Strong financial and growth performance Disciplined payment on loans | <p>Our employees i.e., onshore and offshore workers are pivotal to our success. We rely on high performance and motivated workforce to ensure operational delivery and drive value to stakeholders.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Attractive and competitive remuneration packages Inclusive and fair employment practices Continuous development opportunities Provide safe and healthy environment to work |
| <ul style="list-style-type: none"> Operational excellence and safety performance Sustainability/ ESG materials management Meeting contractual obligations Areas of industry collaboration for advancement | <ul style="list-style-type: none"> Liquidity and investment management Financial risk management Compliance to regulatory and debt covenants ESG Performance | <ul style="list-style-type: none"> The Group financial performance Employee benefits and career development opportunities Internal processes and efficiency Emission management |
| <ul style="list-style-type: none"> Consistently engage for feedback to understand clients' perspectives Efficient project planning to avoid operational disruption Frequent session for updates and avenue for issues clarification Participate in industry forum, conference and exhibition to share and collect insights Continue to innovate, explore relevant technologies and new way to collaborate among clients and peers | <ul style="list-style-type: none"> Prudent financial management Maintain strong repayment records Continuously understand financial institution ESG imperatives and address gap as part of business improvement Demonstrate strong risk management practices within business strategy | <ul style="list-style-type: none"> Greater access to information and feedback channel e.g., frequent management visits and Q&A with Senior Management Ensure employee are continuously engaged and have fulfilment of the roles through various communication media, programmes and initiatives Introduce corporate culture development plan Improve access to trainings and development programmes Periodical review of work packages and structure Implement digitalisation to improve manual work processes |
| <ul style="list-style-type: none"> Management meetings Customer feedback exercises Site visits Scheduled reports and project progress meetings Workshops and dialogue Email queries Trade shows, conference and exhibitions | <ul style="list-style-type: none"> Annual General Meeting Integrated Annual Report Scheduled and ad-hoc investor and analyst briefings Announcements of corporate developments to BURSA Quarterly announcements of financial results to BURSA One-on-one meetings Site visits | <ul style="list-style-type: none"> Communication via intranet platforms, emails and social media Townhall sessions Focus group discussions Continuous performance and feedback sessions Employee surveys Company events e.g., employees' gatherings, sports club's activities, sports club, learning over lunch sessions with Senior Management, etc. Site visits Talent management activities Roadshows and Workshops Internal and external trainings |
| <p>●</p> | | <p>●</p> |
| <p>●</p> | <p>●</p> | <p>●</p> |
| <p>●</p> | <p>●</p> | <p>●</p> |
| <p>●</p> | <p>●</p> | <p>●</p> |

OUR STAKEHOLDERS' UNIVERSE

STAKEHOLDER ENGAGEMENT (CONT'D.)

| | 6 Vendors | 7 Communities |
|--|---|--|
| Who Are They | These are companies or organisations that the Group engaged to deliver and supply goods and services. | These are the people and organisations in the local jurisdiction of where we operate. |
| Stakeholder Importance & Value Creation | <p>Having good relationship with vendors and well-planned supplier networks help to limit the risk of operational disruptions and ensure the Group is able to tap into quality services and products.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Collaborate to unlock new innovations and tap into value creating expertise Advocacy and capability building around ESG matters | <p>Local communities including NGOs, academia groups, other public associations are important partners to understand how our business could impact their daily lives and vice versa.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Operational excellence with highest standard of ESG governance Socio-economic contributions and community development programmes |
| Matter Of Concern | <ul style="list-style-type: none"> Project and financial performance ESG expectations Values and governance Business knowledge, expertise and industry insights Crisis management and supply chain continuity Other issues around product and service quality, price and payment | <ul style="list-style-type: none"> Commitment towards the protection of community and environmental wellbeing Positive impact towards community development CSR and other communities' involvement |
| Our Response | <ul style="list-style-type: none"> Organised vendor engagement session to advocate on ESG expectation, efficient procurement process, HSE and good governance (e.g. integrity, whistleblowing processes, etc.) Supplier audit and assurance programmes Promote involvement of local vendors Constant and transparent communication between parties Vendor assessment and selection criteria to ensure product, service and capability fit of vendors to support the Group operation Ensure the Group is in strong financial and operational performance | <ul style="list-style-type: none"> Commitment to deliver long-term programmes around STEM education development and environmental protection efforts (i.e. biodiversity through coral restoration and research) Identify local stakeholders to collaborate on programmes delivery Improved stakeholders' understanding of Velesto's commitments and contributions to the community |
| Mode Of Engagement | <ul style="list-style-type: none"> Management meetings Communication through website, social media and emails Dialogues and workshops Trade shows, conference and exhibitions Site visits and audits | <ul style="list-style-type: none"> Discussions on initiatives that invest in community development Community outreach programmes Meetings and discussions with community representatives and outreach partners |
| Frequency | Ongoing | ● |
| | As Needed | ● |
| | Quarterly | ● |
| | Annually | ● |

OUR STAKEHOLDERS' UNIVERSE

Membership and Associations



As a prominent player in the oil and gas sector, we recognise the value of possessing membership and actively participating in various associations and professional bodies relevant to our industry and operations. These engagements provide invaluable opportunities to stay abreast of industry developments and contribute to meaningful discussions and collaborations aimed at addressing pressing challenges. By actively participating in these forums, we not only gain insights into emerging trends but also play a proactive role in advancing sustainability practices within our industry.

| Associations and Initiatives | Our Participation and Contribution |
|---|--|
|  <p>The Malaysian Oil & Gas Services Council ("MOGSC")</p> | <p>We actively participate in this non-profit industry association dedicated to advancing the interests of Malaysian oilfield service providers within the country.</p> |
|  <p>Malaysian Gas Association ("MGA")</p> | <p>Through our regular participation in MGA activities, we lend support to MGA's efforts to foster a dynamic and sustainable gas sector that contributes to Malaysia's socio-economic advancement.</p> |
|  <p>Energy Industry Council ("EIC")</p> | <p>As a member of EIC, a non-profit organisation comprising over 800 companies catering to the energy sector, we access valuable insights and market intelligence on energy projects, alongside advancements and best practices within the energy industry, thus contributing to a sustainable energy future.</p> |
|  <p>International Association of Drilling Contractors ("IADC")</p> | <p>We collaborate with IADC, a non-profit trade association renowned globally for its accreditation programmes, conferences, advocacy efforts and industry news, to advance the drilling industry. Together with other IADC members, we strive to enhance operational safety, efficiency, reliability and environmental stewardship, ensuring a sustainable future for the industry.</p> |
|  <p>United Nations Global Compact</p> | <p>On 2 June 2021, we joined the UNGC and pledged to uphold its 10 Principles, encompassing human rights and labour best practices, throughout our organisation.</p> |
|  <p>30% Club</p> | <p>We are a proud participant in the Malaysian Chapter of the 30% Club, a special interest group dedicated to enhancing the representation of women in the boards and Senior Management of public listed companies.</p> |
|  <p>Malaysia Petroleum Resources Corporation ("MPRC")</p> | <p>MPRC, an agency under the Ministry of Economy, is dedicated to propelling Malaysia's Oil and Gas Services and Equipment ("OGSE") sector towards cleaner and more sustainable renewable energy sources to foster new avenues for business growth.</p> |
|  <p>Universiti Teknologi Petronas ("UTP")</p> | <p>We take pride in our collaboration with UTP to support the academic growth of their MSc Drilling Engineering students. Through our partnership, students have the opportunity to participate in practical courses and professional training sessions at Velesto-INSTEP Drilling Academy ("VIDA"), while UTP frequently appoints our subject matter experts as visiting lecturers.</p> |
|  <p>Universiti Malaysia Terengganu ("UMT")</p> | <p>Since 2018, we have partnered with UMT on community investment and biodiversity initiatives.</p> |
|  <p>Universiti Malaysia Pahang ("UMP")</p> | <p>Velesto's President is appointed as Study Committee in the Chemical Engineering Department - UMP.</p> |
|  <p>Malaysia Petroleum Management ("MPM")</p> | <p>Velesto was part of the task force for the Blueprint for Decarbonisation Of Wells & Rig Operations.</p> |

OUR MATERIAL MATTERS

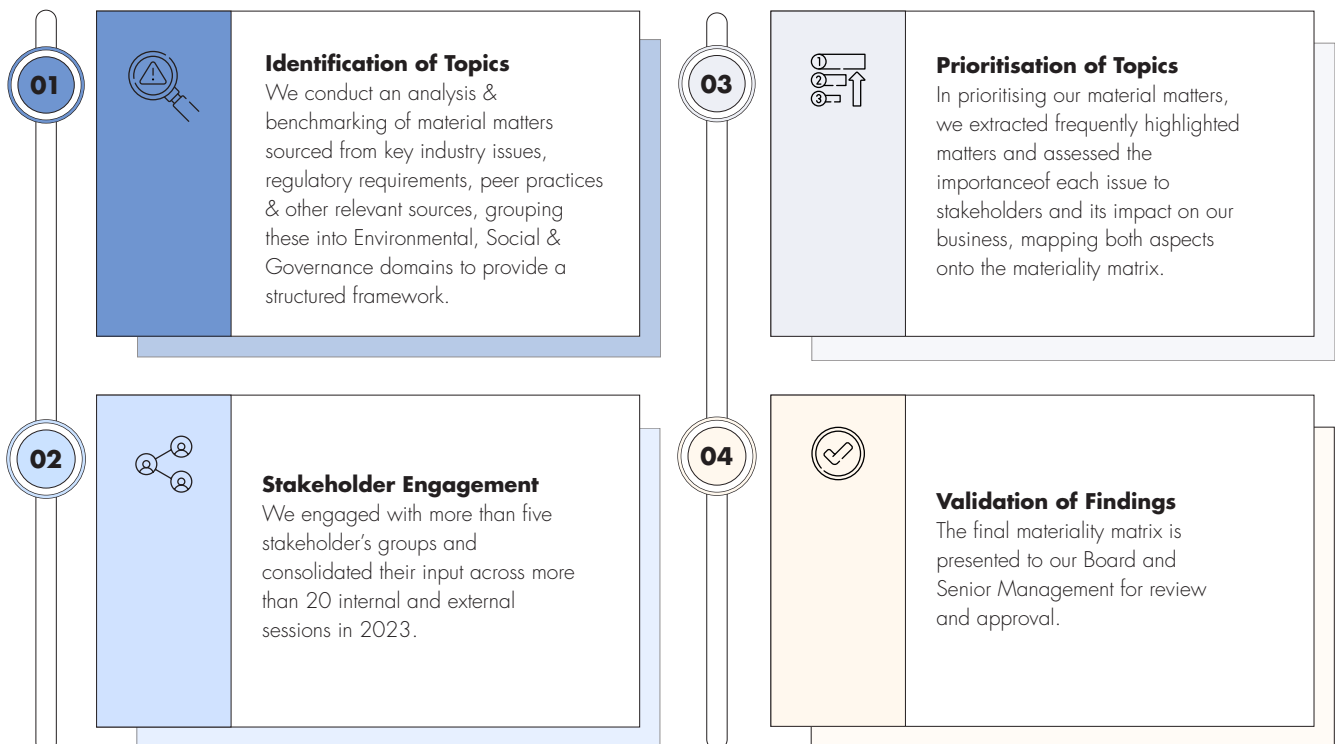
Materiality assessments form a crucial component of our sustainability and risk management approach, facilitating the identification and prioritisation of ESG topics with significant impacts on our value creation capacity, stakeholders and the environment.

By evaluating these material matters, we enhance our decision-making capabilities to collectively address stakeholder needs, concerns and expectations, as well as the risks, opportunities and emerging ESG issues in our operational landscape. This process ensures that we allocate appropriate attention and resources to the matters most critical to the ongoing sustainability of our Group.

| Overview of our Materiality Assessment in 2023 | | | |
|---|--|--|---|
|  Benchmarking | |  Internal stakeholder engagement | |
| 10 | organisations cross-stakeholder's groups | 5 | industry peers |
| 40 | ESG topics considered and assessed | | 6 |
| | | | material areas of concern commonly raised |

Materiality Assessment Process

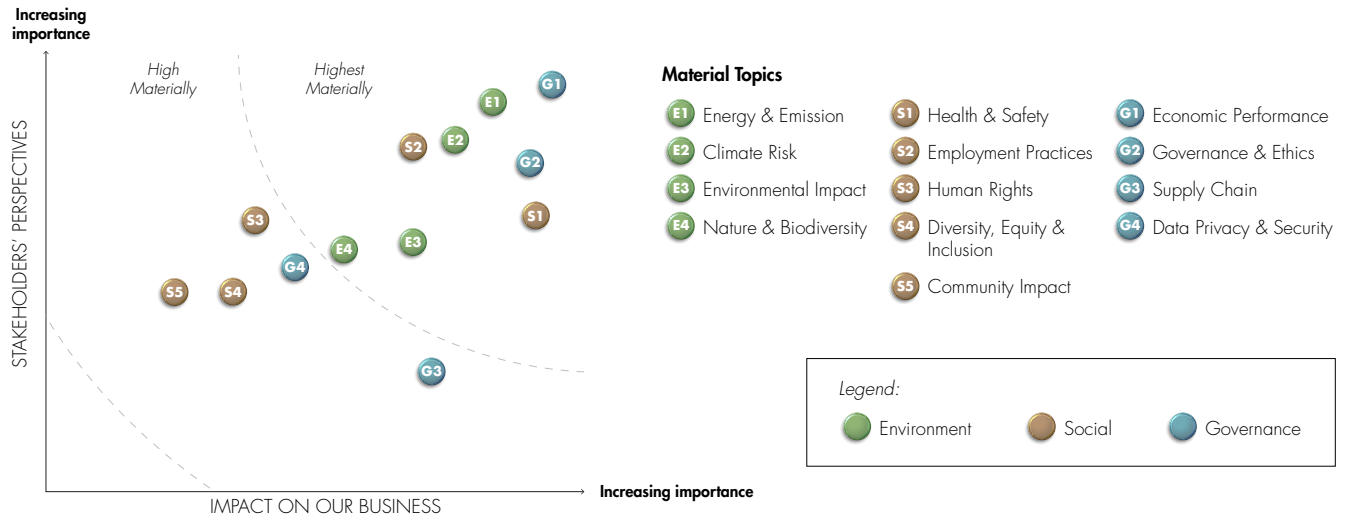
We have adopted the following four-step materiality determination process to identify, categorise and prioritise our Material Matters.



OUR MATERIAL MATTERS

Velesto's Materiality Matrix

These materials topics form the basis of our disclosures for the Sustainability Report 2023 as we progress our journey towards robust and balanced ESG disclosures. Our material topics are reviewed annually and endorsed and recommended for Board approval by the Board Risk Management Committee.










Subsequent to our FY2023 materiality assessment, several changes were made to the categorisation of our material topics in this year's Sustainability Report. The topics of 'Water' and 'Biodiversity' have been respectively renamed to 'Environmental Impact' and 'Nature & Biodiversity' to encompass a more holistic review of our environmental and marine conservation practices. Meanwhile, our previous disclosures categorised under 'Talent Management' have been included within an expanded 'Employment Practices' topic, while the topic of 'Anti-Bribery & Corruption' has been similarly assimilated into a new 'Governance & Ethics' disclosure, providing a more comprehensive overview of our initiatives to ensure responsible business conduct.

These adjustments to our reporting framework reflect our ongoing evolution to improve our sustainability reporting, increasing the transparency and clarity of our disclosures to provide stakeholders with greater insights into our objectives, strategies and performance. The following table provides an overview of our 13 material topics, with further details provided within each individual topic in the Sustainable Value Creation section of this Report.

| Definition of Materials | Why it is Important | Risks | Opportunities |
|---|--|--|---|
| <div style="display: flex; align-items: center;"> <div> <p>Environment</p> <p>Energy & Emission Management</p> </div> <div style="margin-left: auto; text-align: right;"> </div> </div> | | | |
| Efficient operation while limiting the generation of GHG emissions | The Group plays a role in ensuring the industry meets the energy security demand, we continue to be responsible towards limiting our GHG emission and improving energy efficiency to ensure we transition towards low carbon operation | <ul style="list-style-type: none"> Shift of clients' commercial model demanding robust emission management Increase cost due to exposure to carbon pricing mechanism | <ul style="list-style-type: none"> Increase business competitiveness with emission management as value proposition Improve cost saving through efficient resources (i.e. fuel and electricity) management Implementation of cutting-edge low emission technologies improves business prospects |









OUR MATERIAL MATTERS

| Definition of Materials | Why it is Important | Risks | Opportunities |
|--|---|---|---|
|  Environment | | | |
| Climate Risk  | | | |
| Integrating climate considerations into business strategies and risk management while contributing to the national and stakeholders' climate aspirations | Climate change is existential threats to all and in specific to business such as Velesto with exposure to its physical risks and transition risks that may impact our operating environment, reputation and business opportunity | <ul style="list-style-type: none"> Operational disruption, increasing cost of repairs and downtime, and potential loss of revenue due to increasing extreme weather events Increase in cost due to exposure to carbon tax Lack of access to funding prioritising robust climate governance | <ul style="list-style-type: none"> Tap into new market in line with shifting client preferences Diversification of revenue including 'green' revenue Improved operational planning supported by resilience business strategies |
| Environmental Impacts    | | | |
| Advocacy of environmentally-friendly practices which include the management of water and effluent, waste, and pollution control | The Group operates in offshore environment involving extraction of natural resources thus requiring us to uphold highest standard of pollution mitigation and control, and regulatory compliance to ensure minimal to zero environmental impact | <ul style="list-style-type: none"> Exposure to legal ramifications and fines due to regulatory violations Reputational damage caused by poor environmental impact management Increase compliance cost due to inefficient waste and resources management | <ul style="list-style-type: none"> Improve circularity and reduce wastage leads to cost saving Build positive reputation and ensure regulatory compliance |
| Nature & Biodiversity   | | | |
| Reflect the consideration of responsible operation where we operate through damage mitigation and creating positive impact to marine ecosystem | Our efforts go beyond pollution mitigation but also in ways that can create nature positive impact towards preservation of natural ecosystem and promotion of environmental awareness | <ul style="list-style-type: none"> Biodiversity loss due to operational mismanagement may result in reputational damage and financial loss Increase exposure to public litigation and negative non-governmental organisation coverage | <ul style="list-style-type: none"> Development of robust sustainability risk management embedding nature-related considerations Contribute to knowledge development around nature and biodiversity conservation methodology Foster collaboration and environmental stewardship spirit among employees and public |





OUR MATERIAL MATTERS

| Definition of Materials | Why it is Important | Risks | Opportunities |
|---|---|---|--|
| <div style="display: flex; align-items: center;"> Social </div> | | | |
| Health & Safety | | | |
| Provision of secure working conditions and systems to safeguard human health and wellbeing in all operations | Our people work in a challenging and fast-paced environment requiring prioritisation of their safety and health at all times to ensure optimum operability | <ul style="list-style-type: none"> • Increase exposure to legal ramifications due to responsibility negligence • Reputational damage caused by poor safety performance and may result in loss of trust from clients • Operational disruptions due to frequent safety incidents | <ul style="list-style-type: none"> • A safe and healthy environment promotes high performing culture • Ensure seamless operational deliveries • Strong brand values driven by health and safety performance |
| Employment Practices | | | |
| Continuous commitment as a responsible employer through fair employment practices, competitive programmes and maintenance of key labour principles in managing talents and developing human capital | Employees are key to successful execution of business strategies and operational excellence thus a fulfilling employment will aid continuous human capital development | <ul style="list-style-type: none"> • Lack of skilled employees results in decreasing competitiveness • Poor performance and lower productivity due to unmotivated employees • High attrition rates disrupt business succession planning and continuity • Perceived as unattractive employer | <ul style="list-style-type: none"> • Improve branding enable the Group to attract top talent • Improved the Group effectiveness and output with highly equipped, skilled and motivated employees |
| Human Rights | | | |
| Compliance to relevant local and international human rights laws and standards including the promotion of fair treatment to employee and communities | The Group works collaboratively with vast supply chain to co-deliver client's project in which it is imperative to ensure all workers' rights including our own employees are respected with zero tolerance to violations such as force labours, discrimination, harassment and bigotry | <ul style="list-style-type: none"> • Reputational damage resulted from human rights violations • Potential financial losses due to litigation • Lack of trust from stakeholders or clients will cause loss of business opportunities | Advocacy of human rights principles across value chain promotes lasting relationship and respect |

OUR MATERIAL MATTERS

| Definition of Materials | Why it is Important | Risks | Opportunities |
|--|---|---|---|
|  Social | | | |
| Diversity, Equity & Inclusion | | |    |
| Provision and promotion of equitable opportunities regardless of gender, age, background, beliefs and abilities | Diversity across the Group will foster innovation and growth through participative leadership and open communication | Limited organisational growth attributed to lack of diverse opinions driving innovation | <ul style="list-style-type: none"> • Larger talent pool helps to support overlooked high-potential talent • Encourage diverse ideas and perspectives contributing to innovation |
| Community Impact | | | |
| | | |   |
| Supporting and collaborating with communities in support of nation building agenda around education and local human capital development | As a responsible corporate citizen, the Group aims to help advance the society by creating shared values in technical education to support development of future talents which will benefit the industry in specific and nation building at large | <ul style="list-style-type: none"> • Reputational damage and being perceived as irresponsible corporate citizen • Loss of trust from policy makers and other stakeholders due to lack of support on national agenda | <ul style="list-style-type: none"> • Meaningful corporate social responsibility ("CSR") initiatives with communities can support future talent pipeline to the Group • Increase brand visibility and business competitiveness |
|  Governance | | | |
| Economic Performance | | |  |
| Continuous delivery of commendable financial performance and value creation to our stakeholders through commitment to Performance Driven, Operations Focused ethos | Strong and sustainable cash flows are fundamental to funding our existing operations and driving future growth in achieving Velesto's short, medium and long-term goals | <ul style="list-style-type: none"> • Loss of investment opportunities due to poor financial returns • Loss of business opportunities due to unsustainable cash flow • High debts and high interest rates • Inability to create financial benefits to employees, shareholders and other stakeholders | <ul style="list-style-type: none"> • Prudent cost management provide ability for flexible working capital towards growth opportunities • Increase shareholders value and attracts more investments |

OUR MATERIAL MATTERS

| Definition of Materials | Why it is Important | Risks | Opportunities |
|--|---|--|--|
|  Governance | | | |
| Governance & Ethics  | | | |
| Upholding the highest standard of integrity, fair practices and regulatory compliance, and good governance for sustainable business success | Oil and gas will remain an essential part of the energy mix in the future thus, it is crucial for the Group to build resilient and competitive business with good governance practices | <ul style="list-style-type: none"> • Reputational damage and financial losses resulted from regulatory violations and fines • Loss of stakeholders' trust and potential business opportunities • Increase incident of integrity and lack of transparency • Loss license to operate | <ul style="list-style-type: none"> • Strong governance practices enable the effective execution of business strategy • Establishing a culture of high performance through the foundation of ethics, integrity and transparency • Establishing the Group as preferred responsible brand |
| Supply Chain  | | | |
| Responsible management of our supply and sourcing processes, and the promotion of sustainability principles across value chain to ensure continuity of our operation | Sustainable supply chain management and long-term relationships building will remain critical to our business continuity in the face of current challenging operating landscapes e.g., geopolitical tensions, trade barriers, price inflation and emerging ESG requirements | <ul style="list-style-type: none"> • Supply constraints and delay will disrupt project delivery • Loss of revenue due to operational disruptions • High cost from price inflation attributed to poor sourcing planning | <ul style="list-style-type: none"> • Building collaborative and long-term business relationship with suppliers and vendors • Improving the ability to negotiate competitive supplier and vendors' rates • Enhancing supply chain ESG capabilities will improve suppliers' and vendors' resilience during challenges • Sustainable financial and non-financial impact along local value chain |
| Data Privacy & Security  | | | |
| Provision of safeguards on the Group data and systems in protection against external cyber threats | The Group ongoing efforts to modernize and digitalize it processes create higher exposure to cyber threats due to increasing dependency on digital data | Cybersecurity breaches leading to loss of confidential information may potentially cause disruption of operation and financial losses, reputational damages and decrease competitiveness | Robust data management practices will strengthen stakeholders' trust and improve operational efficiency with reliable digitalisation |

OUR ESG TARGETS SCORECARD

Recognising the paramount importance of establishing targets and milestones to propel progress and monitor performance across our sustainability endeavours, we have significantly ramped up efforts throughout 2023 to track performance across a spectrum of value-creation indicators.

