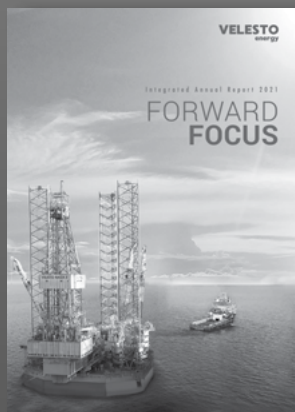


Sustainability Report 2021

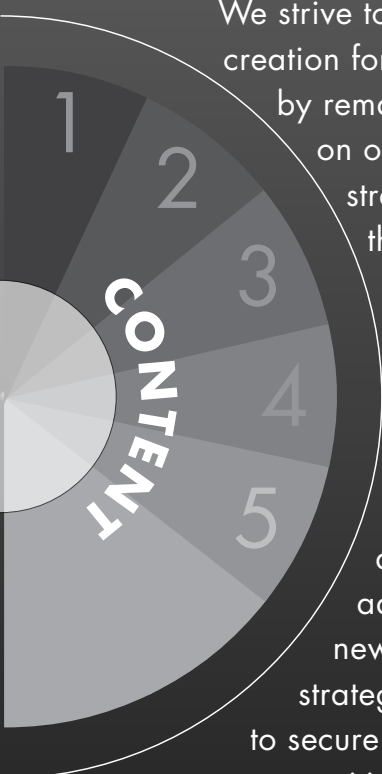
# FORWARD FOCUS



# COVER RATIONALE



We strive to sustain value creation for all stakeholders by remaining focused on our core strategies. With the strength of our foundation built on the excellence of our drilling services, we will maintain discipline, adapt quickly to new norms and strategically progress to secure greater opportunities for now and the future to come.



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Scan the QR code to download our Integrated Annual Report 2021

# Sustainability Statement

# Strengthening A Sustainable Tomorrow



Refers readers to more information online  
<https://www.velesto.com/>

## Sustainability Statement

## 2021 PERFORMANCE AND HIGHLIGHTS



**624** employees  
(71% Malaysian)



**487** participants trained at VIDA



**RM190** mil  
purchases from Local Suppliers  
(60% Malaysian)



**2020 ASEAN Corporate  
Governance Scorecard Awards**  
► **MSOSH Gold Class 1 Award**



**15%** lower energy  
consumption and  
emissions



**40%** of Senior Management  
**33%** Directors comprise of  
women



**FTSE4Good Bursa  
Malaysia Index  
Constituent**

Set 2030 emissions intensity reduction goal



**10%**  
Operating Days Emissions Intensity and  
**30%**  
Revenue Emissions Intensity



**Top Quartile (4-star)**  
ESG rating by Bursa Malaysia and  
FTSE Russell



**738k** manhours  
without LTI



**One** Lost Time Incident  
**One** major spill

## MESSAGE FROM THE GROUP PRESIDENT

As a responsible and ethical organisation, the Environmental, Social and Governance (“ESG”) agenda remains a key consideration in the development of business strategies. The Board and Senior Management continue to progressively embed sustainability within the business model, business strategies and business processes.

VELESTO is of the view that sustainability matters because it is vital for the mitigation of business and operational risks and for continued stakeholder value creation. For instance, a people-focused talent management approach is essential to retain and develop high-calibre professionals across the group, which supports improved operational productivity and service delivery. Maintaining excellent Occupational Health and Safety performance is equally essential in preventing incidents that could disrupt operations that cause revenue loss.

Beyond our own interests, sustainability is vital in addressing the existential issues that all of us face such as climate change and global warming.

Financial year ended 31 December 2021 ("FY2021") despite being a turbulent operating year, has seen VELESTO continues to make progress across its sustainability pillars. VELESTO has targeted decarbonisation as well as labour rights as key focus areas for its sustainability agenda. This is in addition to our existing efforts as reflected across a triple bottom-line of ESG performance.

I am pleased to inform that we have made progress on multiple fronts in FY2021. In response to the ongoing COVID-19 pandemic in 2021, the VELESTO-INSTEP Drilling Academy ("VIDA") has made several changes to ensure the continued development of a sustainable talent pool of drilling professionals. New courses have been introduced and the use of virtual mediums have enabled VIDA to continue training and upskilling much-needed local talent for the drilling sector.

We have continued to ensure the wellbeing of our employees during the pandemic. Despite the many challenges faced, no staff was let go and there were no salary cuts. Instead, various benefits and allowances were provided to assist our employees during this difficult period. This included a broadband stipend to enable them to afford higher-speed broadband so they could work conveniently from their homes. Our counselling helpline was also established to support their mental health and wellbeing.

VELESTO continued to undertake Corporate Social Responsibility ("CSR") activities in FY2021. We supported schools, participated in various student-related programmes and, continue to support local communities, including fishing villages. Full details of our activities are provided in this Sustainability Report 2021.

We are saddened by the unfortunate incident of NAGA 7. Throughout the incident, VELESTO has exemplified excellence in crisis management towards safely evacuating all 101 crew with zero injuries. The incident has enabled VELESTO to demonstrate its readiness to effectively manage emergency scenarios. It serves as a good reminder that constant vigilance, a well-trained, professional crew and the prevalence of a strong HSE culture enables an organisation to manage any crises and to respond effectively with precision, urgency and skill to ensure the wellbeing of stakeholders.







In FY2021, VELESTO secured the MSOSH Occupational Safety & Health Gold Class 1 Award for the Petroleum, Gas, Petrochemical and Allied Sectors. We were also recognised for good risk management and corporate governance practices by the Minority Shareholders Watch Group ("MSWG").