Within facets of our core ESG objectives, we have set baselines and introduced quantitative targets drawn from industry benchmarks and global sustainability frameworks. These targets were established through deliberative engagements between our Board, BRMC and Senior Management to ensure a balance between ambition and feasibility.

We are pleased to report commendable overall performance in 2023, achieving progress across key metric such as reduction of GHG emissions intensity, while meeting our safety targets of zero fatalities and lost time injuries, and environmental target of zero major spills. However, we fell short of our targeted Total Recordable Case Frequency ("TRCF") rate and did encounter reportable integrity incident during the year for further investigation.

Looking ahead, we remain committed to continuous evaluation of our performance to address the shortcomings while striving to set further targets within other ESG materials and expand our sustainability commitments.

2023 PROGRESS

Below is our performance progress against the target of selected ESG objectives.

| Materials | Objective | Metric | Baseline | Performance FY2023 | Target | Status |
|--------------------------------|---|--|---|--|--|--------|
| Emission Management | Reducing carbon emission | Emission Scope 1 & 2 <ul style="list-style-type: none"> Emission intensity reduction per operating day Emission intensity reduction per revenue | Base year: 2021 <ul style="list-style-type: none"> 48 tCO₂e/ops day 141 tCO₂e/revenue | <ul style="list-style-type: none"> 34 tCO₂e/ops day 53 tCO₂e/revenue | By 2030 <ul style="list-style-type: none"> 10% emission intensity reduction/ops day 30% emission intensity reduction/revenue | |
| Environmental Impact | Avoid and mitigate negative impact to the environment | Polution mitigation <ul style="list-style-type: none"> Number of major spill | Base year: 2021 <ul style="list-style-type: none"> 1 major spill (>800 litres) | <ul style="list-style-type: none"> Zero major spill | Annual <ul style="list-style-type: none"> Zero major spill | |
| Health & Safety | Safeguarding our employees | <ul style="list-style-type: none"> Number of Lost Time Injury Rate for Total Recordable Case Frequency | Base year: 2021 <ul style="list-style-type: none"> 1 1.09 | <ul style="list-style-type: none"> Zero LTI 1.56 TRCF | Annual <ul style="list-style-type: none"> Zero LTI < industry annual average (IADC - APAC Water) | |
| Governance & Ethics | Upholding highest integrity practices | Incidence record <ul style="list-style-type: none"> Number of confirmed corruption⁽¹⁾⁽²⁾ case Percentage of employee trained on Anti-Bribery & Corruption ("ABC") | Base year: 2021 <ul style="list-style-type: none"> 0 40% of employees received ABC training | <ul style="list-style-type: none"> 1⁽³⁾ 55% employees received ABC training | Annual <ul style="list-style-type: none"> Zero incident of corruption By 2030 <ul style="list-style-type: none"> 100% employees trained on ABC | |

Progress Tracking Legend

On Track
Partial Progress

⁽¹⁾ Velesto defines corruption case as per the definition by the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694) including other major offences stated in the Act.

⁽²⁾ Reportable corruption cases refer to confirmed case investigated and reported to MACC.





⁽³⁾ Reportable case happened in 2022 involved falsification of claims with domestic inquiry completed in 2023. The case subsequently has been reported to MACC in 2023.

OUR ESG TARGETS SCORECARD

Linking Remuneration with ESG Performance

To further support the integration and operationalisation of ESG considerations into our business strategies, the Group has established Key Performance Indicators (“KPIs”) linked to remuneration, aligned with selected sustainability metrics.

In 2023, the following criteria for KPIs were adopted at corporate and operational level:

| Domain |  Financial |  Environment |  Social |  Governance |
|----------------------------|---|--|---|--|
| Key Performance Indicators | <ul style="list-style-type: none"> Revenue and EBITDA targets | <ul style="list-style-type: none"> Emission intensity reduction per operating day Loss of Primary Containment ("LOPC") | <ul style="list-style-type: none"> Lost Time Incidents ("LTI") | <ul style="list-style-type: none"> Score of customer satisfaction evaluation |

Our future efforts will focus on establishing baselines to formulate additional pragmatic and measurable ESG targets and KPIs which may be integrated into the scorecards of relevant parties across the Group.

More details on remuneration can be found in Velesto’s Remuneration Policy and Procedures for Non-Executive Directors available on the Group’s website.










OUR ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We proudly align our efforts with the UN Sustainable Development Goals (“SDGs”), viewing them as a pivotal framework for driving global sustainability objectives forward.

By synchronising our initiatives with these goals, we imbue our mission and objectives with greater significance, inspiring our employees to actively participate in the global collective effort for positive change.

OUR CONTRIBUTION TO RELEVANT UN SDGS IN 2023.

| | | |
|---|--|---|
| <ul style="list-style-type: none"> Equipped two “Less Students School” in Miri, Sarawak with technology and infrastructure for learning. Long-term commitment through MoU with Sarawak Economic Development Corporation (“SEDC”) to contribute to the development of STEM-focused programmes in Sarawak. Enhanced the employability of 52 youths through our Velesto Trainee Scheme (“VTS”)  | <ul style="list-style-type: none"> 19% increase of women hired into the workforce in 2023. Participated actively in the Malaysian Chapter of the 30% Club. Women make up 44% of our Board, 36% of our Senior Management and 51% of our Executive Employees. The Velesto's President appointed as mentor into the Malaysia Chapter of 30% Club to provide guidance to future woman leaders.  | |
| <ul style="list-style-type: none"> Enforced codes and policies ensuring fair labour practices and secure working conditions. Practised equal pay for equal work and aimed for wages above minimum wage. Zero workplace fatalities or LTIs recorded during 2023. Facilitated employee representation on HSE committees for improved conditions. Integrated new technologies for enhanced HSE oversight.  | <ul style="list-style-type: none"> Achieved a 28% reduction in emissions intensity per operating day and 62% reduction in intensity per RM1.2bil revenue during 2023. 50% of our rigs fitted with RPMS for efficient fuel consumption. Installation of solar powered lightings and rain water harvesting system at supply bases. Installation of LED lights in stages on our rigs.  | |
| <ul style="list-style-type: none"> Marine ecosystem impact control in accordance with requirements of EIA and other environmental regulations on project basis. More than 500 corals planted as part of our marine conservation and awareness effort at Perhentian Island.  | <ul style="list-style-type: none"> Assessed 86% of our operations for corruption-related risks and provided anti-corruption trainings to 401 employees. Launched a new Velesto Anti-Corruption Plan (“VACP”) book in 2023.  | <ul style="list-style-type: none"> Local talent development via our Velesto Drilling Academy (“VDA”) in collaboration with Universiti Teknologi Petronas (“UTP”) and Institut Teknologi Petroleum PETRONAS (“INSTEP”). Road safety awareness campaign in collaboration with Projek Lintasan Kota Holdings Sdn Bhd (“PROLINTAS”). MoU with SEDC in promoting education for sustainable development in Sarawak. Coral research and conservation programme in collaboration with the with Universiti Malaysia Terengganu (“UMT”) and the Alunan Coral Project.  |

SUSTAINABLE VALUE CREATION

RESPECTING THE ENVIRONMENT

As a rig operator in the oil and gas industry, we are dedicated to mitigating the potential environmental impact arising from our operations and actively contributing to efforts to address climate change.

With oil and gas continuing to play an important role in upholding global energy security amidst the ongoing energy transition, we remain steadfast in our commitment to proactively manage emissions, reduce our environmental footprint and protect natural ecosystems.



OUR ENVIRONMENTAL MATTERS



Climate Change including Energy & Emission Management

CLIMATE CHANGE INCLUDING ENERGY & EMISSION MANAGEMENT

WHY IT MATTERS

Climate change is an urgent concern for the entire energy sector, as every aspect of environmental impact, including energy usage, emissions, pollution, biodiversity, and water and waste management, contributes to advancing the goals set forth in the Paris Agreement. The collective efforts of all oil and gas industry players will be vital in curbing emissions to restrict the global temperature rise to no more than 1.5°C above pre-industrial levels.

Our climate action initiatives will additionally contribute to building a resilient business model conducive to long-term value creation. This includes factors such as meeting regulatory requirements, fulfilling evolving stakeholder priorities, maintaining asset and site accreditations, achieving cost savings through resource efficiency, and safeguarding our brand reputation and stakeholder goodwill.




Managing Environmental Impact



Nature & Biodiversity

SUSTAINABLE VALUE CREATION

MANAGEMENT APPROACH

| Approach | Management description and initiatives |
|--|--|
|  <p>Climate governance</p> | <ul style="list-style-type: none"> The Board exercises diligent oversight over all climate-related aspects of our business, ensuring strict adherence to relevant standards. The Group is also considering and planning the formulation of a sustainability policy, in which climate change will be emphasised as a pivotal governance concern. In setting our commitments, we have set emission targets during FY2022 to achieve a 10% reduction in emissions intensity per operating day and 30% reduction in emissions intensity in terms of revenue by 2030. These objectives have been incorporated not only into our corporate scorecard but also into the Key Performance Indicators ("KPIs") of our operational teams. During the past year, we have also enhanced our alignment with the Task Force on Climate-related Financial Disclosures ("TCFD"), further solidifying our climate strategy and risk management framework as we pledge our commitment to Net Zero 2050 ambition in 2024 and ramp up to develop our decarbonisation strategy and roadmap. In support of the new commitment, Velesto will be revising its current emission targets to a more ambitious target aligned with the Paris Agreement. This will be finalised upon the completion of our upcoming decarbonisation roadmap. <p><i>Read more in our TCFD section on page 67 of this Report.</i></p> |
|  <p>Data monitoring & disclosure</p> | <ul style="list-style-type: none"> We recognise the importance of accurate measurements and disclosures in driving us towards our climate ambitions. Our practices in this area, which currently extend to monitoring our Scope 1, Scope 2 and limited Scope 3 emissions, are guided by recognised international practices such as GRI, alongside local capital market requirements stipulated by BURSA Sustainability Reporting Requirements and F4GBM. Simultaneously we have adopted the GHG Protocol Corporate Standard to align our data collection and emissions calculation with international best practices. Moving forward, we will be focusing on enhancing our emission inventory across scope 1 and 2, expanding our Scope 3 disclosures and validating our emissions baseline to support the development of our Net Zero 2050 roadmap. |
|  <p>Technology</p> | <ul style="list-style-type: none"> Our primary sources of energy consumption are the diesel used to power our rigs and HWUs, and the electricity consumed by our onshore operations, which include our corporate headquarter and warehouses in Malaysia, as well as our oilfield services in Tianjin, China. To optimise energy consumption, we are actively adopting new technologies and practices that increase energy efficiency across all aspects of our operations. Our Energy and Emissions Optimisation Initiatives in 2023: <ul style="list-style-type: none"> Asset Care – piloted on one of our rigs (NAGA 4) with emission profiling module to help better understand our power consumption and efficiency level by equipment/ machinery onboard. Allow for insights to plan for emission management improvement. Digital Dashboard – to monitor our emission trend across our operational activities to provide analytics of our performance on monthly basis. Rig power management system ("RPMS") - Utilised RPMS at NAGA 4, 5 and 8, which possesses the capability to detect when rig equipment requires lower power. By autonomously adjusting the engine for more efficient energy usage during drilling operations, we can reduce engine running hours and associated emissions. Variable frequency drive ("VFD") – all top drive drilling equipment are built in with VFD for efficient energy distribution during activity. In 2023, similar approach is being piloted for other equipment such as at the accommodation AHU. Efficient lighting – implemented in stages on the rigs with focus on accommodation area. Continuous assessment and capital allocation into piloting new technology that helps with process efficiency and decarbonisation of our operation including energy storage system, greener alternative fuel, and other emerging technology. |
|  <p>Stakeholder engagement & capability building</p> | <ul style="list-style-type: none"> We persist in conducting awareness and knowledge-sharing sessions on sustainability, climate change and energy management through town halls, focus groups and other platforms. Additionally, we regularly update our emission performance to clients for project reporting and engage with key stakeholders, such as investors, to ensure transparency. In 2024, we have incorporated capability-building sessions as operational KPIs to further instill a culture of sustainability appreciation within our workforce. |

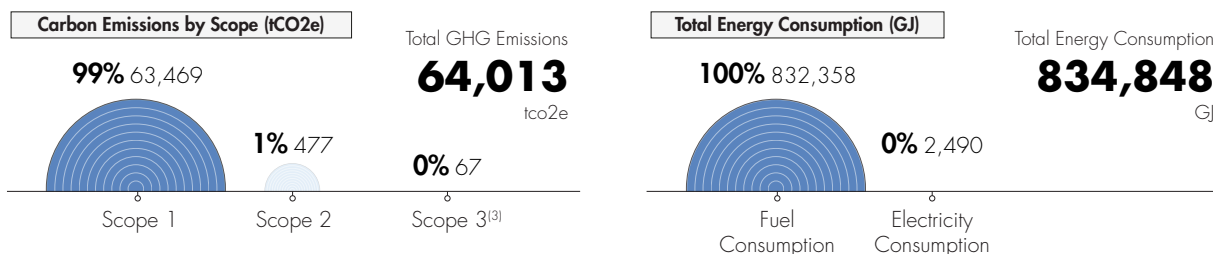
SUSTAINABLE VALUE CREATION

OUR PERFORMANCE

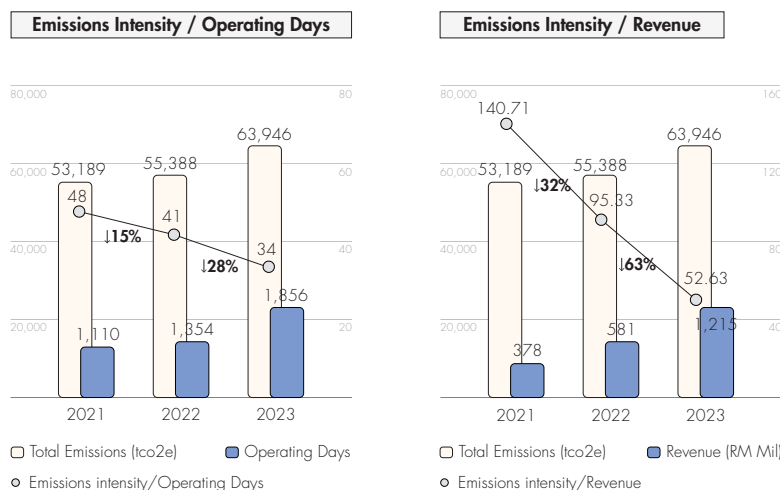
Our two primary sources of energy consumption are the diesel used to power our rigs and HWUs, as well as the electricity consumed by our onshore operations, which include our corporate headquarter and warehouses in Malaysia, as well as our oilfield services in Tianjin, China. To guide our disclosures, we adhere to the assets under control methodology, with the following list outlining the boundaries of our operational footprint.

| Scope 1 (Diesel) | Scope 2 (Electricity) |
|--|---|
| <p>Rig Operations</p> <ul style="list-style-type: none"> NAGA 2, NAGA 3, NAGA 4, NAGA 5, NAGA 6, NAGA 8 <p>Hydraulic Workover Units ("HWUs")</p> <ul style="list-style-type: none"> GAIT 1, GAIT 5, GAIT 6 | <ul style="list-style-type: none"> Office (KL Headquarter) Warehouse (Kemaman and Labuan) Oilfield Services (Tianjin)⁽¹⁾⁽²⁾ |

2023 TOTAL GHG EMISSIONS GENERATED AND ENERGY CONSUMPTION



3-YEARS EMISSIONS INTENSITY / OPERATING DAYS AND EMISSIONS INTENSITY / REVENUE



Achieved 28% reduction
carbon intensity / operating days
VS
Target 10% reduction by 2030

Target Achieved

Achieved 62% reduction
carbon intensity / revenue
VS
Target 30% reduction by 2030

Target Achieved

While our total emissions increased in 2023 compared to the previous year, this was primarily due to a higher number of operating days and utilisation rate at our rigs, which contribute 99% of our emissions. The true success of our initiatives outlined above are highlighted within our emissions intensity results, whereby we achieved a 28% reduction in carbon intensity per operating days and a 62% reduction in carbon intensity per unit revenue.

These results already surpass our 2030 targets of achieving a 10% reduction in carbon intensity per operating days and a 30% reduction in carbon intensity per unit revenue. Moving forward, we will closely monitor our performance and undertake a reassessment of our climate targets in tandem with our ongoing results.

⁽¹⁾ For the purpose of sustainability reporting, we are currently including Tianjin oilfield services only for emission (Scope 2) data disclosure.
⁽²⁾ Veleso will continue to establish data collection and monitoring of other material matters for our oilfield services operation for future disclosure
⁽³⁾ Veleso in FY2023 has included the measurement of Business Travel (by land), in addition to Business Travel (by air) in its Scope 3 disclosure

SUSTAINABLE VALUE CREATION

MANAGING ENVIRONMENTAL IMPACT

WHY IT MATTERS

Our operations primarily revolve around resource extraction from the marine environment. This pollution sensitive ecosystem requires us to uphold the highest standards in pollution mitigation and control, as incidents like major oil spills or improper waste disposal can affect marine ecosystems and coastal communities. Therefore, we place great emphasis on preventing spills during the use of drilling fluid or fuel, and responsibly managing hazardous waste and effluents generated from our operations and water consumption to ensure minimal to no environmental impact.

OUR APPROACH

| Approach | Management Description and Initiatives |
|---|---|
| Robust Governance of Environmental Matters | <ul style="list-style-type: none"> The Board, through the BRMC, maintains vigilant oversight on all matters pertaining to our environmental impact, receiving quarterly updates on initiatives and performance during scheduled BRMC meetings. The Group's commitment to environmental excellence is underscored by the attainment of ISO 14001:2015 certification across all subsidiaries, with annual audits conducted to affirm our adherence to globally recognised standards. We have established specific objectives and targets to drive awareness and concerted action across our operations, with our primary goal within the realm of environmental management being to maintain an impeccable track record of zero major spills. Moving forward, we aim to conduct a more in-depth analysis of our performance parameters and explore the feasibility of setting targets for addressing additional environmental impacts. Concurrently, we are committed to continuously advancing our efforts in responsibly managing resources such as water and minimising the waste generated by our operations. |
| Advocating Policy and Regulatory Adherence | <ul style="list-style-type: none"> Our environmental management practices are subject to stringent regulations, ensuring that our operations align with the commitments outlined in our various environmental policies and procedures (refer to page 15 for details on our Velesto Group policies). All our offshore rig designs are certified according to American Bureau of Shipping ("ABS") and Det Norske Veritas ("DNV") classifications, with our waste management plans adhering strictly to the requirements of the Annexes of the International Convention for the Prevention of Pollution from Ships (MARPOL 73/78), covering aspects such as waste management, spill containment, effluent management and more. Certain types of waste generated from both our offshore and onshore operations require specialised handling procedures. These wastes are transferred to shore and managed in an environmentally responsible manner, adhering to the standards set by the Malaysia Department of Environment's ("DOE") Environmental Quality (Scheduled Waste) Regulation 2005. |
| Robust Monitoring and Disclosure | <ul style="list-style-type: none"> Our measurement and disclosure of environmental metrics pertaining to water, waste and pollution adhere to recognised international practices such as GRI, alongside local regulations outlined by Bursa Malaysia and F4GBM. These metrics, detailed in the ESG performance table on page 73-82 of this report, undergo periodic monitoring and are regularly updated to management for analysis of performance and areas of improvement. |
| Implementing Controls and Technologies | <ul style="list-style-type: none"> We consistently integrate a range of technologies, systems and processes to uphold responsible environmental practices and mitigate environmental risks throughout our operations and ongoing projects. Our waste management practices involve meticulous segregation of waste into categories such as general waste, scheduled waste and recyclable waste. To comply with regulations, we maintain sufficient storage capacity for waste and have installed dedicated Sewage Treatment Systems onboard each rig. These systems treat our sewage in accordance with best practices, ensuring no adverse environmental impacts upon discharge into the sea. In terms of water usage, our offshore operations primarily utilise seawater for rig activities, with the majority of seawater withdrawn for drilling and cleaning purposes. The remaining seawater undergoes filtration and distillation via reverse osmosis to ensure it meets potable standards for consumption by the crew. Regarding effluents, we adhere to a strict zero discharge policy within our offshore operations to prevent pollution in the surrounding marine environment. Moreover, our rigs are equipped with spill containment systems certified by regulatory bodies like ABS and DNV, demonstrating our comprehensive approach to preventing direct environmental pollution. |

SUSTAINABLE VALUE CREATION

| Approach | Management Description and Initiatives |
|--|---|
| Enhancing Competencies and Engagement | <ul style="list-style-type: none"> To ensure our workforce and crew receive adequate trainings in managing scheduled wastes and maintain full compliance with legal requirements, a number of our employees undergo the Certified Environmental Professional in Scheduled Waste Management ("CePSWAM") training. This training programme is offered by the Environment Institute of Malaysia ("EiMAS") under the auspices of the DOE. We have also established a Waste Management Task Force to enhance waste management across our operations and implement improvements to our waste management framework. Additionally, we regularly update our clients on our performance and initiatives to ensure alignment with their guidelines and expectations. |

OUR PERFORMANCE

In FY2023, we maintained our record of zero environmental non-compliance or major spills while further reducing water consumption intensity per operational day. Only one minor spill was recorded during the year.

We remain vigilant to the environmental risks attributed to our increase operational activity, with higher rig utilisation over the past year contributing to 34% rise in our water consumption and 62% increase in scheduled waste generation. However, we have continued to ensure that none of our water requirements rely on water extracted from water stressed areas.

While we view this a commendable performance, we recognise that more can be done.

Moving forward, we are committed to enhancing waste circularity through comprehensive assessments and a deeper understanding of our overall waste streams.

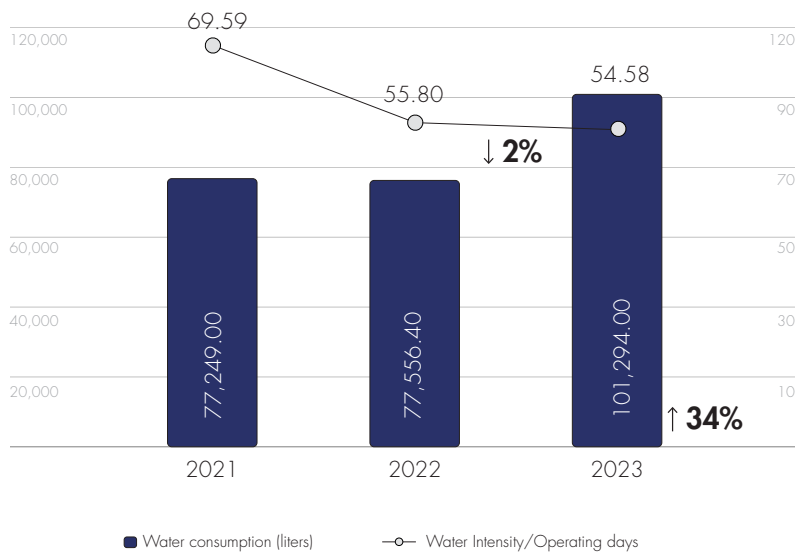


Environment non-compliance ZERO



Major Spill ZERO

3-YEARS WATER CONSUMPTION AND INTENSITY/ OPERATING DAYS (LITERS)



SUSTAINABLE VALUE CREATION

NATURE & BIODIVERSITY

WHY IT MATTERS

With the majority of our operations taking place in natural marine environments, we understand the importance of conducting offshore activities in a manner that preserves natural oceanic ecosystems, minimising and preventing any negative impacts on marine life and biodiversity resulting from our business activities. Furthermore, as responsible corporate citizens, we are committed to conservation efforts aimed at preserving nature and biodiversity. Through outreach initiatives and engagement with local communities, we strive to raise awareness and promote collective action towards this shared goal.

OUR APPROACH

| Approach | Management Description and Initiatives |
|--|--|
| Stringent Guidelines to Ensure Responsible Operations | <ul style="list-style-type: none"> To ensure effective governance and oversight on nature and biodiversity impacts, we have established a Marine Operations Policy that outlines the stringent measures our operational teams should adopt to safeguard the surrounding environment during our offshore operations. This policy ensures that thorough due diligence is conducted before initiating new projects. This includes ensuring that projects are not undertaken in biodiverse areas and requiring clients to conduct comprehensive Environmental Impact Assessments ("EIAs") to assess biodiversity risks at each site. Additionally, we collaborate closely with our clients to avoid areas with significant biodiversity value or habitats for rare and endangered species listed on the IUCN Red List. |
| Adopting Operational Controls to Prevent Impact | <ul style="list-style-type: none"> Various practices have been adopted as standard operating procedures ("SOPs") to ensure minimal impact on natural ecosystems during our offshore activities. A direct approach to preserving marine ecosystems is our utilising the seabed survey reports from client EIAs to strategically position our rigs to minimise interference with aquatic habitats, fish populations and migratory routes. Indirectly, our collective efforts to embed accident prevention, pollution avoidance and carbon footprint mitigation practices in our operations also contributes to a net positive impact towards safeguarding marine biodiversity. Additionally, we pay close attention to minimising environmental impact during decommissioning activities. This includes preventing potential oil spillages that could pollute marine environments, avoiding physical disturbance to the seabed and surrounding ecosystems, and mitigating the risk of introducing invasive or diseased species to new rig sites if marine organisms are still attached to the rig structure. All plug and abandonment projects are conducted in full compliance with local and international regulatory frameworks, including the ASCOPE Decommissioning Guidelines for Oil and Gas Facilities and the DOE Environmental Impact Assessment Guidelines for Petroleum Industries. |
| Stakeholder and Community Engagement | <ul style="list-style-type: none"> Through ongoing engagement with regulators, government agencies, and industry peers, we stay informed about regulatory changes and best practices to ensure that our drilling and decommissioning processes minimise biodiversity loss. We also collaborate closely with our contractors to ensure that their practices meet robust environmental standards consistent with our commitment to environmental responsibility. Simultaneously, we engage with the broader community to actively participate in biodiversity conservation projects. Since FY2022, we have partnered with the Faculty of Science and Marine Environment of Universiti Malaysia Terengganu ("UMT") and Alunan Coral Project to support coral reef restoration efforts at Perhentian Island in Terengganu. Over the past two years, we have completed two phases of the programme, planting more than 500 new coral fragments across two coral nurseries. In addition to our restoration efforts, we conduct educational activities to raise awareness of coral preservation among local populations, and have undertaken a survey of fish diversity to gain a deeper understanding of the surrounding aquatic communities. |

SUSTAINABLE VALUE CREATION

OUR PERFORMANCE

Prior to every drilling campaign, we will review the EIA assessments conducted by the clients and reassessed our HSE case to ensure mitigation and control processes in place in avoiding potential damage to surrounding marine ecosystem. These were reviewed in reference to guideline from global and local frameworks like the International Union for Conservation of Nature ("IUCN") and DOE Environmental Impact Assessment Guidelines for Petroleum Industries of which we found that none of our operational areas were adjacent to sites classified as rich in biodiversity.

Beyond operational control of our projects, Velesto continues to commit to conservation efforts in particular our coral restoration site in Pulau Perhentian. In FY2023, we spent a total of RM63,357 on this initiative, a 41% increase compared to the year prior. In recent analysis of coral growth, we identified that four different species of the corals we planted in 2022 have already begun to grow, indicating that our efforts are on the right track.

We have also advanced public awareness and awareness on our coral planting project, while adopting technology to increase accessibility to these corals. Through the use of virtual reality, we provide an opportunity for those who are unable to enter the ocean, such as young children, the elderly and the physically challenged, to obtain an immersive educational experience through remote learning.

Our commitment to supporting marine biodiversity drew industry recognition over the past year, with our coral nursery project being awarded the CSR Initiative of the Year for the Oil and Gas sector at the 2023 Malaysia Excellence Awards presented by Asian Business Review Magazine. As the only oil and gas company engaged in coral reef restoration in Perhentian Island, we are dedicated to continuing this conservation programme in the years ahead.



Number of **biodiversity assessment** undertaken on new site

4

VS 1 FY2022



ZERO
OPERATIONS

within or adjacent to **SITES DEEMED RICH IN BIODIVERSITY**



Budget spend on **biodiversity and conservation effort**

RM63,357

41% INCREASE COMPARED TO YEAR 2022

SUSTAINABLE VALUE CREATION

EMPOWERING PEOPLE



We are committed to addressing the needs and expectations of our workforce and the local communities where we operate.

We recognise our employees as integral to our value creation aspirations, and as such, we prioritise building a diverse workforce that is well-supported in terms of their well-being and development. Additionally, we acknowledge our responsibility to the broader society and undertake various initiatives aimed at driving positive outcomes for local communities.

| | | | | |
|---|---|---|---|--|
|  <p>Safety & Health</p> |  <p>Fair Employment Practices</p> |  <p>Protecting Human Rights</p> |  <p>Diversity & Inclusion</p> |  <p>Community Impact</p> |
|---|---|---|---|--|

SAFETY & HEALTH

WHY IT MATTERS

Ensuring the safety and health of our workforce is paramount at Velesto, particularly in terms of safeguarding employees from occupational hazards during offshore oil and gas operations. Our robust safety practices not only mitigate potential impacts to our operations but also drive speed, reliability, productivity and morale among employees. Maintaining a strong safety track record further enhances our reputation, protects our licenses and gives us a competitive edge in contract bids. We thus take all necessary precautions to protect employees and have inculcated safety awareness as an integral part of our business culture.

SUSTAINABLE VALUE CREATION

OUR APPROACH

| Approach | Management Description and Initiatives |
|--|---|
| Stringent Leadership and Oversight | <ul style="list-style-type: none"> To ensure effective leadership and oversight of all safety and health matters, we have established a dedicated corporate HSE Committee that is chaired by Velesto's President, who serves as the Group's primary advocate for all HSE matters. In discharging his duties, our President is further supported by the Board and the Senior Management team. At the highest level, OSH matters are discussed during full Board meetings and quarterly meetings of the Board Risk Management Committee ("BRMC"). Our HSE Division and HSE Committees report to the Board Risk Management Committee, and are responsible for monitoring and enhancing overall HSE performance across our business operations. To ensure leadership personnel remain informed about relevant OSH issues and are able to monitor ongoing performance, the HSE Division conducts monthly HSE Operations Meetings, which are led by our Vice President of Operations and attended by Rig Managers, HSE Heads and HSE Managers. The President and Senior Management team also participate in regular site visits to emphasise their commitment to employee safety and well-being, including those working offshore. These visits serve to foster a strong safety culture and boost employees' morale. In 2023, a total of 57 Management HSE visits were conducted, with our President attending 11 of these excursions. |
| OSH Policies and Scorecard KPIs | <ul style="list-style-type: none"> To foster a safety-conscious culture, we have implemented a robust HSE Policy and an OSH Policy that meets all regulatory requirements, including the Malaysian Occupational Safety and Health Act. This is supported by a comprehensive OSH Management System that was developed in accordance with global best practices and certified to ISO 45001, ISO 14001 and ISO 29001 standards. To underscore our commitment to driving OSH excellence and establish clear performance expectations, KPIs related to safety and health have been incorporated into the scorecards of HSE leadership and management teams. We benchmark our safety performance against industry standards and internal performance targets, which include parameters such as achieving zero Lost Time Incidents ("LTI"). |
| Identifying and Mitigating OSH Risks | <ul style="list-style-type: none"> We adopt a vigilant approach to identifying potential health and safety risks across our worksites and value chain, deploying the use of Hazard Identification, Risk Assessment and Risk Control ("HIRARC") and taking into account a wide range of factors such as exposure to chemical health risks, noise pollution, near miss incidents and potential hazards, amongst others. Prior to the commencement of projects or rig operations at a new site, we carry out OSH risk assessments to uncover risks unique to a particular location or task. Once risks are identified, HSE Heads and Managers play a key role in facilitating the analysis and evaluation of risks, along with proposing appropriate action plans and mitigation strategies to prevent potential incidents from occurring. Further to this, we may periodically reassess risks at existing operations as and when required, such as in the event of weather changes, process variations or occurrence of OSH incidents. We also ensure that our HSE Committees comprise a mix of management and employee representatives. This diverse composition enables our leadership teams to better understand the challenges faced by on-ground crew members, facilitating continuous improvement in risk mitigation and precautionary practices. All significant OSH risks are thoroughly discussed and addressed in quarterly meetings of the HSE Committee. |
| Initiatives to Drive a Robust HSE Culture | <ul style="list-style-type: none"> We prioritise employee safety and health through comprehensive measures, with preventative maintenance being a key strategy to prevent OSH incidents caused by equipment malfunction. We adopt industry recommended practices, alongside API and OEM guidelines, when conducting regular maintenance on our assets, and seek input from independent consultants and clients to ensure our equipment meets required standards. Additionally, we conduct annual internal audits of our facilities and provide trainings for auditing staff to ensure a thorough understanding of safety standards and their application. Details of internal audits conducted during FY2023 are outlined in the accompanying table. |

SUSTAINABLE VALUE CREATION

| Approach | Management Description and Initiatives |
|--|--|
| Implemented a Stop Work Policy | <ul style="list-style-type: none"> Stop Work Policy to empower employees to halt work in the face of a potentially unsafe situation. This policy serves to enhance accountability amongst employees while enabling a prompt response to prevent escalation of potentially catastrophic OSH incidents. In 2023, a total of 33,000 Time Out For Safety ("TOFS") stop-work orders were issued. In the event of HSE emergencies, we rely on our Emergency Control Centre ("ECC") at Plaza Sentral and conduct regular mock simulations and drills to ensure preparedness for major disruptions. Weekly emergency drills are conducted on rigs, and annual fire drills are carried out at other facilities. Additionally, we have developed an Emergency Response Plan ("ERP") for all Velesto facilities and established an Emergency Response Team ("ERT") to swiftly respond to incidents. |
| Leveraging Technology to Enhance Safety | <ul style="list-style-type: none"> We allocate significant resources to maintain and enhance our practices and infrastructure, including investing in cutting-edge innovations such as the Synergi Life's QHSE software. In 2023, we initiated the implementation of the Synergi Life ESG module to further strengthen our capabilities in managing ESG-related data. To improve our incident investigation capabilities, we have implemented an Investigation Management System Procedure that utilises incident investigation software such as Tripod Beta and Systematic Cost Analysis Technique. These tools provide detailed insights into incidents, enabling our investigation team to identify causation paths and weaknesses in current safety measures, propelling the development of improvement plans. |
| Driving HSE Engagement Amongst Employees | <ul style="list-style-type: none"> To enhance safety and health awareness among our workforce, we utilise various communication platforms such as briefing sessions, HSE meetings, posters, notice boards, bulletins, emails, memos and videos to disseminate information about our OSH Policies, standards and practices. Additionally, our HSE training programme offers a wide range of industry-specific trainings to equip employees with the necessary competencies for safe and effective job performance, with the following topics covered during FY2023. |
| Employee Representation on HSE Committees | <ul style="list-style-type: none"> In our belief that employees should play a meaningful role in OSH management, we have established a HSE Committee that comprises a mix of management and employee representatives from both the Operations and Corporate Divisions. Through these quarterly HSE Committee meetings, we empower employees to contribute directly to their working conditions and leverage the informed insights and suggestions of frontline workers who face the most significant OSH risks. This two-way engagement enables employees to take ownership of their work environment, and promotes a culture of accountability and compliance guided by established systems, processes and procedures. In addressing any HSE issues raised by employees, the HSE Committee is sanctioned to proactively determine and implement the necessary measures to uphold safety and security across our working sites. We are pleased to have retained 100% employee representation on our HSE Committee during FY2023. |



In 2023, our President attended **11 HSE site visits** to engage with offshore and onshore workers



In 2023, we retained **100% employee** representation on our HSE Committee

FY2023 Internal audit assessment

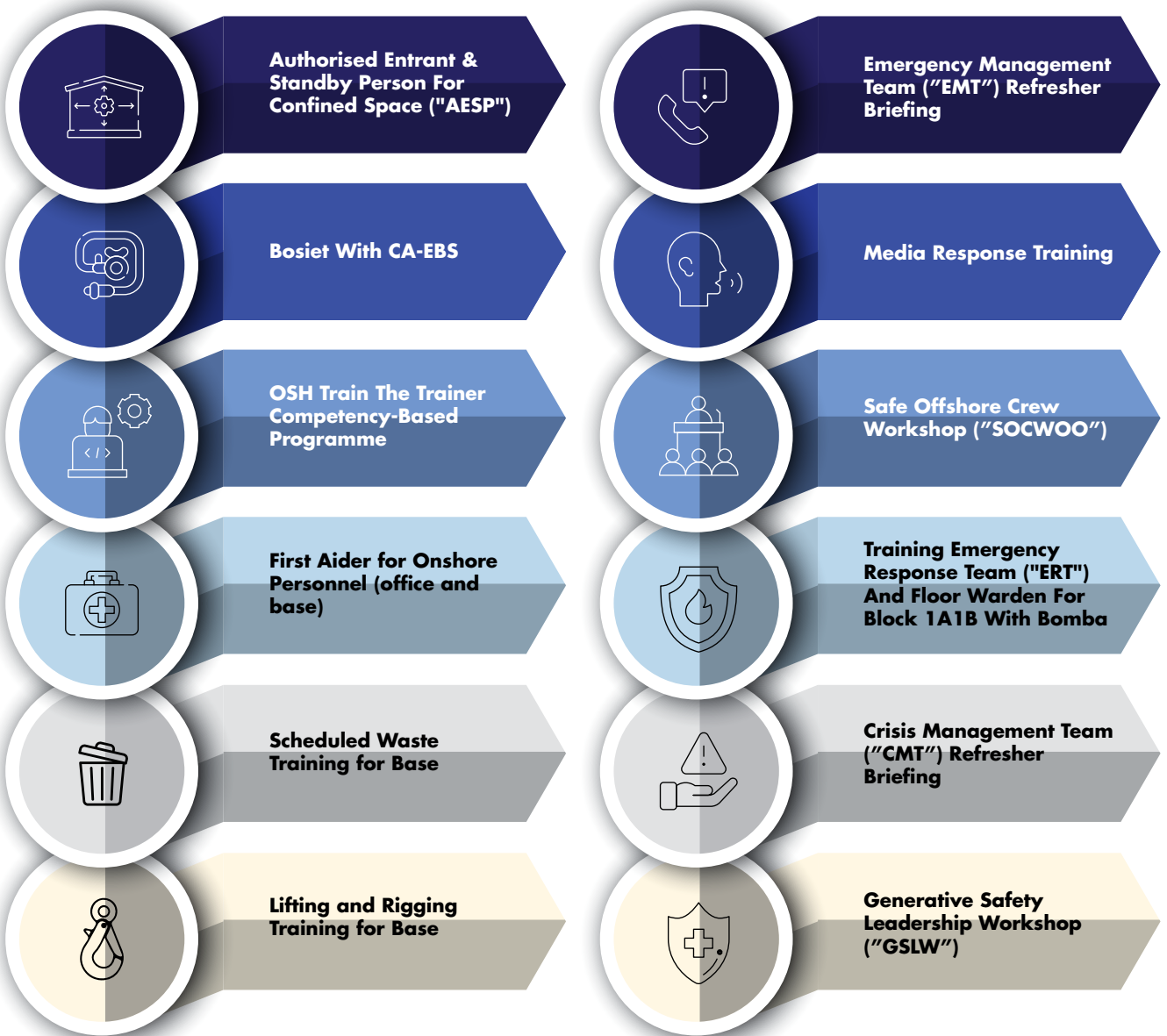
| Date | Asset / Operational Site | Type Of Audit |
|-------------------|--------------------------|----------------|
| 7 – 9 March | KSB | Physical Audit |
| 27 – 29 March | NAGA 2 | Remote Audit |
| 9 – 10 May | GAIT 6 | Physical Audit |
| 17 – 19 July | NAGA 4 | Physical Audit |
| 14 – 18 August | NAGA 5 | Physical Audit |
| 12 – 15 September | GAIT 5 | Remote Audit |
| 25 – 27 September | ASB | Physical Audit |
| 6 – 9 November | NAGA 3 | Remote Audit |

SUSTAINABLE VALUE CREATION

HSE Initiatives and programme




At the ground level, we promote safety awareness and responsibility on a daily basis, during toolbox meetings, shift change meetings and other scheduled engagements. Leadership involvement and guidance on HSE matters are facilitated through townhall meetings, committee engagements and messages in our newsletter. We also disseminate periodic HSE Alerts to share lessons learned from past incidents and retain these advisories on the HSE Bulletin Board for reference.

Additionally, our HSE training programme offers a wide range of industry-specific trainings to equip employees with the necessary competencies for safe and effective job performance, with the following topics covered during FY2023:



SUSTAINABLE VALUE CREATION

Aside from these core initiatives, the following programmes were also undertaken during 2023 to further reinforce awareness, provide updates on latest developments and promote learning through friendly competition:

| HSE Initiative | Description and Objectives |
|--|---|
|  Generative Safety Leadership Workshop | <ul style="list-style-type: none"> A two-day workshop that featured the involvement of top management and client representatives, aiming to foster a safety culture within Velesto where every employee takes ownership and contributes to enhancing safety. A total of six sessions were conducted with 195 crew members. |
|  Safe Offshore Crew Workshop | <ul style="list-style-type: none"> A knowledge sharing and leadership coaching initiative that served to remind employees of our expectations on HSE matters while inculcating a collective and united spirit towards achieving our HSE targets. The full-day event was attended by all offshore crew as well as client representatives. |
|  Behaviour in Focus ("BIF") | <ul style="list-style-type: none"> The BIF Programme remains a core strategy for maturing our HSE culture, seeking to drive progress by identifying undesired behaviours and reinforcing the correct safety behaviours. Employees are encouraged to send in their HSE suggestions, with the best monthly BIF being selected and rewarded each quarter. |

OUR PERFORMANCE

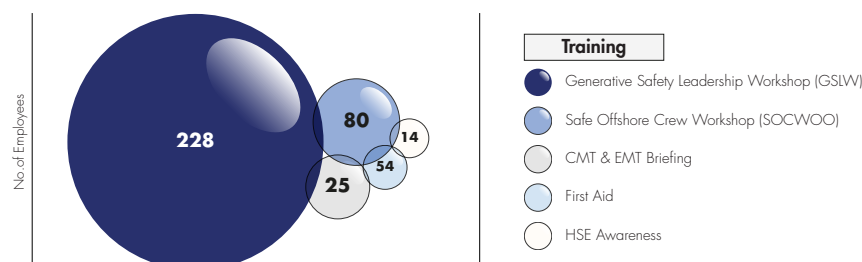
Despite recording 2.5 million manhours worked during FY2023, we are pleased to report that our various initiatives and practices have successfully enabled us to achieve our targets of zero fatalities and zero LTIs recorded during the year. However, we marked a slight increase in recordable work-related injuries due to three medical treatment cases and one first aid case.


We have also stepped up our employee training efforts, with a total of 401 employees trained on various HSE matters throughout the year. Moving forward, we will continue to seek new and innovative solutions to enhance workplace safety and health, while further embedding a culture of safety, responsibility and accountability across our workforce.

Our HSE Targets and FY2023 Results

| Annual HSE Target | FY2023 Performance | |
|-------------------|--------------------|--------------|
| Zero fatalities | Zero fatalities | Achieved |
| Zero LTI | Zero LTI | Achieved |
| TRCF below 1.0 | TRCF Rate 1.56 | Not achieved |

No. of employees trained on health and safety standards






Lost Time Injury & Fatalities

ZERO


Target Achieved



Total Manhours Worked


2.5 MIL

Increased 27% compared to FY2022



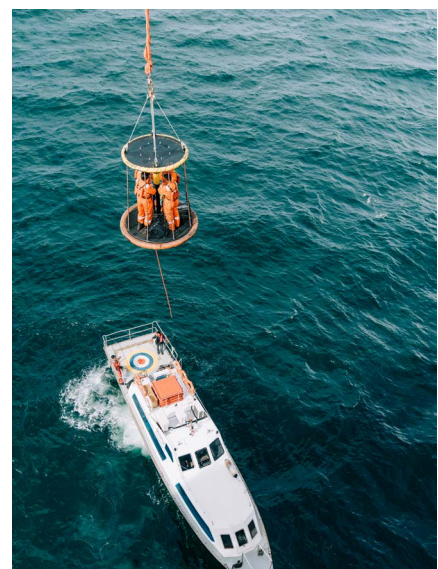
Lost Time Injury Frequency ("LTIF")

ZERO



Number of employees trained on HSE standard

401



SUSTAINABLE VALUE CREATION

FAIR EMPLOYMENT PRACTICES

WHY IT MATTERS

Recognising the pivotal role of our people in our success and sustainability, we prioritise providing them with a supportive and engaging environment to unleash their full potential. Through learning programmes, career development pathways, competitive compensation, comprehensive benefits and wellbeing initiatives, we empower our workforce to grow alongside the organisation and cultivate a culture of excellence and innovation. These initiatives also enhance our ability to attract and retain top industry talent, crucial for achieving our overarching ambitions.

OUR APPROACH

| Approach | Management Description and Initiatives |
|--|--|
| Robust Governance and Policies | <ul style="list-style-type: none"> The Board of Directors through BNRC assumes a fundamental role in overseeing our talent retention and development strategies, ensuring that our human resources policies align with our business objectives and monitoring Key Performance Indicators ("KPIs") relating to employee engagement, retention and development. To support the Board in these efforts, we established the Velesto Talent Council ("VTC") in FY2021, through which Senior Management personnel collaborate with Group Human Resources Division to set overarching goals and strategies for addressing talent gaps and challenges within the organisation. Evaluation of our talent management framework centres on metrics such as employee productivity and business performance. Monthly reports on employment data covering areas like hiring, attrition, trainings and diversity indicators serve as key insights for refining our talent management strategies. To ensure Group-wide adherence to fair employment practices, we have established various overarching Group policies, most notably our Code of Business Conduct and Ethics ("CoBE"), Policy Statement on Human Rights and Labour Standards, and our Policy Statement on Recruitment Management System Procedures. |
| Recruitment and Onboarding Practices | <ul style="list-style-type: none"> We maintain fair and non-discriminatory practices throughout our recruitment process, with the exception of prioritising local candidates for job vacancies if they meet the necessary requirements. Successful hires receive detailed contracts outlining their roles, responsibilities and remuneration, promoting transparency and fairness. New hires undergo a thorough induction process covering their rights and entitlements as per local laws and Group policies, including those related to human rights, corruption and ethical conduct. Additionally, compulsory HSE induction sessions acquaint all new employees with safety protocols and procedures. This comprehensive induction procedure aids new hires in adapting to our organisational processes, communication channels and corporate culture, facilitating their adjustment to the work environment and ensuring a positive experience at Velesto. |
| Competitive Remuneration and Benefits | <ul style="list-style-type: none"> To foster a high-performance culture, we implement merit-based compensation systems evaluated against individual, team and Group KPIs, alongside considerations of seniority and qualifications. Regular assessments ensure the competitiveness of our compensation and benefits packages in line with industry standards, with adjustments made as needed subject to financial feasibility. We offer a wide array of benefits to fulltime employees, encompassing both mandatory benefits as stipulated by Malaysia's Employment Act 1955 and additional perks provided at the Company's discretion. These supplementary benefits are strategically offered to uphold our ability to attract and retain top industry talent. ESOS options were granted to eligible employees. <p><i>Example of benefits offered to our employees are outlined in the section below.</i></p> |
| Training, Development and Appraisals | <ul style="list-style-type: none"> We invest significantly in employee training to equip our staff with the essential knowledge and skills that align with our long-term aspirations. Courses and programmes are predominantly delivered through various electronic communication platforms, and are customised to address individual requirements. During the annual appraisal process, we assess competency gaps and collaboratively devise a comprehensive personal development plan for each employee with input from Human Resources, the individual and their supervisors. Subsequently, we establish training KPIs for employees to fulfil before their next annual appraisals. Our appraisal process is constructive and two-way, empowering employees to provide insights on their performance or challenge results through our formal grievance mechanism. This feedback loop also helps evaluate the effectiveness of our training programmes, with feedback solicited from employees through Training Evaluation Forms and utilised to pinpoint areas for enhancement and ensure our training initiatives meet the evolving needs of our workforce. |

SUSTAINABLE VALUE CREATION

| Approach | Management Description and Initiatives |
|---|---|
| <p>Robust Employee Engagement</p> | <ul style="list-style-type: none"> Valuing transparent and timely communication with our staff, we maintain regular engagement through both physical and virtual channels. A new initiative launched in FY2023 was the 'Learning Over Lunch with President' programme, which leverages direct interaction with leadership to motivate and inspire our workforce, while fostering transparency and building rapport. Additionally, quarterly town hall meetings remain a cornerstone of our communication strategy, providing a platform for Senior Management to engage with all employees. We have also continued to embrace new digital tools to enhance employee engagement, with our Velesto Inspires Me ("VIME") digital magazine covering topics such as self-management, culture and sustainability to educate employees and provide them with a central space to connect and engage. As part of our commitment to employee engagement, we conduct a biennial Employee Engagement Survey, achieving a score of 79% in our last survey. In response to feedback from previous surveys, we have implemented initiatives to address key issues and enhance employees' satisfaction. Moreover, we continually implement a variety of initiatives and incentives to demonstrate appreciation for our employees' dedication, while rewarding top performers for their invaluable contributions to our success. |
| <p>Adopting Two-Way Evaluations</p> | <ul style="list-style-type: none"> Our formal appraisal practices for all employees are pivotal for identifying individual training needs and determining annual compensation packages, which include staff bonuses. Designed to be a constructive, two-way process, our performance-driven approach to appraisals enables employees to provide their own insights on their performance. Employees retain the right to accept or contest their appraisal results, and those who disagree with their review scores can address their grievances with HR through our formal employee grievance mechanism. At the same time, we gauge the effectiveness of each training programme by soliciting feedback from employees through Training Evaluation Forms distributed at the conclusion of each session. These forms assess various facets of the training, such as employee satisfaction, attainment of learning objectives and the ability to apply newfound knowledge and skills to their role. By systematically evaluating the efficacy of our training programmes, we can pinpoint areas for enhancement and ensure that our training initiatives meet the evolving needs of our workforce. |
| <p>Other Internship and Development Programmes</p> | <ul style="list-style-type: none"> We remain committed to enhancing youth employability through our Velesto Trainee Scheme ("VTS") and internship programmes, which offer selected graduates 12-month appointments to gain practical experience. These initiatives are particularly beneficial for unemployed youths, especially local undergraduates, providing them with valuable exposure to their chosen fields of study and bolstering their future employability, directly supporting the government's efforts to enhance the job prospects of unemployed graduates in Malaysia. Participants in the VTS who demonstrate promise and aptitude may be offered full-time employment opportunities with Velesto, further underscoring our commitment to nurturing talent and investing in our workforce. The VTS programme also serves as a cornerstone of our Community Investment initiatives, reflecting our dedication to promoting youth employment and supporting local communities. As part of our Velesto Wawasan 2030 initiative, we have extended the reach of the VTS to Sarawak, thereby expanding business functions and creating job opportunities for B40 Malaysians in the region. Additionally, we have initiated an Offshore Development Programme encompassing the Velesto Drilling Engineer ("VDE") and Velesto Electronic Engineer ("VEE") programmes. These initiatives are designed to cultivate local talent within the oil and gas industry, focusing on equipping young graduates with the technical expertise and skills required for success. By providing hands-on experience and comprehensive trainings, these programmes prepare participants to excel in various aspects of the industry, thus contributing to their professional development and the growth of the sector as a whole. |

Velesto provides **competitive leave entitlement** in compliance with relevant labor regulations and corporate best practices.

SUSTAINABLE VALUE CREATION

Benefit and perks

| | | |
|---|---|----------------------------------|
| 16% EPF Contribution By Company | Overtime Payments (Where Applicable) | Group Personal Accident ("GPA") |
| Employee's New Born Benefits | Group Term Life ("GTL") insurance for all employees | Employee's Bereavement Wreath |
| Group Hospitalisation & Surgical | Employee Education Assistance Programme | Long Service Award & Recognition |
| Annual medical check-up for all employees aged 40 years and above | Statutory sick pay leave without hospitalisation ranging from 14 days to 28 days depending on the employee's job grade and period of service. A period of up to 60 days is granted if hospitalisation is necessary. Company supported/ subsidised health/ medical insurance plan for offshore crew | |



7

SESSIONS

of Learning over Lunch with President



EMPOWERING YOUTH EMPLOYABILITY

through VTS and Internship

Highlights of our training and programmes undertaken during 2023 include:

- 

Design Thinking A strategic initiative, undertaken over two sessions to foster innovation, problem-solving, and customer-centricity.
- 

Introduction to Drilling for Non-Drillers A new programme that enhances cross-functional understanding, raises safety and environmental awareness, fosters inclusivity and encourages ESG considerations.
- 

Behavioural Interview for Managers A programme for hiring managers and interviewers to enhance recruitment practices, enabling the recognising and proactively addressing of challenges while embedding ESG considerations.
- 

Byte Sized Insights An online knowledge-sharing programme to promote the exchange of information, ideas and expertise across Velesto, with Legal, QHSE and IPM teams participating.
- 

IWM and ERP Trainings A series of training programmes for both employees and management to guide best practices in inventory and warehouse management and provide refreshers on our ERP systems.

SUSTAINABLE VALUE CREATION

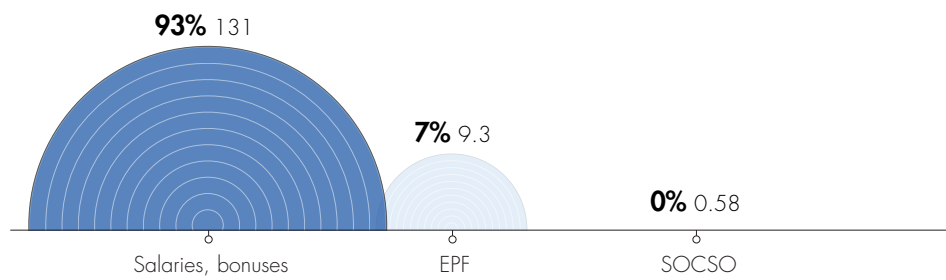
Contributed
RM140
MILLION
Employee Benefits

Total training hours
7,653
Increase
66% from FY2022

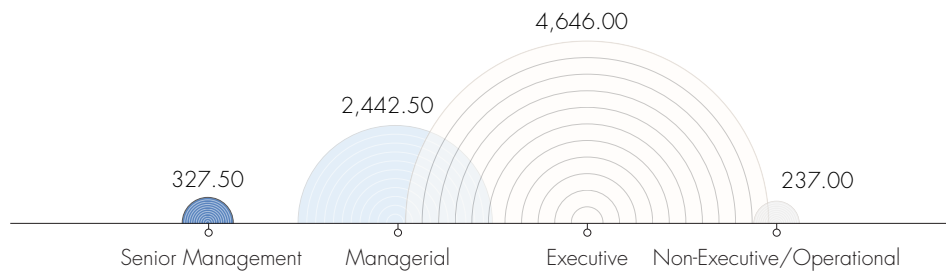
OUR PERFORMANCE

In FY2023, we contributed RM140 million towards employee benefits and remuneration including EPF and SOCSO while maintaining a clean compliance record with labour laws. Our commitment to employee development was evident as our combined training hours surged to 7,653 a substantial increase from the 4,612 (66%) hours in FY2022. Moving forward, we will remain vigilant in assessing employee needs, aiming to expand our trainings and development initiatives to support their advancement in tandem with our growth aspirations.

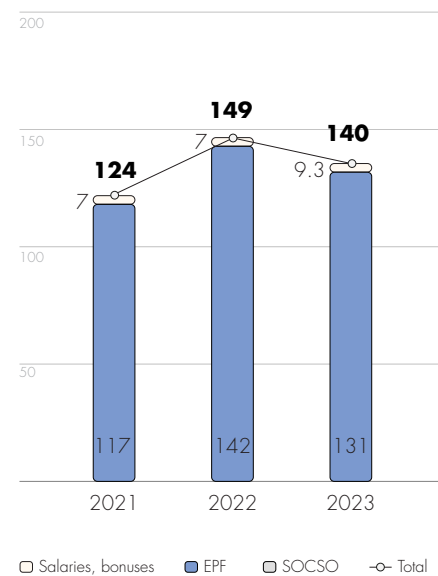
2023 Benefit & Remuneration paid (RM Mil)



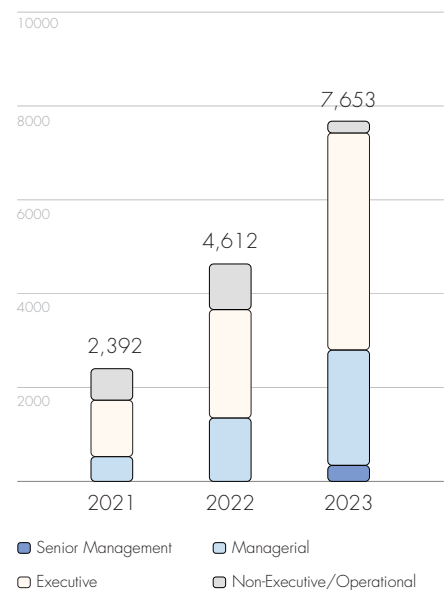
2023 Training Hours by Employment Category



3 years Total Benefit & Remuneration



3 years Total Training Hours



SUSTAINABLE VALUE CREATION

PROTECTING HUMAN RIGHTS

WHY IT MATTERS

Responsible protection of human rights is crucial, not just from an ethical standpoint but also to ensure the sustainability of our business operations. By upholding ethical labour practices internally and throughout our supply chain, we ensure compliance with regulations and create workplaces where employees are valued, respected and empowered. This is essential for safeguarding our business interests and maintaining stakeholder trust and confidence in Veleso.

OUR APPROACH

| Approach | Management Description and Initiatives |
|--|--|
| Our Policies and Commitments | <ul style="list-style-type: none"> • Our human rights commitments are overseen by the Board and embedded within various overarching Group policies, which were crafted in alignment with relevant Malaysian labour laws, including the Malaysian Employment Act 1955 and Minimum Wages Act, as well as other applicable laws in the regions where we operate. • In addition to our CoBE and Policy Statement on Human Rights and Labour Standards, we have implemented a Policy Statement on Recruitment Management System Procedure to provide controls for due diligence when engaging suppliers and vendors. |
| Our Practices and Processes | <ul style="list-style-type: none"> • We have established numerous business practices and processes that underscore our respect for our employee rights. These include practicing flexible working hours and fatigue management to prevent excessive work hours, providing fair warning of operational and policy changes, offering wages that exceed minimum wage requirements, and implementing formal and confidential grievance channels. • Our practices are further supported by the guidelines and stipulations of other related policies, such as those pertaining to non-discrimination, diversity and the creation of an equal opportunity workplace (see Diversity and Inclusion on page 49-51). We are continually reviewing our approach and practices to ensure relevance and ongoing compliance amidst an evolving operational landscape. |
| Supply Chain Due Diligence | <ul style="list-style-type: none"> • Veleso is deeply committed to upholding human rights across our operations and supply chain, leaving no room for violations. Our procurement, contract and human resources teams lead the charge in collectively managing the day-to-day responsibilities of preventing and monitoring human rights risks within our Group. • We expect all suppliers and vendors, including those employed by third-party contractors, to ensure their workforce is treated with dignity and operates in safe conditions. They are required to affirm their compliance with Malaysian laws on human and labour rights, worker welfare, child labour and human trafficking. Failure to affirm their compliance or meet these standards would result in serious consequences, including termination of services and legal action. • Our proactive stance on this matter includes continuous assessment of labour risk issues and human rights impacts as part of our core business processes, with quick action undertaken to prevent and address any suspected or identified instances of exploitation or forced labour. |
| Employee Engagement and Feedback Channels | <ul style="list-style-type: none"> • The Group periodically undertakes educational campaigns to drive compliance to our policies, with one such example being anti-sexual harassment roadshows to create greater awareness of our Policy on Sexual Harassment. • We have also established communication channels to empower our employees and stakeholders to be the eyes and ears of leadership teams in overseeing human rights matters. Both internal and external stakeholders can utilise feedback mechanisms outlined within our Whistle-Blowing Policy and Grievance Procedures to raise grievances and issues pertaining to misconduct, harassment, human rights exploitation or other incidents of non-compliance. • Individuals may raise these concerns anonymously and without fear of retaliation, either directly to their managers and human resources representatives, or through our confidential whistle-blowing channel, which is made accessible within our internal NEST network for internal stakeholders and our corporate website for external stakeholders. All grievances and concerns raised are investigated promptly by relevant management and leadership teams, ensuring timely remediation for affected parties and taking appropriate action to prevent recurrences. |

SUSTAINABLE VALUE CREATION

Further to this, the Group has adopted a comprehensive array of commitments to drive fair labour practices and protection of human rights across our operational footprint. These include, but are not limited to, the following:

| | | | |
|--|--|--|--|
| Ensuring equal opportunity and non-discrimination of Race, Religion, Gender, Age, and Marital Status | Upholding employees' right to freedom of association | Recognition of children's rights and prohibition and prevention of child labour | Respecting workers' rights to be treated with dignity at work |
| Respecting workers' right to undertake collective bargaining | Supporting employees' right to wellness and mental health | Supporting a harassment-free and violence-free workplace | Ensuring compliance with Minimum Wages Order 2022 and laws governing working hours and fair compensation |
| Prohibiting retaliation or any form of physical and mental disciplinary practice | Respecting people's right to their own culture, to practice their religion and to speak their language | Prohibition and prevention of forced labour, debt bondage, human trafficking and all forms of modern slavery | Upholding the right to safe working conditions |

OUR PERFORMANCE

In FY2023, we successfully maintained our impeccable track record, with no reported incidents of non-compliance with labour standards or human rights violations. There were also no instances of child labour, human trafficking or forced labour reported. It remains a matter of pride that we have never been involved in any breaches of human rights concerning the rights of indigenous peoples throughout our history.

Additionally, no complaints were received with regard to operational changes during FY2023.



Complaint received regarding operational changes FY2023

ZERO



SUSTAINABLE VALUE CREATION

DIVERSITY, EQUITY & INCLUSION

WHY IT MATTERS

Velesto remains committed to promoting diversity, equal opportunity and meritocracy throughout the Group, fostering a sense of belonging and inclusivity among our employees. Embracing diversity enriches our workforce by bringing together a range of expertise, experiences and perspectives, which in turn fuels innovative thinking, enhances our decision-making processes. Moreover, by instilling a culture driven by merit-based achievements, we enhance our ability to attract and retain top performing talents.

OUR APPROACH

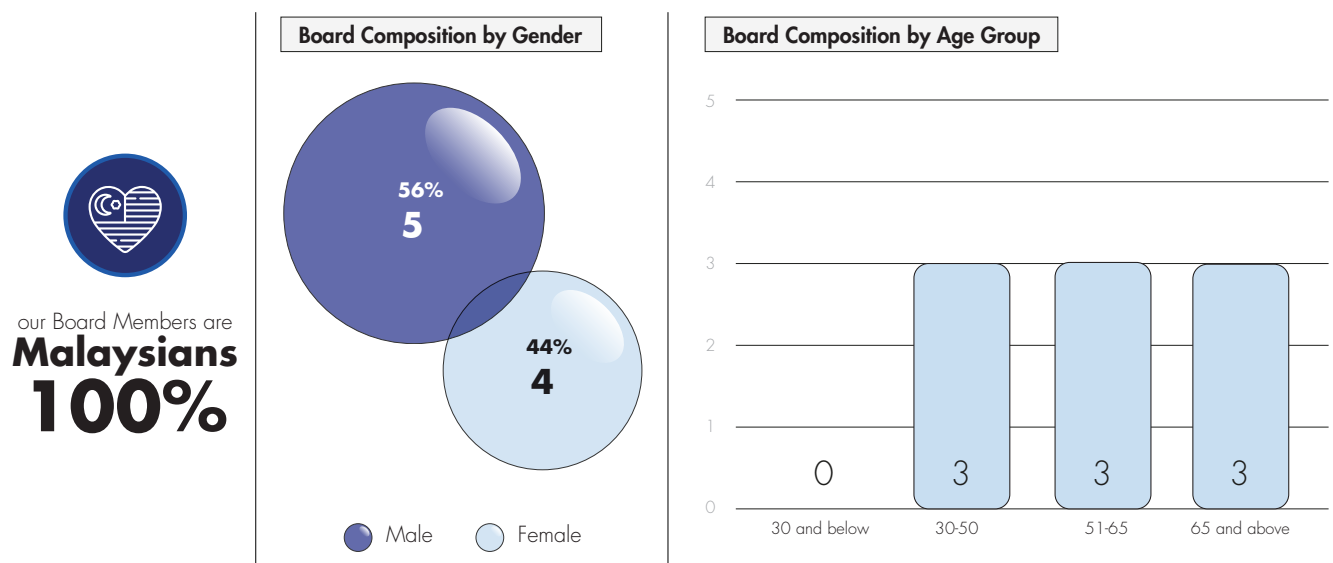
| Approach | Management Description and Initiatives |
|--|--|
| <p>Guiding Policies and Oversight</p> | <ul style="list-style-type: none"> • The Human Resources Department takes a leading and proactive role in championing diversity and inclusion initiatives throughout the Group, guided in their approach by the various policies the Group has established to facilitate the implementation of inclusive practices. • Alongside our Policy Statement on Human Rights and Labour Standards, we have also instituted a Gender Equality Policy Statement, Disciplinary Procedures and Policy on Consequence Management that outline our expectations from employees and management personnel. Through these policies and measures, we unequivocally prohibit any form of discrimination based on factors such as race, gender, religion or socio-cultural background. • To ensure ongoing oversight and drive continuous improvement, we have integrated diversity and inclusion Key Performance Indicators ("KPIs") into the scorecards of our leaders and managers, encouraging consistency and enhancement of our practices across the Group. |
| <p>Upholding a Fair and Inclusive Culture</p> | <ul style="list-style-type: none"> • All employees and candidates for employment, promotion and development are assessed based on merit, including their qualifications, experience and professional contributions. The sole exception to this merit-based approach is our preference for hiring local talent, as part of our commitment to supporting local communities and safeguarding business sustainability. • Recognising the rich tapestry of backgrounds within our workforce, we strive to accommodate and respect their individual dispositions, which can significantly enhance their experience and behaviour in the workplace. To this end, employees are encouraged to freely practice their respective cultures and religions without fear of discrimination or harassment. • Through regular employee engagement activities, we further facilitate the cultivation of shared values and mutual respect, fostering a positive and respectful workplace culture that values diversity and inclusivity. |
| <p>Gender Equality</p> | <ul style="list-style-type: none"> • Through our Gender Equality Policy, we have formalised our commitment to offering equal opportunities for both male and female employees to access employment benefits and participate at all levels of the company. We actively work to overcome gender-related barriers, creating an inclusive environment that welcomes women interested in pursuing careers at Velesto, even in traditionally male-dominated technical, offshore or field-related roles. • Our efforts have resulted in a significant presence of talented women within our organisation, particularly in executive and leadership positions. As of December 2023, women constitute 51% of executive employees and 44% of the directors serving on our Board, surpassing the BURSA target of 30% women directorship in public listed companies. |
| <p>Parental Leave Entitlement</p> | <ul style="list-style-type: none"> • We understand that welcoming a new addition to the family is a significant milestone, and we support our employees through this transition by providing ample time for parental leave. As of 2023, our parental leave entitlement stands at 98 days for new mothers and 7 days for new fathers, in adherence to regulatory standards. • By offering opportunities for both mothers and fathers to take time off to care for their newborn, we aim to promote gender equality, encourage shared parenting responsibilities and ultimately create a more inclusive and supportive workplace culture. |

SUSTAINABLE VALUE CREATION

| Approach | Management Description and Initiatives |
|---|---|
| <p>Promoting Greater Inclusiveness</p> | <ul style="list-style-type: none"> While our recruitment strategy prioritises meritocracy, we acknowledge the importance of empowering underrepresented and vulnerable groups to enlist in our workforce. These groups encompass minorities, persons with disabilities, asylum seekers and refugees, long-term unemployed individuals, and those facing socioeconomic disadvantages. To address this, we conduct targeted recruitment drives aimed at candidates from the B40 Income Group to fill available positions. Additionally, we have introduced a new diversity indicator to monitor the representation of staff with disabilities across the Group. |
| <p>Engagement and Advocacy</p> | <ul style="list-style-type: none"> Our diversity and inclusion principles are communicated during employee onboarding and reinforced through engagement sessions and notices, ensuring the objectives of our policies are understood and employees are made aware of our Whistle-Blowing Policy and Grievance Procedures, which provides guidelines for reporting any instances of harassment. Additionally, we provide training to managers to raise awareness of the importance of gender equality in driving the success of our organisation. In our continuous efforts to enhance our culture and practices, we leverage on insights gained through periodic employee surveys and focus group discussions to identify and address gaps. Furthermore, we actively promote gender diversity in leadership roles through our involvement in the Malaysian Chapter of the 30% Club. This advocacy group focuses on increasing the representation of women in the boards and Senior Management of publicly listed companies. Our management actively participates in various initiatives led by the 30% Club, underscoring our commitment to fostering greater diversity and inclusivity within Corporate Malaysia and the oil and gas sector. |

OUR PERFORMANCE

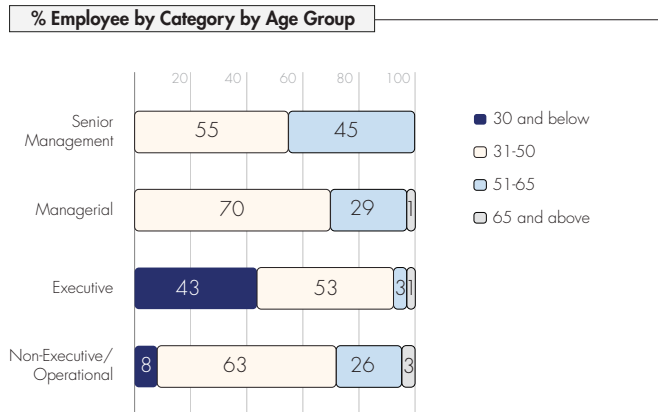
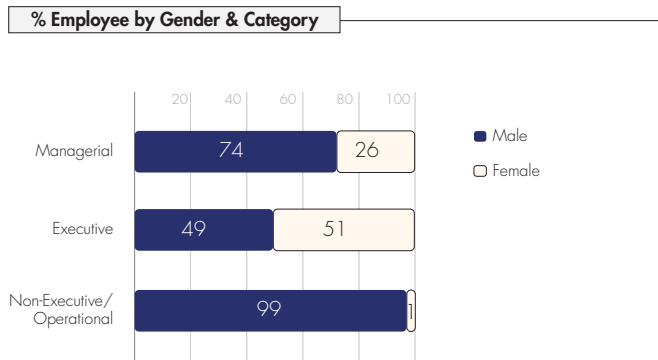
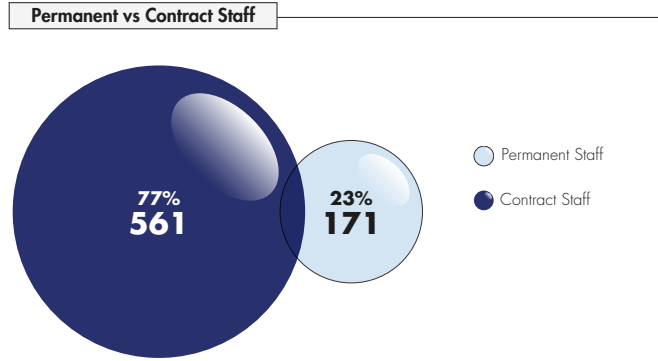
In accordance with our commitments and stakeholder expectations, Velesto has maintained a healthy representation of both men and women in our workforce, highlighted by our Board comprising of 44% women directors. We have also maintained a favourable mix of gender and age groups within our executive and managerial teams. The Group will continue to assess and analyse our policies, procedures and practices to ensure our commitments in this regard are upheld and enhanced where possible.



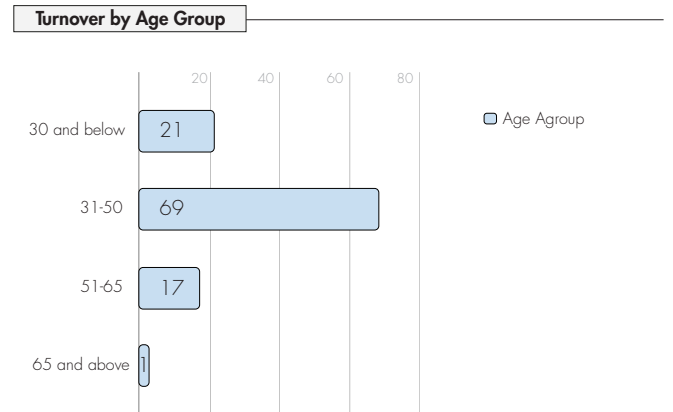
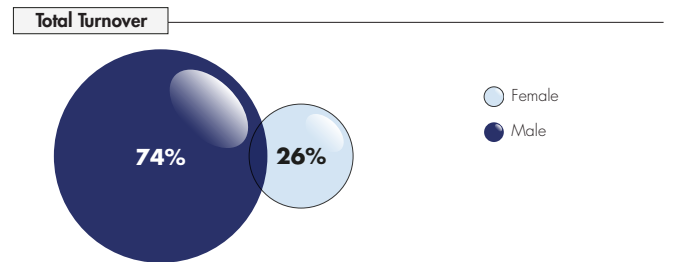
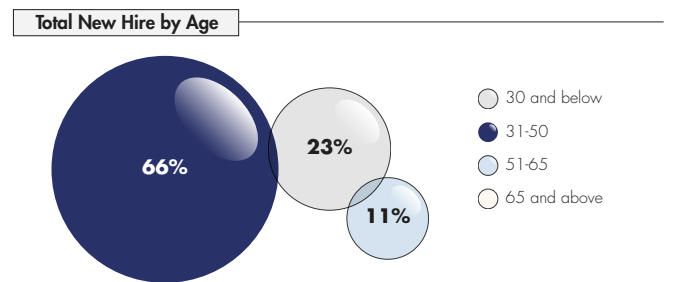
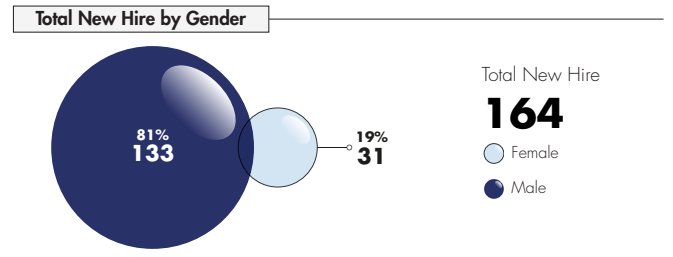
For data related to Board Composition, please refer to the CGOS section of our Integrated Annual Report on page 154 for details of Boards' appointments and resignation in FY2023.

SUSTAINABLE VALUE CREATION

Workforce Diversity



Hiring & Attrition Performance



Violation cases and non-compliance to labour laws

ZERO

SUSTAINABLE VALUE CREATION

COMMUNITY IMPACT

WHY IT MATTERS

As a responsible corporate entity, we acknowledge our duty to share the value we create with local communities and leave a lasting positive impact. Through activities related to our business and industry sector, alongside targeted outreach programmes, we aim to actively contribute towards economic growth and social progress. We also leverage on partnerships with NGOs and industry peers to deliver initiatives that support underprivileged individuals while simultaneously supporting progress within the local oil and gas fraternity.

OUR APPROACH

| Approach | Management Description and Initiatives |
|--|--|
| Holistically Delivering Community Benefits | <ul style="list-style-type: none"> Our commitment to positive community impact is led by our Sustainability and Corporate Communications department which oversees the organisation of various initiatives and programmes that benefit local communities. To ensure coherence and purpose in our actions, we have identified the four pillars of 'Education', 'Environment', 'Community Safety' and 'Community Uplift' to guide our efforts. We also leverage our business operations and presence in the oil and gas sector to offer vocational support and drive socio-economic growth in our operational regions. In both East and West Malaysia, we take pride in fostering business growth and employment opportunities through our prioritisation of local candidates for job vacancies and when sourcing contractors and vendors for goods and services (read more in 'Supply Chain' topic on page 60-64). Additionally, through initiatives like the Velesto Drilling Academy ("VDA"), Velesto Trainee Scheme ("VTS") and other development programmes, we actively contribute to the development of local infrastructure and the nurturing of talents within the oil and gas sector. |
| Community Engagement and Outreach | <ul style="list-style-type: none"> During 2023, we continued to engage with and support local communities through targeted programmes delivered to communities surrounding our operational jurisdictions. We actively encourage our employees to participate in these social initiatives, considering employee volunteerism time spent as a significant measure of both employee and community engagement. In FY2023, our employees collectively volunteered 256 hours for community engagement and outreach programmes, exemplifying the Group's collective commitment to making a positive impact beyond our business operations. |
| Social Economic and Human Capital Development | <ul style="list-style-type: none"> Through our VTS and internship programmes, we offer local graduates and unemployed youth 12-month appointments to gain practical experience within our organisation. By providing them with valuable industry exposure that bolsters their future employability, we directly support the government's efforts to enhance the job prospects of unemployed graduates in Malaysia. As part of our Velesto Wawasan 2030 initiative, we have extended the reach of the VTS to Sarawak, thereby expanding business functions and creating job opportunities for B40 Malaysians in the region. |
| Velesto Drilling Academy ("VDA") | <ul style="list-style-type: none"> VDA not only offers courses to our internal staff for skill enhancement but also extends its offerings to external students from other companies including educational institutions like Universiti Teknologi PETRONAS ("UTP") and Institut Teknologi Petroleum PETRONAS ("INSTEP"). This industry-led initiative has successfully contributed to talent development in the oil and gas drilling sector, aligning with national goals for cultivating a highly skilled workforce. VDA collaborates with INSTEP through the Velesto-INSTEP Drilling Academy ("VIDA"), which operates a land rig facility at the Batu Rakit, Terengganu campus, offering practical, hands-on training opportunities. VDA also has collaboration agreement with UTP to assist practical and industrial exposure to relevant students of UTP. We also have initiated the involvement of internal Subject Matter Experts from within the Group to deliver training at VDA, leveraging our experience to address prevalent gaps within the industry and enhancing the overall quality of education provided to industry talents. |

SUSTAINABLE VALUE CREATION

The following are highlights from our community engagement and outreach initiatives undertaken during the year:



Coral Planting at Perhentian Island, Terengganu

Our Coral Restoration Program has successfully brought together our employees and community members to plant over 500 corals at Perhentian Island, while also undertaking awareness and education efforts to instil greater responsibility in preserving marine life. This initiative was recognised as the CSR Initiative of the Year for Oil & Gas at the 2023 Malaysia Management Excellence Awards.



Sahabat Maritim sponsorship

This collaborative effort, undertaken together with PETRONAS and the Malaysian Maritime Enforcement Agency – Kelantan (“MMEA”) since 2015, aims to benefit the Kelantan fishing communities near our operational zones, in areas such as Kuala Besar, Tok Bali and Tumpat. The program increases awareness of safety at sea and mitigates unauthorised access to restricted areas, including drilling rigs and oil fields.



Supporting Miri Education

In a continuation of last year’s initiative to enhance educational access and equality in rural Sarawakian communities, we provided essential resources and modern teaching tools such as laptops and Smart TVs to two institutions categorised as ‘Sekolah Kurang Murid’ or ‘Schools with Less Students’. Through our support, we have enhanced the learning experience for students at SK Sungai Biar and SK Sungai Kelabit in Miri, Sarawak.



OUR PERFORMANCE

Over the past year, the Group invested a total of RM95,000 (FY2022) and RM55,000 (FY2023) on community programmes. Moving forward, we will continue to seek opportunities for meaningful community investment. In this regard, we look forward to delivering positive outcomes from our recently signed MOU with the Sarawak Economic Development Corporation (“SEDC”). Via this collaboration, we aim to promote education as a core driver of sustainable development in Sarawak, specifically through innovative learning initiatives within the fields of Science, Technology, Engineering and Math (“STEM”).

SUSTAINABLE VALUE CREATION

ETHICAL BUSINESS

In our pursuit of growth and excellence, we recognise the pivotal importance of upholding responsible business practices for maintaining the trust of our stakeholders and building a sustainable business. We are committed to upholding ethical conduct, both internally and across our supply chain, while leading continuous enhancements to our infrastructure and capabilities to ensure high levels of quality, customer satisfaction and digital security are preserved.

| | | | | |
|--|---|--|---|--|
|  <p>Economic Performance</p> |  <p>Governance & Ethics</p> |  <p>Supply Chain</p> |  <p>Data Privacy & Security</p> |  <p>Continuous Innovation & Technology</p> |
|--|---|--|---|--|



ECONOMIC PERFORMANCE

WHY IT MATTERS

As a publicly listed entity, we acknowledge our responsibility to generate returns for shareholders while also ensuring that the value we create is shared among our diverse stakeholder groups. By fulfilling these commitments, we cultivate trust and loyalty among shareholders, regulatory bodies, our workforce, and our partners. This positions the Group favourably to nurture and expand these relationships, thereby enhancing the long-term prospects of our business.

OUR APPROACH

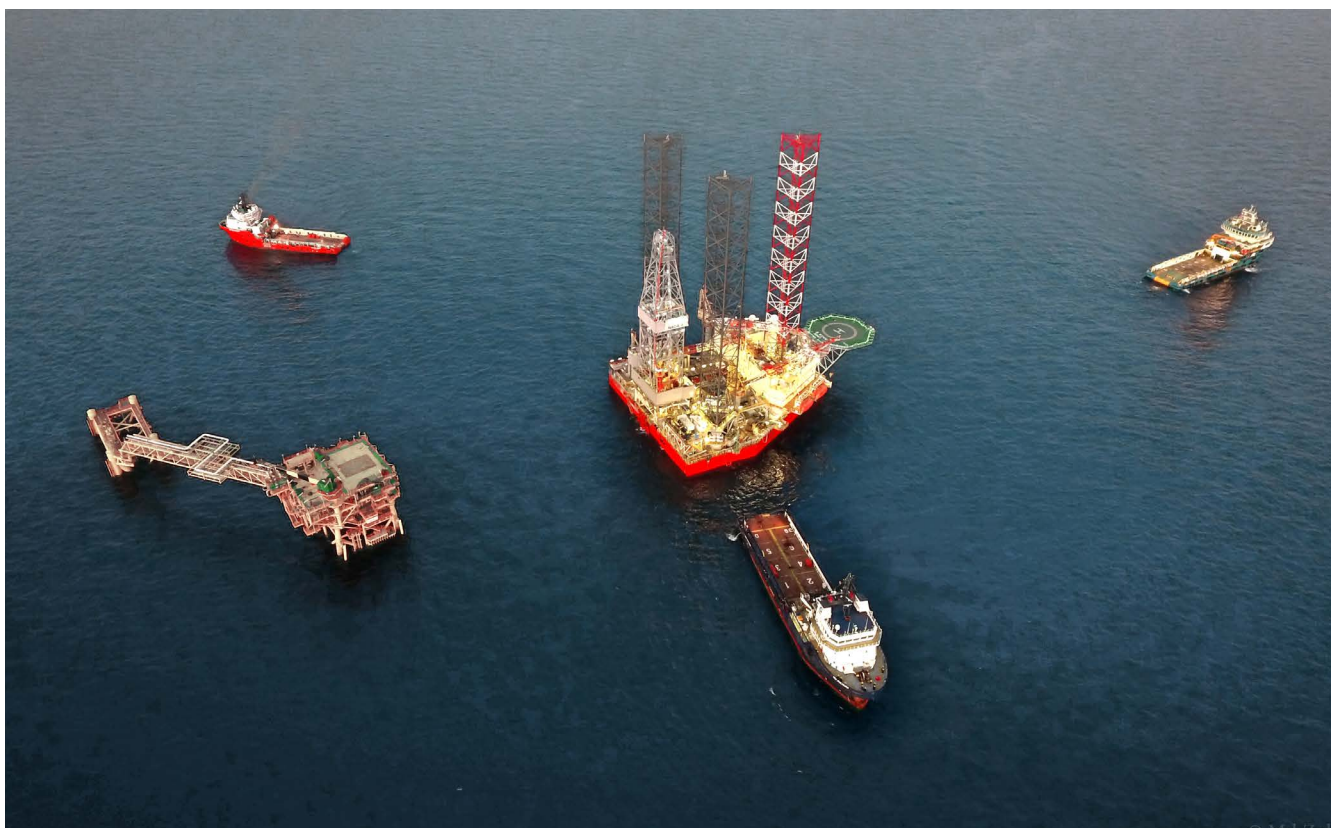
| Approach | Management Description and Initiatives |
|---|---|
| Embedding Economic Goals in our Guiding Frameworks | <ul style="list-style-type: none"> Our commitment to consistently increase the economic value we generate is deeply ingrained in both our business and sustainability objectives. Through this commitment, we inspire collective effort across the Group towards a common goal of achieving RM2 billion in revenue and a ROCE above 10% by 2030, all while upholding sustainability and responsibility. Guided by a robust governance structure and comprehensive risk management practices, we consider all pertinent factors when formulating our operational and growth strategies to ensure stability and maintain a strong financial position (for more details, refer to 'Sustainability Governance' on page 13-15). In doing so, we strike a balanced approach between meeting our fiduciary obligations, including loan repayments and providing returns on shareholders' equity, and retaining sufficient funds to sustain and expand the business over the long-term. |

SUSTAINABLE VALUE CREATION

| Approach | Management Description and Initiatives |
|--|--|
| Socio-Economic Contributions | <ul style="list-style-type: none"> At the fundamental level, we are committed to contributing to socio-economic development in our regions of operations, through the taxes we pay, the salaries and benefits provided to employees, and returns we provide our shareholders and investors. In addition to these contributions, we actively engage in community development projects and support local businesses, thereby fostering economic growth and sustainability in the regions where we operate. Furthermore, our commitment to environmental stewardship and sustainable practices contributes to the preservation of natural resources that supports the livelihoods of surrounding communities. |
| Driving Quality and Customer Satisfaction | <ul style="list-style-type: none"> Acknowledging quality and customer satisfaction as cornerstones of our sustainable value creation, we have instituted robust policies to maintain quality standards and ensure customer contentment while mitigating potential negative impacts. These policies, encompassing our Quality Policy, HSE Policy, Human Rights and Labor Standards Policy, are bolstered by our ISO9001:2015 and ISO 29001:2020 certifications, affirming our adherence to global benchmarks. Our collaborative approach to quality control involves close monitoring of adherence to standards, policies and key performance indicators, while facilitating continuous improvement through feedback mechanisms and leveraging technological advancements to enhance processes. Proactive risk management strategies, including contingency planning, further reinforce our commitment to delivering high-quality services while minimising adverse effects. KPIs have been integrated into the scorecards of the Operations Division, which oversees customer satisfaction efforts. Regular customer surveys are conducted via forms disseminated to customers, gathering vital feedback to gain insights on our ongoing performance. |

OUR PERFORMANCE

Despite facing operational challenges, we have preserved in generating significant economic value for our business and stakeholders. More details on our financial performance can be refer to Financial Statements section on page 192-210 in Velesto IAR2023 and ESG Performance Table on page 73-82 in this Report.



SUSTAINABLE VALUE CREATION

GOVERNANCE & ETHICS

WHY IT MATTERS

A robust corporate governance framework and stringent ethical standards are important for cultivating stakeholder trust and safeguarding our business interests. These principles not only ensure compliance with relevant laws and regulations but also nurture a culture of fairness, integrity and accountability throughout the organisation. Consequently, this bolsters our attractiveness to customers and investors, establishing a solid foundation for long-term sustainable value generation.

OUR APPROACH

| Approach | Management Description and Initiatives |
|--|--|
| Stringent Board and Management Oversight | <ul style="list-style-type: none"> • Our Board and Senior Management sets the tone for good corporate governance and ethical conduct by leading by example. To maintain vigilance and proactivity in these areas, the Board has established the Board Whistle-Blowing Committee ("BWBC") and the independent Integrity Governance Unit & Compliance ("IGUC"). In addition to taking ownership of whistle-blowing matters, the BWBC is responsible for overseeing the IGUC, which is tasked with managing and reporting on all matters related to anti-corruption, bribery and ethical behaviour. • The IGUC operates under the administrative oversight of the President's Office and possesses the authority to directly report any suspected or actual incidents of corruption or corporate misconduct to the Malaysian Anti-Corruption Commission ("MACC"). To ensure accountability and effectiveness for its members in promoting integrity and compliance within the organisation, KPIs for IGUC members are regularly evaluated based on agreed plans and initiatives. • The Board periodically reviews our internal policies to ensure they remain updated with evolving regulatory requirements and is responsible for deliberating whistle-blowing reports that have been reviewed by the BWBC to ensure that they are thoroughly investigated and addressed. |
| Enterprise Risk Management and Business Continuity Management | <ul style="list-style-type: none"> • Velesto's ERM Framework, which provides a structured and systematic approach to risk management, plays a crucial role in the Group's value-creation efforts. It incorporates consistent assessment methodologies and standards across the Group's processes and operations, ensuring comprehensive identification, evaluation, mitigation, and monitoring of both inherent and emerging risks. • Velesto's commitment to maintaining operational readiness in the face of evolving risks forms the basis of its BCM initiatives, conducted throughout each financial year. The Group's BCM Framework is a comprehensive approach that empowers Management to pinpoint potential threats and assess their impact on business operations, thereby crafting a robust strategy to mitigate these risks. This ensures the Group's resilience, safeguarding stakeholder interests, brand equity, and reputation. <p><i>For more details, please refer to please refer to the SORMIC section of our Integrated Annual Report on page 174-184.</i></p> |
| Policies and Procedures to Uphold Integrity | <ul style="list-style-type: none"> • In addition to leveraging our CoBE to ensure responsible business conduct (see 'Fair Employment Practices' on page 43 and 'Protecting Human Rights' on page 47 for more), the Group has established an Anti-Bribery and Corruption Policy ("ABC Policy") to reinforce a zero-tolerance approach towards bribery and corruption across all business operations. Developed in alignment with Section 17A of the MACC Act, this policy prohibits corrupt practices within the organisation and in dealings with external parties, including all activities undertaken by the Board, Management and staff. • The Policy covers various forms of bribery and corruption, such as unofficial payments, gifts, entertainment, political contributions, gratifications and charitable support, while outlining clear punitive measures for individuals found engaging in corrupt acts, ranging from fines, suspensions, dismissal and reporting to enforcement authorities. To ensure transparency and accessibility, the ABC Policy has been published on the company's website, allowing stakeholders to easily access and understand the organisation's stance on bribery and corruption. |

SUSTAINABLE VALUE CREATION

| Approach | Management Description and Initiatives |
|--|---|
| Assessment of Corruption Risks | <ul style="list-style-type: none"> We conduct quarterly assessments to pinpoint corruption risks within specific departments or units, employing an approved risk rating matrix that evaluates the likelihood and impact of each risk, categorising them into varying levels such as extreme, high, medium and low. The results of these assessments undergo quarterly review by the IGUC and are presented to the BWBC. Any identified or potential risks are closely monitored and addressed through the implementation of Risk Action Plans ("RAPs") by the IGUC. Areas of our operations deemed at the highest risk of corruption are identified based on the potential for collusion with third parties, notably through the giving or receiving of bribes that impacts the impartiality of the tender process. |
| Safeguards to Promote Anti-Corruption, Transparency and Regulatory Compliance | <ul style="list-style-type: none"> In alignment with the Group's ABC Policy and risk assessment protocols, we implement several measures to deter corrupt practices and ensure compliance within our organisation and supply chain. The Boards and management team reaffirmed their commitment to integrity by taking and signing the Corruption Free Pledge, witnessed by MACC in FY2023. A Tender Committee has been established, with approval power limits set according to hierarchical authority levels. Additionally, we utilise our Enterprise Resource Planning ("ERP") system to enhance transparency throughout the tender process. To reinforce ethical conduct, awareness sessions and regular reminders are conducted, accompanied by mandatory ABC training for all employees. Furthermore, our Commercial Division has implemented a Know Your Counterpart ("KYC") process to bolster understanding of third-party entities. Anti-corruption clauses are clearly outlined in our Supplier CoBE and integrated into purchase orders and contracts, while being further emphasised during vendor awareness programmes. Should our employees or third parties' suspect incidents of non-compliance, they are encouraged to file confidential reports as per the mechanisms provided within our Whistle-Blowing Policy. Developed in accordance with Section 7(1)(c) of the Whistle Blowers Protection Act 2010, the policy enables internal or external stakeholders to submit reports directly to the Head of the IGUC, where they are initially investigated before being escalated to the BWBC for further review and deliberation by an investigation team. If substantiated, appropriate actions are taken against the implicated party, ranging from warnings and dismissals to contract termination, or reporting to enforcement authorities such as the MACC or the police. As part of our commitment to regulatory compliance, we ensure timely publication of our financial performance, corporate announcements and governance-related disclosures on our website, meeting listing requirements and fostering transparency. Moreover, we uphold principles of fair competition and refrain from engaging in any anti-competitive practices, with our policies prohibiting collusion, price-fixing, bid coordination, or any actions that restrict market access. We have also consistently maintained a strict apolitical stance, barring any association with or endorsement for any political parties or organisations. We firmly abstain from making donations to political parties, but may engage in events organised by the government or its agencies as part of charitable initiatives or nation-building efforts. |

Driving Responsible Business Practices

| | | | |
|---|---|---|--|
|  <p>Code of Business Conduct and Ethics</p> |  <p>Anti-Bribery & Corruption Policy</p> |  <p>Whistle-Blowing Policy</p> |  <p>Supplier Code of Business Conduct and Ethics</p> |
|  <p>Whistle-Blowing Procedure</p> |  <p>Corporate Gifts, Gifts, Entertainment & Hospitality Procedure</p> |  <p>Anti-Bribery Management System Manual (ABMS)</p> |  <p>Compliance Administration</p> |

SUSTAINABLE VALUE CREATION

Anti-Corruption Engagement Programmes and Activities

We consistently communicate a zero-tolerance stance towards corruption and bribery through various channels, including electronic mediums, virtual town halls, newsletters and more. These communication efforts also reinforce our core values and promote a culture of integrity and ethical behaviour among all employees.

The following are highlights from our activities and initiatives undertaken during FY2023:

| | |
|--|---|
| Quarterly Newsletters Communicated to All Staff | <ul style="list-style-type: none"> • Communicates awareness to all staff regarding integrity, governance and corruption related matters • Topics for the year included: <ul style="list-style-type: none"> ○ Q1- "Extortion" ○ Q2- "Handling of Confidential Information" ○ Q3- "Embezzlement" ○ Q4- "Integrity" |
| Hari Raya Aidilfitri 2023 Awareness Video on Safety and Integrity | <ul style="list-style-type: none"> • A special video released during the festive season to educate all staff on safety and integrity. |
| Integrity Awareness Campaign for Offshore Crew and Divisions | <ul style="list-style-type: none"> • A campaign to educate both offshore and onshore crew and staff on our ABC Policy and other procedures, enhancing compliance with Section 17 (A) of the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694). |
| Velesto Assurance Review ("VAR") of Asian Supply Base | <ul style="list-style-type: none"> • Reviewed activities to ensure all practices are being carried out in compliance with internal policy and procedures. |
| Corruption-Free Pledge and Launching of VACP 2023-2027 | <ul style="list-style-type: none"> • In accordance with Number 6.2.1. of the National Anti-Corruption Plan ("NACP"), we have crafted our own Velesto Anti-Corruption Plan ("VACP"). |
| 2023 Fit & Proper and Conflict of Interest Declaration | <ul style="list-style-type: none"> • This declaration ensures all Board of Directors and Senior Management and onshore staff have the appropriate experience, integrity and competence to effectively discharge their roles and responsibilities. |
| Integrity Assessment for all Onshore Staff | <ul style="list-style-type: none"> • Conducted assessments to gauge the level of understanding regarding integrity practices including conflict of interest and heightened awareness regarding governance and corruption-related matters. |

Regulatory Compliance and Political Disassociation

We recognise the critical importance of regulatory compliance to the sustainability of our operations, understanding that adherence to regulations is fundamental to maintaining our license to operate. Compliance issues, including corruption, pollution, modern slavery, and data privacy, among others, could jeopardise our ability to operate sustainably. As part of our commitment, we ensure timely publication of our financial performance, corporate announcements, and governance-related disclosures on our website, meeting listing requirements and fostering transparency.

Moreover, we uphold principles of fair competition and refrain from engaging in any anti-competitive practices or abusing our market position. Our strict policies prohibit collusion, price-fixing, bid coordination, or any actions that restrict market access. Continuously monitoring changes in the regulatory landscape forms part of our Enterprise Risk Management and Internal Control framework, ensuring ongoing compliance with applicable laws and industry regulation.

We have also consistently maintained a strict apolitical stance, barring any association with or endorsement for any political parties or organisations. Our firm policy prohibits making donations to political parties. However, we may engage in events organised by the government or its agencies as part of charitable initiatives or nation-building efforts.

SUSTAINABLE VALUE CREATION

Driving Quality and Customer Satisfaction

In line with our dedication to responsible business conduct, we have established robust policies to uphold quality standards and ensure customer satisfaction while mitigating potential negative impacts. These policies, including our Quality Policy, HSE Policy, and Human Rights and Labour Standards Policy, are supported by our ISO9001:2015 and ISO 29001:2020 certifications, affirming our commitment to sustainable and equitable practices.

Our collaborative approach to quality control involves close monitoring of adherence to standards, policies and key performance indicators, while facilitating continuous improvement through feedback mechanisms and leveraging technological advancements to enhance processes. Proactive risk management strategies, including contingency planning, further reinforce our commitment to delivering high-quality services while minimising adverse effects.

KPIs have been integrated into the scorecards of the Operations Division, which oversees customer satisfaction efforts. Regular customer surveys are conducted via forms disseminated to customers, gathering vital feedback to gain insights on our ongoing performance.

OUR PERFORMANCE

Compliance Performance

| | 2021 | 2022 | 2023 |
|--|------|------|------------------|
| Total incident of corporate/ governance non compliance | N/A | 5 | 0 |
| Total monetary value of paid fines for corporate /governance non-compliance (RM'000) | N/A | 24 | 0 |
| Confirmed incidents of corruption ⁽¹⁾⁽²⁾ | 0 | 0 | 1 ⁽³⁾ |

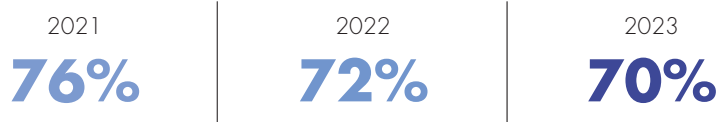
Anti-corruption Training Performance

| | 2021 | 2022 | 2023 |
|--|------|------|-------|
| Numbers of Managerial staff who have received training on anti-corruption | 19 | 13 | 66 |
| Numbers of Executive Employees who have received training on anti-corruption | 43 | 39 | 122 |
| Numbers of Non-Executive Employees who have received training on anti-corruption | 174 | 132 | 239 |
| Number of training hours relating to anti-corruption for Managerial Staff | 38 | 26 | 135 |
| Number of training hours relating to anti-corruption for Executives Employees | 86 | 78 | 142.5 |
| Number of training hours relating to anti-corruption Non-Executive Employees | 348 | 264 | 313.5 |
| Total training hours relating to anti-corruption | 472 | 368 | 591 |

Communication and Assessments

| | 2021 | 2022 | 2023 |
|---|------|------|------|
| Percentage of business partner that the organisation's anti-corruption policies and procedure have been communicated to | 13% | 20% | 100% |
| Percentage of operations assessed for corruption-related risks | 100% | 100% | 86% |

Customer Satisfaction Scores



⁽¹⁾ Velesto defines corruption case as per the definition by the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694) including other major offences stated in the Act.

⁽²⁾ Reportable corruption cases refer to confirmed case investigated and reported to MACC.

⁽³⁾ Reportable case happened in 2022 involved falsification of claims with domestic inquiry completed in 2023. The case subsequently has been reported to MACC in 2023.

In FY2023, we strengthened our commitment to service quality by improving our customer satisfaction survey process from end of project survey to monthly surveys. In doing so, we are able to understand better our customer imperatives and subsequently able to implement targeted initiatives to enhance future performance.

SUSTAINABLE VALUE CREATION

SUPPLY CHAIN

WHY IT MATTERS

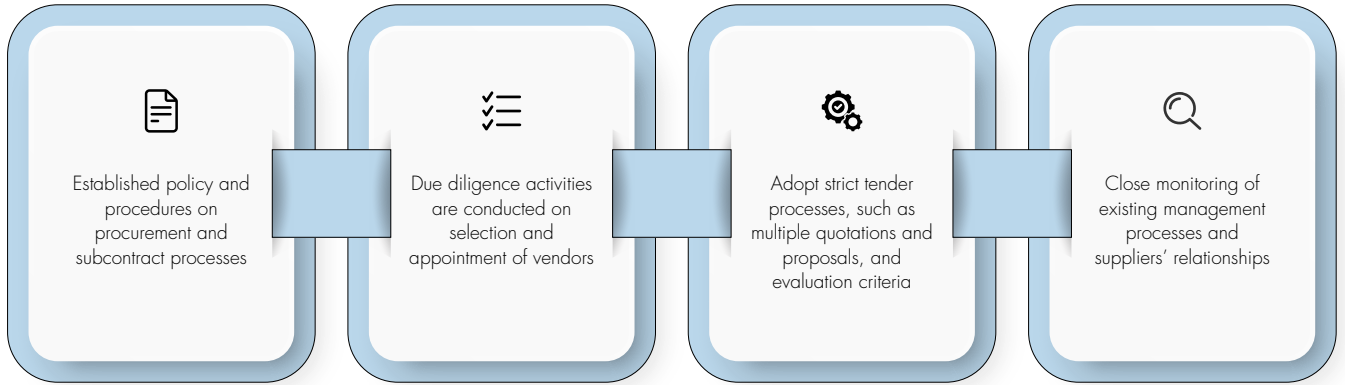
Ensuring the sustainability and responsibility of our operations rely heavily on effective supply chain management and oversight. By preserving our organisation's values and principles across the supply chain, we protect our business stability and mitigate the risks of inefficiencies or irresponsible practices. Additionally, we prioritise the engagement of local suppliers to improve the long-term sustainability of our industry, while actively engaging with entities in our supply chain to deepen relationships and bolster their competence, compliance and sustainability performance.

OUR APPROACH

| Approach | Management Description and Initiatives |
|---|---|
| <p>Ensuring Compliance and Enhancing Oversight</p> | <ul style="list-style-type: none"> • Our foremost priority is ensuring adherence to our policies across the supply chain, with clauses embedded in our tender and contract documents mandating vendors' compliance with our supplier CoBE, ABC Policy and other relevant policies concerning environmental and social practices. Failure to comply may lead to service termination or regulatory reporting. We afford suppliers falling short of desired quality scores sufficient time to address any deficiencies; however, failure to rectify them may result in removal from our vendor procurement list. Notably, in FY2023, no supplier terminations were reported for non-compliance. • Vendor assessments are a crucial aspect of our efforts to bolster oversight over our supply chain, with evaluations regularly conducted on our vendors' policies and practices concerning corruption, occupational health and safety, human rights, environmental performance and labour rights. In 2023, we identified a total of 33 companies for the Critical Supplier Audit exercise. • We also maintain vigilant oversight of our internal supply management practices, highlighted in 2023 by a comprehensive Velesto Assurance Review ("VAR") undertaken for all vendor management teams across all divisions and departments. Through these VARs, we are enabled to strengthen our internal practices, ensuring the activities carried out within each division or department comply with relevant policies and procedures. |
| <p>Responsible Procurement</p> | <ul style="list-style-type: none"> • Our commitment to responsible procurement is facilitated through our vendor procurement guidelines and ERP systems. Through these transparent processes, we ensure equal opportunities for all qualified vendors and are empowered to award contracts based on merit, considering factors such as cost, quality, regulatory compliance and OSH track record. • Aligned with our Local First policy, we prioritise local suppliers for goods and services, unless local options are unavailable or do not meet our requirements for price, functionality and quality. As part of our commitment to bolstering local supply chains, we are an anchor partner of the PETRONAS Vendor Development Programme ("VDPx"). Through VDPx, we focus on developing local suppliers in key areas such as Topside Medic Support Services, Logistics & Forwarding Services, Offshore Catering Services, and Offshore Manpower Services, aligning with our business requirements and supporting the growth of the local industry. |
| <p>Promoting Sustainability Across our Value Chain</p> | <p>We aim to extend our sustainability goals and values across our supply chain in order to have a greater impact on the environment and society. To be eligible for contract bidding with Velesto, suppliers must adhere to certain general principles.</p> |
| <p>Supply Chain Engagement</p> | <p>In pursuit of our rigorous supply management objectives, we engage in numerous initiatives with our pool of vendors each year, strengthening these relationships and developing more robust collaborations. These events and engagements also provide a platform for providing updates on our policies or practices, and clarifying concerns and expectations with our partners.</p> |

SUSTAINABLE VALUE CREATION

Our Procurement Practices and Processes



Promoting Sustainability Across our Value Chain

To be eligible for contract bidding with Veleso, suppliers must adhere to certain general principles, which include:



Respect for laws and human rights

We expect our suppliers to abide by all laws. Any supplier resorting to forced or child/ underage labour, intimidation or harassment, threats or coercion will be disqualified and prohibited from future procurement processes.



Respect for freedom of association & collective bargaining

Suppliers must at all times, allow workers to bargain collectively for their rights and compensation packages.



Respect for diversity

Suppliers are to adopt formal or informal non-discriminatory practices based on age, gender, language, marital status, religion, union affiliation, race, colour, ethnic or national origin, family status, disability or other distinguishing characteristics.



Respect for health and safety

Employees of our suppliers are to be provided with safe working conditions that do not impact their health. Where the job or work area presents health and safety risks, workers must at all times be provided with the necessary training, equipment and safeguards. Suppliers must adopt a recognised HSE system and strive for zero loss of life.



Respect for the environment

Suppliers must remain committed to protecting the environment and preventing pollution.

SUSTAINABLE VALUE CREATION

FY2023 Supply Chain Management Engagements

In pursuit of our rigorous supply management objectives, we engage in numerous initiatives with our pool of vendors each year, strengthening these relationships and developing more robust collaborations. These events and engagements also provide a platform for providing updates on our policies or practices, and clarifying concerns and expectations with our partners.



Supply Chain Summit 2023

A two-day event held at Aloft Kuala Lumpur Sentral, featuring 98 participants made up of our Senior Management team, rig managers, Shared Services team, Operations team, warehouse personnel, materials man and some offshore crew. The event served to improve understanding on inventory management principles to optimise inventory processes, reduce wastage and enhance operational efficiency. Inventory management related topics were presented by an appointed Inventory Consultant, Mr Raj Subramanian.



Integrity Awareness For Vendors Located Within Labuan and Kemaman

Special awareness initiatives to educate Labuan and Kemaman Vendors on our ABC Policy and compliance expectations. Through these events, we aim heighten awareness and drive greater integrity within our supply chain for these two bases.



Vendor Engagement Day

This inaugural event, hosted at Aloft Kuala Lumpur Sentral, brought together our vendors with key stakeholders from Integrity, QHSE and Sustainability domains to discuss matters pertaining to integrity. The event also witnessed participation from the Royal Military Police-Integrity & Standard Compliant Department, enhancing its significance and outreach.



Velesto Business Partner Integrity Day

A special event to foster closer alignment with MACC guidelines and procedures, featuring participation from MACC representatives, Senior Management and top clients.

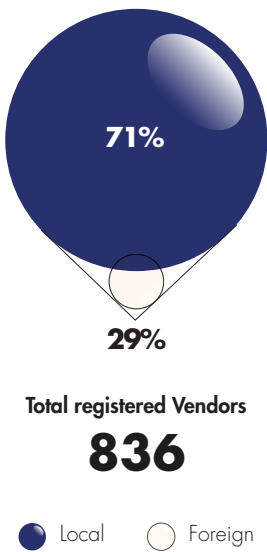


SUSTAINABLE VALUE CREATION

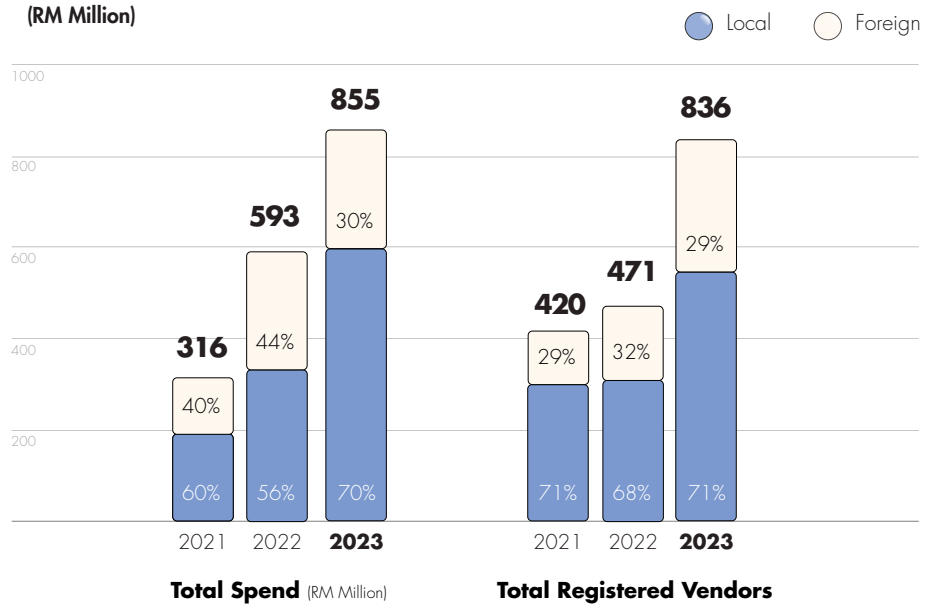
OUR PERFORMANCE

Velesto has continued to uphold robust supply chain management practices in FY2023. We are pleased to report that out of 33 vendors audited during the year, 64% achieved a favourable result, with only one vendor receiving a poor assessment. We have also continued to support local vendors meaningfully, contributing 70% of our total procurement spend of RM855 million towards locally sources suppliers. The Group remains committed to enhancing our performance in this area, and recognises the importance of increasing the availability of local suppliers that meet the necessary standards within the oil and gas sector.

2023 Total Registered Vendors

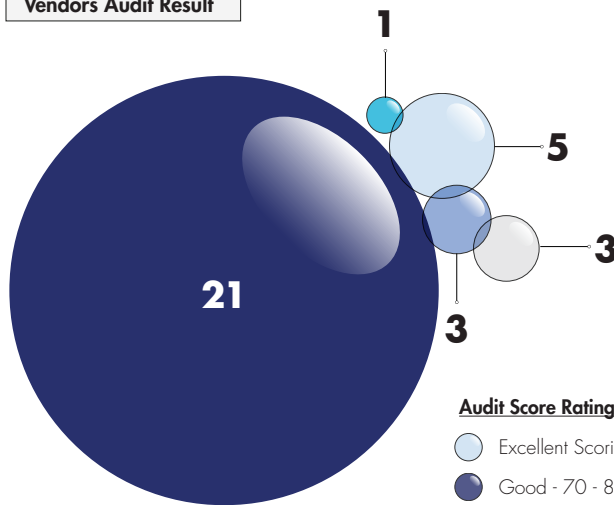


Total Registered Vendors & Total Spend (RM Million)



Total Vendors Audited
33

Vendors Audit Result



Audit Score Rating

- Excellent Scoring - 90% and more
- Good - 70 - 89%
- Fair - 50% - 69%
- Poor - 49% and less
- Others - Incomplete documents submission during audit



64%
Have a Good Audit Result

SUSTAINABLE VALUE CREATION

DATA PRIVACY & SECURITY

WHY IT MATTERS

In an advancing digital age, the significance of data privacy and cybersecurity is escalating. Protecting our systems and databases containing sensitive information from potential cyber threats and privacy breaches is essential for maintaining the stability of our business. At the same time, it ensures our adherence to evolving regulations like data protection laws and mitigates legal and reputational risks, while fostering trust among stakeholders

OUR APPROACH

| Approach | Management Description and Initiatives |
|--|---|
| Ensuring Compliance and Access Controls | <ul style="list-style-type: none"> Our commitment to ensure data privacy and security across the organisation is overseen by IT Operations department. Our primary objective is to ensure full and complete compliance with all relevant regulations applicable to our business most notably towards upholding the standards outlined in the Personal Data Protection Act ("PDPA"). To this end, we have appointed a dedicated data protection officer from the IGUC to implement best practices for handling personal data securely. In addition to compliance with the PDPA, we employ a robust array of ICT-based systems to safeguard the storage of data. This includes the implementation of firewalls and other protective measures to prioritise data integrity and confidentiality. Access to data is strictly controlled with restricted levels of access, and all file transfers are encrypted to ensure maximum security. |
| Enhancing Email Security | <ul style="list-style-type: none"> In 2023, a core focus of our ongoing efforts was to bolster our security posture against both external and internal threats, notably within our Group email solution. During the year, we deployed a new email gateway that effectively filters all incoming data, ensuring that it is legitimate and free from any malicious intent. Additionally, we conducted a comprehensive analysis across crucial security facets, encompassing spam prevention, phishing detection and mitigation, defence against malicious URLs and protection from viruses and vulnerable attachments. Based on our assessment, which unearthed notable insights across various metrics, our forthcoming initiatives will aim to further fortify our security protocols and refine our email handling procedures to address any identified gaps. |

Through our efforts, we have identified the following key observations across various metrics, which will inform our future initiatives aimed at further enhancing our security protocols and email handling procedures.

- Anti-Virus and Anti-Phishing Detection:** Both Anti-Virus and Anti-Phishing detections show fluctuations throughout the year, with significant spikes observed in November for Anti-Virus detections and in October for Anti-Phishing attempts.
- Anti-Spam Detection:** Anti-Spam detections also fluctuate, reaching the highest point in October and the lowest in March.
- Authentication Violations:** Authentication violations show a relatively stable trend throughout the year, with occasional fluctuations.
- Content Filtering:** Content filtering remains relatively consistent with minor fluctuations each month.
- Clean and Unprocessed Emails:** The number of clean emails fluctuates throughout the year, while the number of unprocessed emails remains relatively stable.
- Total Email Volume:** Total email volume fluctuates throughout the year, with significant increases observed in March and October.

OUR PERFORMANCE

During the year, we recorded zero substantiated complaints concerning breaches of customer privacy or losses of customer data. Moving forward, we will continuously seek innovative solutions to further enhance the security of our digital systems and ensure all confidential data is effectively protected.



Number of substantiated complaints concerning breaches of customer privacy and losses of customer data

ZERO

Velesto is pleased to report that there were no documented cases of data breaches during FY2023. Our proactive measures and vigilant monitoring systems have effectively safeguarded our organisation's data assets against unauthorised access and malicious activities.

SUSTAINABLE VALUE CREATION

INNOVATION AND TECHNOLOGY

WHY IT MATTERS

In an era marked by rapid technological advancements, we acknowledge the significance of innovation and the adoption of cutting-edge technology to uphold our operational excellence and fortify our resilience for the future. By prioritising the continual integration of new digital tools and technologies for enhancing our monitoring, communication and operational performance, we can elevate our efficiencies and maintain our competitive edge, positioning Velesto as a forward-thinking leader in the oil and gas sector.

OUR APPROACH

| Approach | Management Description and Initiatives |
|--|--|
| <p>Embracing Technology to Unlock Efficiencies</p> | <ul style="list-style-type: none"> • We are dedicated to embracing the latest technological advancements and harnessing innovative digital tools, services and work methodologies to improve the speed and efficiency of our operations. This commitment has been cemented in our WAVASAN 2030 business strategy, under which 'Technology & Capabilities' has been identified as one of six core pillars to drive the Group towards its aspirations. • Recent initiatives include the digitalisation of online vendor registration via our website, which has streamlined the application process for new vendors and enhanced the transparency and simplicity of our vendor management processes. To facilitate the shift to digital registration, we have eliminated the manual Supplier Request Form ("SREF") previously used for new vendor registration. • Additionally, we have adopted NEST, an internal online knowledge bank consolidating essential communication and knowledge-sharing activities into a user-friendly platform. Leveraging NEST and other digital tools, we have been able to seamlessly adopt hybrid work models for our corporate headquarters staff. This move aligns with our commitment to improving efficiency and sustainability, as remote work and flexible scheduling reduce commuting time for employees, while also serving to lower fuel consumption and emissions associated with transportation. |
| <p>Greater Adoption of Digital Management Tools</p> | <ul style="list-style-type: none"> • We acknowledge the substantial benefits that the adoption of new software and digital applications can bring to our internal systems. Through the strategic use of these tools, we aim to elevate efficiency and oversight throughout our organisation and unlock internal synergies via software integration. • As described in our 'Climate Change, Energy and Emissions' topic on page 31, we have installed Rig Power Management Systems ("RPMS") on three of our jack-up drilling rigs to enhance energy efficiency, while also utilising Variable Frequency Drives ("VFD") on the fan motors of our air handling units to reduce energy consumption. • Over the past year, we have also continuously explored innovative solutions to enhance various facets of our operations, including our HR systems, data analysis capabilities, asset management practices, and reporting and monitoring processes. |



SUSTAINABLE VALUE CREATION



Key Digital Programmes

| Initiative | Description |
|--|---|
| HR Avenue v15 | We have developed and set up new version module for our current HR and Payroll systems, which now features enhanced convenience and functionality, including online announcements, e-claims and e-overtime, digital travel requests and a new mobile application. |
| QHSE Synergi Life | We are implementing the Synergi Life QHSE System to digitalise QHSE management within our operations, providing a standardised single platform to increase efficiency, enhance data management and enable effective data analysis consisting of installed modules on Incident Management and Audit Management, and future modules on Risk Management, Compliance, ESG and Management of Change. |
| Maximo Rollout for VWO | We have expanded the utilisation of the Maximo application, previously employed by Velesto Drilling Sdn Bhd ("VED"), to include Velesto Workover Sdn Bhd ("VWO"). This extension allows us to standardize asset management and preventive maintenance activities across both VED and VWO. |
| Microsoft Dynamic 365 (D365) Report Enhancement | We have continued to expand and advance our D365 business reporting framework across the organisation, with the software now successfully deployed for Finance, Procurement and Inventory Reporting. |
| Microsoft Power BI | We have utilised our existing Power BI tools to develop enhanced dashboards for reporting across functions in the Company i.e., Operations, Finance, Legal, Secretarial & Risk Management, Supply Chain, etc. to improve performance tracking and reporting, as well as data driven insights. |

OUR PERFORMANCE

Over the past year, the Group has made significant headway in implementing new digital tools and solutions across our operations. Having established 'Technology & Capabilities' as a key pillar under our Wawasan 2030 business strategy, we will continue to seek out new and innovative technologies with the potential to further enhance our efficiency, competencies and overall performance.

TCFD – ALIGNED DISCLOSURE

Mindful of evolving stakeholder expectations regarding climate action, the Group is dedicated to intensifying our endeavours to mitigate climate change. We have aligned our approach with the recommendations put forth by the Task Force on Climate-Related Financial Disclosures ("TCFD"), ensuring that our actions are strategic and impactful in addressing climate-related risks and opportunities.

The past years, Velesto has taken the steps to integrate climate considerations into business decision-making as part of the overall sustainability governance by the Board and Senior Management. In 2023, we have initiated the qualitative assessment of risks and opportunities on the management of climate-related issues. However, a more comprehensive scenarios analysis into the impact of climate change on the business will be conducted in 2024 as part of the Group progress towards developing its Net Zero 2050 roadmap.

We will continue to take measures to reduce our exposure to the impacts of climate change and as such, the climate assessment will be conducted on an annual basis, taking into account changes in policy, technology, and the structure of markets. The progress and update on our management of climate-related issues will be consistently disclosed in our annual Sustainability Report. This year, we are releasing a specific summary section of our alignment to TCFD which is structured to cover the four (4) core elements of the recommendations: Governance, Strategy, Risk Management, and Metrics & Targets.

CLIMATE GOVERNANCE

Velesto has a sound governance structure to guide and manage climate related risks as part of our existing corporate governance. In specific, our Board Risk Management Committees ("BRMC") oversees and manages sustainability-related issues including climate-related matters. The BRMC is supported by the Senior Management through the Sustainability Management Committee ("SMC") on day-to-day decision-making strategy advisory on sustainability-related matters including climate change and risks.

Some examples of climate-related topics discussed and reviewed in 2023 include:

- Emerging climate-related disclosure requirements and stakeholders' demands
- The Group performance on key ESG metrics and targets concerning climate change i.e., emission management, energy and water consumption, waste generation, and more
- Plan for commitment to Net Zero 2050 and decarbonisation strategy

For more details on Velesto sustainability governance structure and approach, please refer to Section on Our Approach to Sustainability on page 10-16.

CLIMATE STRATEGY

Velesto Commitment to a Sustainable Future

As a prominent service provider in the oil and gas sector, we are deeply committed to mitigating the environmental impacts of our operations, particularly concerning carbon emissions stemming from the diesel engines utilised on our rigs. In addition to addressing these Scope 1 emissions, alongside Scope 2 emissions from grid-sourced electricity powering our facilities, we are actively identifying and quantifying limited indirect emission sources from our operations and third-party contributors within our value chain.

In further strengthening our effort towards decarbonisation of our value chain, we are committing to Net Zero 2050 in FY2024. Looking ahead, the Group will be conducting comprehensive assessment on its climate risks and opportunities, and business strategies as part of the Net Zero 2050 roadmap development. The progress will be monitored and disclosed consistently in our annual Sustainability Report.

Understanding Our Climate-Related Risks and Opportunities

Velesto is still in the early stage of establishing a comprehensive climate risks assessment methodology. In 2023, climate risks and opportunities are assessed by our internal sustainability team to provide overview of the matter and advisory for future improvement as part of the Group's enterprise risk management exercise on overall sustainability and ESG management.

As part of our continuous improvement, we will be conducting scenario analysis in consideration of time horizons for physical climate risks and the transition to a low-carbon economy risks and opportunities. The scenarios analysis will be adopting scenarios based on the IEA and The Sixth Assessment Report of the United Nations Intergovernmental Panel on Climate Change (IPCC AR6).

TCFD - ALIGNED DISCLOSURE

The following tables below explain our scenario considerations for future assessment of climate risks and opportunities:

Time horizons to be considered in Velesto’s Scenario Analysis

| Period | Rationale |
|---------------|--|
| Short | Up to 5 or 6 years Aligns with our existing business strategy planning, client’s activity outlook and incorporating near-term policy implementation |
| Medium | Between 2030 and 2040 Considerations to reflect changes driven by transition and acute physical climate events |
| Long | Beyond 2040 Considerations to reflect changes driven by chronic physical climate events |

Indicative scenarios selected for Velesto’s Scenario Analysis

| | International Energy Agency ("IEA") | Intergovernmental Panel on Climate Change ("IPCC") |
|---------------------|---|--|
| Scenarios | Stated Policies Scenario ("STEPS") | Representative Concentration Pathways ("RCP")* |
| Descriptions | Sustainable Development Scenarios ("SDS") Defines a future based on existing policies that are employed worldwide towards lowering GHG emissions: <ul style="list-style-type: none"> Fossil fuel remains as major energy source Unable to achieve Paris Agreement goal to limit global warming to well below 2 c by 2050 (delayed decarbonisation efforts) | Define physical risk impact with assumption that emission continue to rise as business as usual ("BAU") or with mitigation effort in place to limit emission align to Paris Agreement target <ul style="list-style-type: none"> Most advanced economies to meet Net Zero 2050 target Global carbon emissions on course to meet Net Zero after 2050 |
| Use Case | Transition risks | Physical risks |

* The specific RCP scenarios as well as the reference to Shared Socioeconomic Pathways to be determined in upcoming assessment in 2024.

Operationalising Emission Management

In addressing climate risks and unlocking relevant opportunities, Velesto has taken measures to operationalize its emission management through emission reduction activities leveraging on technological implementation, process efficiency, awareness and capabilities building of its people.

For more details on Velesto management approach for climate-related matters including energy and emission management, please refer to Section on Respecting the Environment – Climate Change, Energy and Emission Management on page 31-37.

Track and Monitor Our Performance Indicators

Velesto on annual basis benchmarks its ESG performance internally around metrics related to climate change such as emission intensity, water consumption, waste generation and more. These performance metrics are monitored and updated to the BRMC every quarter and reported annually to the public.

The metrics are discussed further in subsequent sub-section of this TCFD-aligned summary below.

For more details on Velesto performance on climate-related metrics, please refer to Section on Respecting the Environment – Climate Change, Energy and Emission Management on page 31-37 and our ESG Performance Table on page 73-82.

In general, we will continue to review and improve our strategy on managing climate-related matters annually in considerations of changes in policy, technology, and the structure of markets.

CLIMATE RISK MANAGEMENT

The Board, via the BRMC, upholds vigilant oversight of climate change risks as part of the broader sustainability risks within the Group's enterprise risk management framework. The risk assessed using our internal risk identification matrix (Risk Register) and outcomes are presented to BRMC on quarterly basis. These considerations are actively integrated into our strategic planning, particularly concerning future capital expenditures, including investments in new businesses, technology and systems adoption.

Velesto will be providing updates on the outcomes of the comprehensive scenarios analysis in upcoming reporting cycles based on the consideration sets in previous sub-section on climate strategy. In principle, the following risks category will be reviewed and enhanced from the existing ESG Risk Register:

| Risk Category | Velesto Context | Assessment Conclusion |
|--------------------------------|---|-----------------------------|
| <p>Policy Risks</p> | <p>Refers to potential implementation of policies around:</p> <ul style="list-style-type: none"> • Policy for mitigating actions on climate change • Policy for promoting adaptation <p>Examples may include implementation of carbon pricing mechanism, renewable energy incentives, adoption of green technologies, and more.</p> | <p>Risk and Opportunity</p> |
| <p>Legal Risks</p> | <p>Refers to litigation risk which may apply to inadequacy in responding and managing climate-related matter such as:</p> <ul style="list-style-type: none"> • Insufficient disclosure and lack of performance monitoring • Failure in impact mitigation arise from operation • Absent of adaptation strategies <p>The risk is also interlinked to value of loss and damage from climate change.</p> | <p>Risk</p> |
| <p>Technology Risks</p> | <p>Technology presents both risk and opportunity in which it may impact the Group's market competitiveness, cost management, and operational efficiency. These are typically influenced by:</p> <ul style="list-style-type: none"> • Availability and maturity of emerging technologies at specific time horizon e.g., carbon capture, utilisation, and storage ("CCUS"), energy storage system, renewable energy technologies, etc. • Cost of implementation • Market opportunity | <p>Risk and Opportunity</p> |
| <p>Market Risks</p> | <p>The biggest influence to the Group will be the shifting demand and supply away from fossil fuel by consumer as well as clients transition into new energy market.</p> <p>However, a more comprehensive review of the risk will require planning into the long-term business strategy which could also present opportunities.</p> | <p>Risk and Opportunity</p> |
| <p>Reputation Risks</p> | <p>Public perceptions including policy makers and investors on oil and gas as a polluting industry will continue to intensify. As such, it is important for the Group to communicate it continued efforts to transition towards low carbon operation.</p> | <p>Risk and Opportunity</p> |
| <p>Physical Risks</p> | <p>This risk category may have financial implications to the Group business due to asset damage and potential supply chain disruption.</p> <p>The risk assessment considers physical risks as:</p> <ul style="list-style-type: none"> • Acute risks which are event-driven including increased severity of extreme weather such as cyclones, hurricanes and floods. | <p>Risk</p> |

TCFD - ALIGNED DISCLOSURE



CLIMATE METRICS AND TARGETS

We are measuring and monitoring the following metrics and currently have set limited targets on certain metrics.

| Metric | Target |
|-------------------------|---|
| GHG Emissions Intensity | <ul style="list-style-type: none"> • 10% emission intensity reduction per operating days by 2030 • 30% emission intensity reduction per revenue by 2030 |

Other Climate-Related Metrics Tracked

- Total GHG emissions (Scope 1, 2 & limited Scope 3)
- Electricity consumption
- Water consumption and intensity per operating days
- Waste generation

Looking ahead, we remain committed to continuous evaluation of our performance to address any shortcomings while striving to set other relevant climate-related matter targets.

For more details on how Velesto measures and monitors its climate metrics performance, please refer to Section on Respecting the Environment – Climate Change, Energy and Emission Management on page 31-37 and Our ESG Scorecards on page 28.

BURSA MALAYSIA COMMON MATERIAL MATTERS DISCLOSURES

| Indicator | Measurement Unit | 2023 |
|---|------------------|------------|
| Bursa (Energy management) | | |
| Bursa C4(a) Total energy consumption | Megawatt | 231,904.08 |
| Bursa (Emissions management) | | |
| Bursa C11(a) Scope 1 emissions in tonnes of CO ₂ e | Metric tonnes | 63,469.00 |
| Bursa C11(b) Scope 2 emissions in tonnes of CO ₂ e | Metric tonnes | 477.00 |
| Bursa C11(c) Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting) | Metric tonnes | 67.00 |
| Bursa (Water) | | |
| Bursa C9(a) Total volume of water used | Megalitres | 0.101295 |
| Bursa (Health and safety) | | |
| Bursa C5(a) Number of work-related fatalities | Number | 0 |
| Bursa C5(b) Lost time incident rate ("LTIR") | Rate | 0.00 |
| Bursa C5(c) Number of employees trained on health and safety standards | Number | 401 |
| Bursa (Labour practices and standards) | | |
| Bursa C6(a) Total hours of training by employee category | | |
| Management | Hours | 2,443 |
| Executive | Hours | 4,646 |
| Non-executive/Technical Staff | Hours | 237 |
| Senior Management | Hours | 328 |
| Bursa C6(b) Percentage of employees that are contractors or temporary staff | Percentage | 77.00 |
| Bursa C6(c) Total number of employee turnover by employee category | | |
| Management | Number | 30 |
| Executive | Number | 27 |
| Non-executive/Technical Staff | Number | 51 |
| Senior Management | Number | 0 |
| Bursa C6(d) Number of substantiated complaints concerning human rights violations | Number | 0 |
| Bursa (Diversity) | | |
| Bursa C3(a) Percentage of employees by gender and age group, for each employee category | | |
| Age Group by Employee Category | | |
| Management 30 and below | Percentage | 0.00 |
| Management 31-50 | Percentage | 70.00 |
| Management 51-65 | Percentage | 29.00 |
| Management 65 and above | Percentage | 1.00 |
| Executive 30 and below | Percentage | 43.00 |
| Executive 31-50 | Percentage | 53.00 |
| Executive 51-65 | Percentage | 3.00 |
| Executive 65 and above | Percentage | 1.00 |
| Non-executive/Technical Staff 30 and below | Percentage | 8.00 |
| Non-executive/Technical Staff 31-50 | Percentage | 63.00 |
| Non-executive/Technical Staff 51-65 | Percentage | 26.00 |
| Non-executive/Technical Staff 65 and above | Percentage | 3.00 |
| Senior Management 30 and below | Percentage | 0.00 |
| Senior Management 31-50 | Percentage | 55.00 |
| Senior Management 51-65 | Percentage | 45.00 |
| Senior Management 65 and above | Percentage | 0.00 |
| Gender Group by Employee Category | | |
| Management Male | Percentage | 74.00 |
| Management Female | Percentage | 26.00 |
| Executive Male | Percentage | 49.00 |
| Executive Female | Percentage | 51.00 |
| Non-executive/Technical Staff Male | Percentage | 99.00 |
| Non-executive/Technical Staff Female | Percentage | 1.00 |
| Senior Management Male | Percentage | 64.00 |
| Senior Management Female | Percentage | 36.00 |

Internal assurance External assurance No assurance

(*) Restated

BURSA MALAYSIA COMMON MATERIAL MATTERS DISCLOSURES

| Indicator | Measurement Unit | 2023 |
|---|------------------|-----------|
| Bursa C3(b) Percentage of directors by gender and age group | | |
| Male | Percentage | 56.00 |
| Female | Percentage | 44.00 |
| 30 and below | Percentage | 0.00 |
| 31-50 | Percentage | 33.33 |
| 51-65 | Percentage | 33.33 |
| 65 and above | Percentage | 33.33 |
| Bursa (Community/Society) | | |
| Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer | MYR | 55,000.00 |
| Bursa C2(b) Total number of beneficiaries of the investment in communities | Number | 3 |
| Bursa (Anti-corruption) | | |
| Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category | | |
| Management | Percentage | 88.00 |
| Executive | Percentage | 83.00 |
| Non-executive/Technical Staff | Percentage | 51.00 |
| Senior Management | Percentage | 60.00 |
| Bursa C1(b) Percentage of operations assessed for corruption-related risks | Percentage | 86.00 |
| Bursa C1(c) Confirmed incidents of corruption and action taken | Number | 1 * |
| Bursa (Supply chain management) | | |
| Bursa C7(a) Proportion of spending on local suppliers | Percentage | 70.00 |
| Bursa (Data privacy and security) | | |
| Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | Number | 0 |

For full disclosure of Velesto's three (3) financial years ESG Performance Data (including disclosure on other material matters), please refer to ESG Performance Data table of this statement on page 73-82.

*For more details on reported incidents of corruption, please refer to Governance & Ethics section of the Sustainability Report and the disclosure in the full ESG Performance Data of this statement on page 73-82.

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|--|-----------------------------|-----------|-------------------|-------------------|
| Energy | | | | |
| Total fuel consumption (diesel, petrol, etc.) | GJ | 713,028 | 738,952 | 832,358 |
| Total electricity consumption | GJ | 1,137 | 2,359 | 2,490 |
| Total energy consumption | GJ | 714,165 | 741,311 | 834,848 |
| GHG Emissions | | | | |
| Total Scope 1 Emission (from fuel) | tonnes of CO ₂ e | 53,008 | 54,936 | 63,469 |
| Total Scope 2 Emissions (from electricity) | tonnes of CO ₂ e | 181 | 452 | 477 |
| Scope 3 Emissions for business travel | tonnes of CO ₂ e | | 33 ⁽¹⁾ | 67 ⁽²⁾ |
| Total Scope 1&2 Emission intensity/Operating Days | Ratio | 48 | 41 | 34 |
| Total Scope 1&2 Emission intensity/Revenue | Ratio | 141 | 95 | 53 |
| Variance scope 1&2 Emission intensity / operating day (compared to basis year) | % | | -15 | -28 |
| Variance scope 1&2 Emission intensity / Revenue (compared to basis year) | % | | -32 | -63 |
| Air Quality | | | | |
| CO emissions | tCO ₂ e | 52,835 | 52,911 | 62,357 |
| NO _x emissions | CO ₂ e | 113.37 | 113.53 | 132.34 |
| NH ₄ emissions | CO ₂ e | 59.89 | 59.98 | 69.92 |
| Water Consumption | | | | |
| Total Volume of Water Use | litres | 77,249.00 | 75,556.40 | 101,294.10 |
| Water intensity /Operating Days | Ratio | 69.59 | 55.8 | 54.58 |
| Water intensity/ Revenue (RM mil) | Ratio | 204.36 | 130.05 | 83.37 |
| Waste and effluent | | | | |
| Total Waste Generated ⁽³⁾ | tonnes | 193.7 | 137.78 | 223.72 |
| No. of minor environmental spills | Number | 0 | 0 | 1 |
| No. of major environmental spills | Number | 1 | 0 | 0 |
| Total volume of environmental spills | litres | 1 | 0 | 0 |

⁽¹⁾ In 2022, our Scope 3 disclosure on Business Travel include data for travel by air only

⁽²⁾ In 2023, our Scope 3 disclosure on Business Travel include data for travel by air and land

⁽³⁾ Number of scheduled waste generated

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|--|------------------------|-----------------------------------|--------|--|
| Biodiversity | | | | |
| Number of biodiversity assessments undertaken on new sites | Number | 0 | 0 | 4 ⁽¹⁾ |
| Number of biodiversity audits undertaken on existing sites | Number | Based on EIA assessment by client | | |
| Percentage of existing operations or projects assessed for biodiversity risks | % | | | 100% (Based on EIA assessment by client) |
| Number of Operations within or adjacent to sites deemed rich in biodiversity (Based on RAMSAR, IUCN, etc.) | Number | 0 | 0 | 0 |
| Budget spent on Biodiversity and conservation efforts / programmes / initiatives | RM | N/A | 45,000 | 63,358 |
| Size and location of all habitat areas protected or restored | Acres / sqft(Location) | | | ~290 sqft (Coral planting at Perhentian Island, Terengganu) |
| Supply Chain Management | | | | |
| Total procurement spend | RM mil | 315.57 | 593.27 | 854.77 |
| Total procurement spend on local suppliers | RM mil | 190.65 | 331.02 | 599 |
| Total procurement spend on foreign suppliers | RM mil | 124.92 | 262.25 | 254.59 |
| Proportion of spending on local suppliers | % | 60 | 56 | 70 |
| Total number of registered vendors | Number | 420 | 471 | 836 |
| Number of registered local vendors | Number | 300 | 320 | 591 |
| Percentage of registered local vendors | % | 71 | 68 | 71 |
| Number of suppliers removed from procurement list or cautioned for poor ESG performance | Number | 0 | 0 | 0 |
| No. of suppliers endorsed anti-bribery anti-corruption policies/ VIP Pledge | Number/ % | N/A | 464 | 541 (65%) |
| Percentage of suppliers endorsed anti-bribery anti-corruption policies | % | N/A | 99 | 59% |
| Workforce Diversity | | | | |
| Total workforce | Number | 624 | 722 | 732 |
| Malaysian employees | % | 75 | 73 | 75 |

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|---|---------------------|--------|--------|--------|
| Workforce Diversity (cont'd.) | | | | |
| Non-Malaysian employees | % | 25 | 27 | 25 |
| Permanent employees | % | 38 | 28 | 23 |
| Employees that are contractors or temporary staff | % | 62 | 72 | 77% |
| Male Managerial Staff | % | 55 | 71 | 74 |
| Female Managerial Staff | % | 45 | 29 | 26 |
| Male Executive Employees | % | 62 | 49 | 49 |
| Female Executive Employees | % | 38 | 51 | 51 |
| Male Non-Executive Employees | % | 97 | 98 | 99 |
| Female Non-Executive Employee | % | 3 | 2 | 1 |
| Senior Management Staff Age 30 and below | % | | | 0 |
| Senior Management Staff Age 31-50 | % | | | 55 |
| Senior Management Staff Age 51-65 | % | | | 45 |
| Senior Management Staff Age 65 and above | % | | | 0 |
| Managerial Staff Aged 30 and below | % | 6 | 1 | 0 |
| Managerial Staff Aged 31-50 | % | 76 | 71 | 70 |
| Managerial Staff Aged 51-65 | % | 18 | 27 | 29 |
| Managerial Staff Aged 65 Years and Above | % | 0 | 1 | 1 |
| Executive Employees Aged 30 and below | % | 72 | 45 | 43 |
| Executive Employees Aged 31-50 | % | 26 | 52 | 53 |
| Executive Employees Aged 51-65 | % | 1 | 2 | 3 |
| Executive Employees Aged 65 Years and Above | % | 1 | 1 | 1 |
| Non-Executives Aged 30 and below | % | 8 | 10 | 8 |
| Non-Executives Aged 31-50 | % | 66 | 64 | 63 |
| Non-Executives Aged 51-65 | % | 25 | 25 | 26 |
| Non-Executives Aged 65 Years and Above | % | 1 | 1 | 3 |
| Senior Management staff with Malay ethnicity | % | | | 82 |

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|--|---------------------|--------|--------|--------|
| Workforce Diversity (cont'd.) | | | | |
| Senior Management staff with Chinese ethnicity | % | | | 9 |
| Senior Management staff with Indian ethnicity | % | | | 0 |
| Senior Management staff with Others ethnicity | % | | | 9 |
| Malay Managerial Staff | % | 69 | 64 | 62 |
| Chinese Managerial Staff | % | 11 | 18 | 14 |
| Indian Managerial Staff | % | 6 | 9 | 11 |
| Managerial Staff of Other Ethnicities | % | 13 | 10 | 14 |
| Malay Executive Staff | % | 90 | 86 | 86 |
| Chinese Executive Staff | % | 1 | 5 | 3 |
| Indian Executive Staff | % | 3 | 3 | 2 |
| Executive Staff of Other Ethnicities | % | 7 | 7 | 9 |
| Malay Non-Executive Staff | % | 33 | 35 | 34 |
| Chinese Non-Executive Staff | % | 3 | 9 | 3 |
| Indian Non-Executive Staff | % | 4 | 6 | 7 |
| Non-Executive Staff of Other Ethnicities | % | 59 | 50 | 55 |
| Number / percentage of disabled managerial staff | Number / % | 0 | 0 | 0 |
| Number / percentage of disabled executive staff | Number / % | 0 | 0 | 0 |
| Number / percentage of disabled non-executive staff | Number / % | 0 | 0 | 0 |
| Total number / percentage of staff with disabilities | Number / % | 0 | 0 | 0 |
| Hiring and Attrition | | | | |
| Total New Hires | Number | 104 | 216 | 164 |
| New Hires (Male) | % | 68 | 85 | 81 |
| New Hires (Female) | % | 32 | 15 | 19 |
| New Hires aged 30 and below | Number | 25 | 23 | 34 |
| New Hires aged 31-50 | Number | 63 | 66 | 107 |
| New Hires aged 51-65 | Number | 11 | 11 | 22 |

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|--|---------------------|---------|--------|---------|
| Hiring and Attrition (cont'd.) | | | | |
| New Hires aged 65 and above | Number | 1 | 0 | 1 |
| New Hires with disabilities, or from underprivileged groups | % | 0 | 0 | 0 |
| Total Turnover (including resignation, termination, death or retirement) | Number | | | 108 |
| Turnover of Managerial Staff | % | | | 28 |
| Turnover of Executives | % | | | 25% |
| Turnover of Non-Executives | % | | | 47 |
| Full-Time Staff Voluntary Turnover Rate (%) | % | | | 0 |
| Turnover (Male) | Number | | | 80 |
| Turnover (Female) | Number | | | 28 |
| Turnover aged 30 and below | Number | | | 21 |
| Turnover aged 31-50 | Number | | | 69 |
| Turnover aged 51-65 | Number | | | 17 |
| Turnover aged 65 and above | Number | | | 1 |
| Turnover of staff with disabilities, or from underprivileged groups | % | | | 0 |
| Number of substantiated complaints concerning human rights violations | Number | | 0 | 0 |
| Staff Training | | | | |
| Total training spend as a company | RM '000 | 46 | 246 | 752 |
| Total training hours as a company | Number | 2,391.5 | 4,612 | 7,653 |
| Total training hours Senior Management | Number | | | 327.5 |
| Total training hours for Managerial Staff | Number | 514.5 | 1321 | 2,442.5 |
| Total training hours for Executive Staff | Number | 1235 | 2310 | 4,646.0 |
| Total training hours for Non-Executive Staff | Number | 642 | 981 | 237.0 |
| Average training hours senior management | Number | | | 9.63 |
| Average Training Hours Per Employee (Management Staff) | Number | 4.67 | 9.57 | |
| Average Training Hours Per Employee (Executives) | Number | 5.97 | 11.27 | 13.87 |

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|---|---------------------|--------|-----------------|-----------------|
| Staff Training (cont'd.) | | | | |
| Average Training Hours Per Employee (Non-Executives) | Number | 3.36 | 7.32 | 6.58 |
| Total male employees attended training | Number | 271 | 264 | 300 |
| Total female employees attended training | Number | 316 | 287 | 272 |
| Average Training Hours Per Employee (Male) | Hours | 8.82 | 17.47 | 25.51 |
| Average Training Hours Per Employee (Female) | Hours | 7.56 | 16.07 | 28.13 |
| Employee Benefit and Remuneration | | | | |
| Percentage of staff receiving a performance appraisal | % | 74.1 | 68.13 | 54 |
| Total payments made to employees in terms of salaries, bonuses and benefits | RM Mil | 117 | 142 | 131 |
| Total statutory payments made for employees' retirement benefits (EPF) | RM Mil | 7 | 7 | 9.3 |
| Total payments to SOCSO for employees' medical insurance | RM Mil | 0.32 | 0.41 | 0.58 |
| No. of Employees Entitled for Maternity and Paternity Leave | Number | 67 | 95 | 179 |
| No. of Employees Who Took Paternity Leave | Number | 0 | 0 | 4 |
| No. of Employees Who Took Maternity Leave | Number | 2 | 5 | 8 |
| Male Employees Return to Work Rates (return to work after parental leave period) | % | 100 | 100 | 100 |
| Female Employees Return to Work Rates (return to work after parental leave period) | % | 100 | 100 | 88 |
| Male Employees Retention Rates (remain with the organisation for 12 months or more post parental leave) | % | | 100 | 100 |
| Female Employees Retention Rates (remain with the organisation for 12 months or more post parental leave) | % | | 100 | 88 |
| Employee Engagement | | | | |
| Total spend on Employee Engagement activities | RM | | | 3,061.60 |
| Number of Employee Engagement Activities | Number | | | 17 |
| Employee Satisfaction Level | % | 79 | Survey not done | Survey not done |

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|---|---------------------|-----------|---|--|
| Community Engagement | | | | |
| Total amount invested in the community where the target beneficiaries are external to the listed issuer | RM'000 | | 95 | 55 |
| Total number of beneficiaries of the investment in communities | Number | | 4 secondary school, 3 primary school, 89 teachers | 2 secondary schools- Less student category & few communities in Kelantan |
| Number of Community Engagement Activities | Number | 4 | 2 | 2 |
| Total number of employee volunteer hours | Manhours | N/A | 60 | 256 |
| HSE Performance | | | | |
| Total manhours worked | Hours | 1,839,629 | 2,002,687 | 2,556,556 |
| Number of work-related fatalities | Number | 0 | 0 | 0 |
| Number of work-related fatalities: Employees | Number | 0 | 0 | 0 |
| Number of work-related fatalities: Contractors | Number | 0 | 0 | 0 |
| Fatality Rate | Rate | 0 | 0 | 0 |
| No. of recordable work-related injuries | Number | 2 | 1 | 4 |
| Injury Rate (including fatalities) | Rate | 0 | 0.5 | 1.56 |
| Total no. of lost days / LTIs | Number | 7 | 7 | 0 |
| Lost Day Rate | Rate | 1.92 | 1.92 | 0 |
| No. of LTIs | Number | 1 | 1 | 0 |
| Lost time incident rate | Rate | 0.54 | 0.5 | 0 |
| No. of Unsafe Act Unsafe Condition ("UAUC") | Number | 44,953 | 40,773 | 63,100 |
| Occupational diseases rate | Rate | 0 | 0 | 0 |
| Absenteeism Rate - Days | Rate | 0.05 | 0.05 | 0 |
| Absenteeism Rate - Headcount | Rate | 0.1 | 0.1 | 0 |
| Number of employees trained on health and safety standards | Number | | | 401 |

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|--|---------------------|-------------------|-------------------|-------------------|
| Corporate Governance | | | | |
| Number of Board of Directors | Number | 9 | 9 | 9 |
| Number of Independent Directors on the Board | Number | 5 | 5 | 5 |
| Number of women on the Board | Number | 3 | 4 | 4 |
| AGM Notice Filing Date | DD-MM | 29-Apr | 28-Apr | 30-Apr |
| AGM Date | DD-MM | 28-Jun | 29-May | 30-May |
| Number of days between the date of notice and date of meeting | Number | More than 28 days | More than 28 days | More than 28 days |
| Malay Directors | % | 89 | 67 | 67 |
| Chinese Directors | % | 11 | 22 | 22 |
| Indian Directors | % | 0 | 11 | 11.11 |
| Directors of Other Ethnicities | % | 0 | 0 | 0 |
| Malaysian Directors | % | 100 | 100 | 100 |
| Non-Malaysian Directors | % | 0 | 0 | 0 |
| Number / percentage of Directors with disabilities | % | 0 | 0 | 0 |
| Male Directors | % | 67 | 56 | 56 |
| Female Directors | % | 33 | 44 | 44 |
| Directors Aged 30 and below | % | 0 | 0 | 0 |
| Directors Aged 31-50 | % | 22 | 33 | 33.33 |
| Directors Aged 51-65 | % | 22 | 11 | 33.33 |
| Directors Aged 65 Years and Above | % | 56 | 56 | 33.33 |
| Risk Management & Regulatory Compliance | | | | |
| Has the company and / or subsidiaries been fined or censured for any environmental non-compliance? | Y/N | | No | No |
| Cost of fines for environmental non-compliance | RM | | No | No |
| Has the company and / or subsidiaries been fined or censured for any socioeconomic non-compliance? | Y/N | | No | No |
| Incident of Environmental Regulatory Non-Compliance | Y/N | | No | No |
| Incident of Social Regulatory Non-Compliance | Y/N | | NO | No |

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|--|---------------------|--------|--------|--------|
| Risk Management & Regulatory Compliance (cont'd.) | | | | |
| Incident of Corporate/ Governance Non-Compliance | Y/N | | Yes | 0 |
| Total incident of corporate/ governance non compliance | Y/N | | 5 | 0 |
| Cost of fines for socioeconomic non-compliance | RM | | | 0 |
| Incidents of non-compliance with regulations resulting in a fine or penalty | Number | | | 0 |
| Incidents of non-compliance with regulations resulting in a warning | Number | | | 0 |
| Incidents of non-compliance with voluntary codes | Number | | | 0 |
| Total monetary value of paid fines for corporate /governance non-compliance | RM'000 | | 24 | 0 |
| Total number of non-monetary sanctions | Number | | | 0 |
| Number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant | Number | | 0 | 0 |
| Cases brought through dispute resolution mechanisms | Number | | 0 | 0 |
| Cases of corporate misconduct reported through the Whistleblowing channel | Number | | 0 | 0 |
| Anti-Corruption | | | | |
| Number of training hours relating to anti-corruption Directors | Number | N/A | N/A | 0 |
| Number of training hours relating to anti-corruption Managerial Staff | Number | 38 | 26 | 135 |
| Number of training hours relating to anti-corruption Executives | Number | 86 | 78 | 142.5 |
| Number of training hours relating to anti-corruption Non-Executives | Number | 348 | 264 | 313.5 |
| Number of training hours relating to anti-corruption Total | Number | 472 | 368 | 591 |
| Percentage of business partner that the organisation's anti-corruption policies and procedure have been communicated to | % | 13 | 20 | 100 |
| - Nature of confirmed incidents of corruption | Qualitative | N/A | N/A | N/A |
| - Cost of fines, penalties or settlements in relation to corruption | RM | 0 | 0 | 0 |

ESG PERFORMANCE DATA

| DISCLOSURES | UNIT OF MEASUREMENT | FY2021 | FY2022 | FY2023 |
|--|---------------------|--------|--------|---------------------------------------|
| Anti-Corruption (cont'd.) | | | | |
| Number of employees who have received training on anti-corruption by employee category:Senior Management | Number | N/A | N/A | 6 |
| Number of employees who have received training on anti-corruption by employee category:Managerial Staff | Number / percentage | 19 | 13 | 66 |
| Number of employees who have received training on anti-corruption by employee category:Executives | Number / percentage | 43 | 39 | 122 |
| Number of employees who have received training on anti-corruption by employee category:Non Executives / operational | Number / percentage | 174 | 132 | 239 |
| Number of employees who have received training on anti-corruption by employee category: Total | Number / percentage | 236 | 184 | 433 |
| Percentage of operations assessed for corruption-related risks | % | 100 | 100 | 86 |
| Confirmed incidents of corruption ⁽¹⁾⁽²⁾ | Number | 0 | 0 | 1 ⁽³⁾ |
| - Action taken | Qualitative | N/A | N/A | Domestic Inquiry and Reported to MACC |
| <p>⁽¹⁾ Velesto defines corruption case as per the definition by the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694) including other major offences stated in the Act.</p> <p>⁽²⁾ Reportable corruption cases refer to confirmed case investigated and reported to MACC.</p> <p>⁽³⁾ Reportable case happened in 2022 involved falsification of claims with domestic inquiry completed in 2023. The case subsequently has been reported to MACC in 2023.</p> | | | | |
| Data Privacy and Security | | | | |
| Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | Number | | 0 | 0 |

STATEMENT OF ASSURANCE

In strengthening the credibility of our reporting, selected parts of this Sustainability Report have been subjected to an internal review by the Company's internal auditors.

| Type of Assurance | Material Matters | Subject Matter | Scope |
|-------------------------|--|---|---------------------------------|
| Internal Review | Energy management | Total energy consumption | Operation assessed: Malaysia |
| | Emissions management | Scope 1 emission in tonnes CO ₂ e (Diesel) | |
| | | Scope 2 emission in tonnes CO ₂ e (Electricity) | |
| | Health and safety | Number of work-related fatalities | |
| | | Lost time incident rate | |
| | | Number of employees trained on health and safety standards | |
| | Labour practices and standards | Total hours of training by employee category | |
| | | Percentage of employees that are contractors or temporary staff | |
| | | Total number of employee turnover by employee category | |
| | | Number of substantiated complaints concerning human rights violations | |
| Anti-corruption | Percentage of employees who have received training on anti-corruption by employee category | | |
| | Percentage of operations assessed for corruption-related risk | | |
| | Confirmed incidents of corruption and action taken | | |
| Supply chain management | Proportion of spending on local suppliers | | |

We will continue to improve on our data accuracy and quality to strengthen our disclosures moving forward with plan for independent assurance in the future.

BURSA MALAYSIA CONTENT INDEX

COMMON INDICATORS

| No. | Common Sustainability Matters | Code | Indicators | Page |
|-----|---------------------------------------|---------|---|-------------|
| 1. | Anti-corruption | C1 (a) | Percentage of employees who have received training on anticorruption by employee category | Page 59 |
| | | C1 (b) | Percentage of operations assessed for corruption-related risks | |
| | | C1 (c) | Confirmed incidents of corruption and action taken | |
| 2. | Community/ Society | C2 (a) | Total amount invested in the community where the target beneficiaries are external to the listed issuer | Page 53 |
| | | C2 (b) | Total number of beneficiaries of the investment in communities | Page 79 |
| 3. | Diversity | C3 (a) | Percentage of employees by gender and age group, for each employee category | Page 50-51 |
| | | C3 (b) | Percentage of directors by gender and age group | |
| 4. | Energy management | C4 (a) | Total energy consumption | Page 33 |
| 5. | Health and safety | C5 (a) | Number of work-related fatalities | Page 42 |
| | | C5 (b) | Lost time incident rate | |
| | | C5 (c) | Number of employees trained on health and safety standards | |
| 6. | Labour practices and standards | C6(a) | Total hours of training by employee category | Page 46 |
| | | C6 (b) | Percentage of employees that are contractors or temporary staff | Page 75 |
| | | C6 (c) | Total number of employee turnover by employee category | Page 51, 77 |
| | | C6 (d) | Number of substantiated complaints concerning human rights violations | Page 48, 51 |
| 7. | Supply chain management | C7 (a) | Proportion of spending on local suppliers | Page 63 |
| 8. | Data privacy and security | C8 (a) | Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | Page 64 |
| 9. | Water | C9 (a) | Total volume of water used | Page 35 |
| 10. | Waste management | C10 (a) | Total waste generated, and a breakdown of the following: (i) total waste diverted from disposal (ii) total waste directed to disposal | Page 73 |
| 11. | Emissions management | C11 (a) | Scope 1 emissions in tonnes of CO ₂ e | Page 33 |
| | | C11 (b) | Scope 2 emissions in tonnes of CO ₂ e | |
| | | C11 (c) | Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting) | |

SECTOR-SPECIFIC INDICATORS: ENERGY

| Common Sustainability Matters | Code | Indicators | Page |
|--|--------|--|------------|
| Biodiversity | S1 (a) | Percentage of existing operations or projects assessed for biodiversity risks | Page 34-37 |
| | S1 (b) | Size and location of all habitat areas protected or restored | |
| | S1 (c) | Total number of International Union for Conservation of Nature ("IUCN") Red List of Threatened Species and national conservation list species with habitats in areas affected by the operations of the company | |
| Emissions -Air Quality/ Pollution | S4 (a) | Amount of air emissions of pollutants and particulate matter | Page 73 |
| Materials | S5 (a) | Total weight or volume of materials that are used to produce and package products and services | N/A |
| Effluents | S8 (a) | Total volume of water (effluent) discharge over the reporting period | Page 73 |

GRI CONTENT INDEX

| GRI Standard | Code | Disclosure | Location | Page |
|--|------|---|--|--------------------|
| GRI 2: General Disclosures 2021 | 2-1 | Organisational details | Corporate Information | 1,2 IAR 10,11 |
| | 2-2 | Entities included in the organisation's sustainability reporting | Corporate Structure Scope, Boundary and Exclusions | 3 |
| | 2-3 | Reporting period, frequency and contact point | About This Report | 3-4 |
| | 2-4 | Restatements of information | N/A | |
| | 2-5 | External assurance | Reporting Reliability | 4 |
| | 2-6 | Activities, value chain and other business relationships | Sustainability Lenses | 9, 63-67 |
| | 2-7 | Employees | Workforce Diversity Data | 51 |
| | 2-8 | Workers who are not employees | Workforce Diversity Data | N/A |
| | 2-9 | Governance structure and composition | Corporate Governance Overview Statement | IAR 154-173 |
| | 2-10 | Nomination and selection of the highest governance body | | |
| | 2-11 | Chair of the highest governance body | | |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | | |
| | 2-13 | Delegation of responsibility for managing impacts | | |
| | 2-14 | Role of the highest governance body in sustainability reporting | Sustainability Governance at Veledo Governing Sustainability | 13-14 |
| | 2-15 | Conflicts of interest | Assessment of Independence Additional Compliance Information Statistics on Shareholding | 58, IAR 164,188 |
| | 2-16 | Communication of critical concerns | Grievance Mechanism | 43, 44, 56, 57 |
| | 2-17 | Collective knowledge of the highest governance body | Board Skills Matrix | 56,57 IAR 163 |
| | 2-18 | Evaluation of the performance of the highest governance body | Board Effectiveness Evaluation | IAR 164 |
| | 2-19 | Remuneration policies | Remuneration Policy and Procedures & TOR BNRC at www.velesto.com | |
| | 2-20 | Process to determine remuneration | | |
| | 2-21 | Annual total compensation ratio | Directors' Benefits | IAR 171 |
| | 2-22 | Statement on sustainable development strategy | SS2022 Message from the Group President | 5-6, 10-11 |
| | 2-23 | Policy commitments | Diverse Policies for Good Governance | 14-15 |
| | 2-24 | Embedding policy commitments | | |
| | 2-25 | Processes to remediate negative impacts | Grievance Mechanism | 4, 15, 56-59 |
| | 2-26 | Mechanisms for seeking advice and raising concerns | Feedback Channel | 4, 14-15, 58-59 |
| | 2-27 | Compliance with laws and regulations | Regulatory Compliance | 60-61 |
| | 2-28 | Membership associations | Industry Association Membership and External Initiatives | 21 |
| | 2-29 | Approach to stakeholder engagement | Stakeholder Engagement | 17-20 |
| | 2-30 | Collective bargaining agreements | Labour Practices and Human Rights Supply Chain Management | 47-48, 61 |

GRI CONTENT INDEX

| GRI Standard | Code | Disclosure | Location | Page |
|--|-------|---|---|------------------------|
| GRI 3: Material Topics 2021 | 3-1 | Process to determine material topics | Determining Materiality | 22-27 |
| | 3-2 | List of material topics | | |
| | 3-3 | Management of material topics | Throughout the Report | |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | Local Community Impact | 46, 54-55, IAR 191-264 |
| | 201-2 | Financial implications and other risks and opportunities due to climate change | Addressing Weather Conditions and the Effects of Climate Change Energy Consumption and Emissions | 67-70 |
| | 201-3 | Defined benefit plan obligations and other retirement plans | Competitive Remuneration and Benefits | 43-46 |
| | 201-4 | Financial assistance received from government | N/A | |
| GRI 202: Market Presence 2016 | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | N/A | |
| | 202-2 | Proportion of Senior Management hired from the local community | Key Leaders | IAR 150-153 |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 | Infrastructure investments and services supported | Local Community Impact | 52-53 |
| | 203-2 | Significant indirect economic impacts | | |
| GRI 204: Procurement Practices 2016 | 204-1 | Proportion of spending on local suppliers | Prioritising Local Procurement Supply Chain Management Data | 63, 74 |
| GRI 205: Anti-corruption 2016 | 205-1 | Operations assessed for risks related to corruption | Corporate Governance & Anti-Corruption Anti-Corruption Performance Data | 59, 81-82 |
| | 205-2 | Communication and training about anti-corruption policies and procedures | | |
| | 205-3 | Confirmed incidents of corruption and actions taken | | |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organisation | Energy Consumption and Emissions | 33, 73 |
| | 302-2 | Energy consumption outside of the organisation | | |
| | 302-3 | Energy intensity | Energy and GHG Emissions Data | |
| | 302-4 | Reduction of energy consumption | | |
| | 302-5 | Reductions in energy requirements of products and services | | |
| GRI 303: Water and Effluents 2018 | 303-1 | Interactions with water as a shared resource | Pollution and Waste Management | 35-36, 73 |
| | 303-2 | Management of water discharge-related impacts | | |
| | 303-3 | Water withdrawal | Water Consumption and Waste and Effluent Data | |
| | 303-4 | Water discharge | | |
| | 303-5 | Water consumption | | |
| GRI 304: Biodiversity 2016 | 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Marine Biodiversity Biodiversity Data | 36-37, 74 |
| | 304-2 | Significant impacts of activities, products and services on biodiversity | | |
| | 304-3 | Habitats protected or restored | | |
| | 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | | |

GRI CONTENT INDEX

| GRI Standard | Code | Disclosure | Location | Page |
|--|--------|---|--|--------------|
| GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | Energy Consumption and Emissions | 33-34, 73 |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | | |
| | 305-4 | GHG emissions intensity | Energy, GHG Emissions and Air Quality Data | |
| | 305-5 | Reduction of GHG emissions | | |
| | 305-6 | Emissions of ozone-depleting substances (ODS) | | |
| | 305-7 | Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions | | |
| GRI 306: Waste 2020 | 306-1 | Waste generation and significant waste-related impacts | Pollution and Waste Management | 34-35 |
| | 306-2 | Management of significant waste-related impacts | Waste and Effluent Data | 37 |
| | 306-3 | Waste generated | | |
| | 306-4 | Waste diverted from disposal | | |
| | 306-5 | Waste directed to disposal | | |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria | Supply Chain Management | |
| | 308-2 | Negative environmental impacts in the supply chain and actions taken | | |
| GRI 401: Employment 2016 | 401-1 | New employee hires and employee turnover | Talent Retention and Development Hiring and Attrition and Employee Benefits and Remuneration Data | 43-48, 77 |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | | |
| | 401-3 | Parental leave | | |
| GRI 403: Occupational Health and Safety 2018 | 402-1 | Minimum notice periods regarding operational changes | Occupational Safety and Health HSE Performance Data | 38-42, 79 |
| | 403-1 | Occupational health and safety management system | | |
| | 403-2 | Hazard identification, risk assessment, and incident investigation | | |
| | 403-3 | Occupational health services | | |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | | |
| | 403-5 | Worker training on occupational health and safety | | |
| | 403-6 | Promotion of worker health | | |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | | |
| | 403-8 | Workers covered by an occupational health and safety management system | | |
| | 403-9 | Work-related injuries | | |
| | 403-10 | Work-related ill health | | |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee | Talent Retention and Development | 43-46, 77-78 |
| | 404-2 | Programmes for upgrading employee skills and transition assistance programmes | Staff Training Data | |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | | |

GRI CONTENT INDEX

| GRI Standard | Code | Disclosure | Location | Page |
|---|-------|--|--|------------------|
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | Commitment to Diversity and Equal Opportunity | 50-51, 75-76, 80 |
| | 405-2 | Ratio of basic salary and remuneration of women to men | Governance Body Composition and Workforce Diversity Data | N/A |
| GRI 406: Non-discrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | Labour Practices and Human Rights | 47-50 |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Labour Practices and Human Rights | 61 |
| GRI 408: Child Labour 2016 | 408-1 | Operations and suppliers at significant risk for incidents of child labour | Labour Practices and Human Rights | 47-48 |
| GRI 409: Forced or Compulsory Labour 2016 | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labour | Labour Practices and Human Rights | 47-48 |
| GRI 413: Local Communities 2016 | 413-1 | Operations with local community engagement, impact assessments, and development programmes | Local Community Impact | 52-53, 79 |
| | 413-2 | Operations with significant actual and potential negative impacts on local communities | Community Engagement Data | 36-37 |
| GRI 414: Supplier Social Assessment 2016 | 414-1 | New suppliers that were screened using social criteria | Labour Practices and Human Rights Supply Chain Management Data | 61-63, 74 |
| | 414-2 | Negative social impacts in the supply chain and actions taken | | |
| GRI 415: Public Policy 2016 | 415-1 | Political contributions | Political Views and Contributions | 56-58 |
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Customer Data Privacy and Protection Data Privacy and Security Data | 64 |

TCFD CONTENT INDEX

| TCFD Pillars & Thematic Areas | TCFD Recommended Disclosures | Page Reference |
|---|--|--|
| Governance Disclose the organisation’s governance around climate-related risks and opportunities. | a) Describe the board’s oversight of climate related risks and opportunities. | Sustainability Governance, Page 13-15 Climate Change, page 24, 31-32 TCFD - Aligned Disclosure, Page 67-70 |
| | b) Describe management’s role in assessing and managing climate related risks and opportunities. | Sustainability Governance, Page 13-15 TCFD - Aligned Disclosure, Page 67-70 |
| Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning where such information is material. | a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. | Climate Change, page 24, 31-32 TCFD - Aligned Disclosure, Page 67-70 |
| | b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning. | Climate Change, page 24, 31-32 TCFD - Aligned Disclosure, Page 67-70 |
| | c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | TCFD - Aligned Disclosure, Page 67-70 |
| Risk Management Disclose how the organisation identifies, assesses and manages climate-related risks. | a) Describe the organisation’s processes for identifying and assessing climate related risk. | Climate Change, page 24, 31-32 TCFD - Aligned Disclosure, Page 67-70 |
| | b) Describe the organisation’s processes for managing climate related risks. | Climate Change, Page 24, 31-32 TCFD - Aligned Disclosure, Page 67-70 |
| Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material. | a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process | Climate Change, Page 32-33, 73 TCFD - Aligned Disclosure, Page 67-70 |
| | b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. | Energy and Emissions Management, Page 33, 73 TCFD - Aligned Disclosure, Page 67-70 |
| | c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets. | TCFD - Aligned Disclosure, Page 67-70 |

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