It has been a productive FY2021 with regard to sustainability and we look forward to the future. In tandem with the recovery in the oil and gas sector, we remain positive of driving further ESG strategies and efforts towards strengthening the business model and enhancing stakeholder value creation. We shall continue to play our part in developing a better, cleaner and brighter future for all.

# Sustainability Statement

## SUSTAINABILITY HIGHLIGHTS AND ACHIEVEMENTS

In assessing its sustainability highlights and achievement, VELESTO has aligned its progress to selected United Nations Sustainability Development Goals ("UNSDGs").

PERFORMANCE AND HIGHLIGHTS	TARGETS AND COMMITMENTS	UNSDGs
<b>PROTECTION OF HEALTH AND SAFETY</b>		
<ul style="list-style-type: none"> <li>Zero fatalities</li> <li>1 LTI</li> </ul>	<ul style="list-style-type: none"> <li>Zero fatalities</li> <li>Zero LTI</li> <li>TRCF Below 1.0 TRCF rate</li> </ul>	
<b>DECENT WORK AND ECONOMIC GROWTH</b>		
<ul style="list-style-type: none"> <li>624 jobs (71% Malaysian)</li> <li>RM117 million in employees salaries and benefit</li> <li>RM190 million purchase from local suppliers (60% Malaysian)</li> <li>RM547 million net debt repayment to financiers</li> <li>RM20 million taxes paid to Government</li> </ul>	<ul style="list-style-type: none"> <li>Job and employee retention</li> <li>Development of more high-skilled jobs for Malaysians</li> <li>Further development of the local procurement/ supply chain</li> <li>Continued support of government initiatives</li> </ul>	
<b>GENDER DIVERSITY</b>		
<ul style="list-style-type: none"> <li>Women comprise 40% of Senior Management and 33% of Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Continued support for gender diversity</li> </ul>	
<b>PRESERVATION OF THE ENVIRONMENT</b>		
<ul style="list-style-type: none"> <li>1 major spill</li> <li>No material impact to biodiversity</li> <li>Rainwater harvesting on idle rigs</li> <li>First time disclosure of Emissions Intensity by Revenue and Operating Days</li> <li>15% decline in energy consumption and emissions</li> <li>20% decline in water consumption</li> <li>28% decline in chemical wastes</li> </ul>	<ul style="list-style-type: none"> <li>Reduce operating days emissions intensity by 10% and revenue emissions intensity by 30% by 2030</li> <li>Avoid major spills</li> <li>Reduction in water consumption</li> <li>Reduction in waste produced</li> </ul>	 
<b>ENHANCEMENT OF PEOPLE'S LIVES</b>		
<ul style="list-style-type: none"> <li>487 participants in VELESTO-INSTEP Drilling Academy</li> <li>43 graduate placements provided, 7 absorbed as staff</li> <li>Upskilled 18 employees and reskilled 20 employees</li> <li>79% employee satisfaction score</li> </ul>	<ul style="list-style-type: none"> <li>Various programs in support of government initiatives e.g. Tabung Cerdik, MyStep and internship programme.</li> <li>Continuing to work with key stakeholders, both offshore and onshore towards ensuring mutual value creation</li> </ul>	

**AWARDS AND ACCOLADES**

**MSWG-ASEAN Corporate Governance Award 2020**

- Industry Excellence Award – Energy Sector
- Excellence Award for CG Disclosure – Market Cap Above RM300 million to RM1 billion
- Ranked 21 out of the top 100 public listed companies (“PLCs”) listed for the ‘EXCELLENCE AWARD FOR CG DISCLOSURE’

**MSOSH Award**

- Occupational Safety & Health Gold Class 1 Award for the Petroleum, Gas, Petrochemical and Allied Sectors

SUSTAINABILITY MILESTONES				
Commencement of SR commitment and focus	Tier 2: Making Progress on sustainability disclosure	Tier 1: Setting the Pace for sustainability disclosure	Top-25% by ESG Ratings amongst PLCs assessed by FTSE Russell	Benchmarking against global frameworks and industry leading practices
2017	2018	2019	2020	2021
<ul style="list-style-type: none"> <li>• Started Sustainability Reporting based on GRI Framework</li> <li>• Established Sustainability Governance</li> <li>• Conducted materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Included in Bursa Malaysia FTSE4GOOD Index</li> <li>• More systematic data-gathering approach</li> <li>• Improved alignment with GRI Standards</li> <li>• Review of FTSE4Good assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of 6 UNSDGs</li> <li>• More oversight role by Board of Directors</li> <li>• Incorporated into corporate KPI</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of Integrated Reporting approach</li> <li>• Acknowledgement of Risk of Climate Change</li> <li>• Joined UN Global Compact and adopted 10 UNGC Principles</li> </ul>	<ul style="list-style-type: none"> <li>• Set emissions intensity reduction targets</li> <li>• Incorporated Climate Change in Risk Factors</li> <li>• Identified Human Rights exposures</li> </ul>

**ABOUT THIS REPORT**

**INTRODUCTION**

VELESTO’s Sustainability Report 2021 (“SR2021”) is our sixth Sustainability Report and charts the Group’s progress in addressing its material ESG topics.

VELESTO looks to Sustainability as a business enabler that strengthens the business model, as a catalyst for change and a means to capitalise on emerging opportunities.

**LINKAGE TO INTEGRATED REPORTING**

SR2021 is to be read together with VELESTO’s Integrated Annual Report (“IAR2021”) towards obtaining a more comprehensive perspective of the linkage between business and financial performance and Sustainability performance.

The IAR2021 provides a detailed perspective of the Group’s business strategy, its business model, its external operating environment and other strategic information. SR2021 provides the management approach, performance details including statistical data over a three-year time frame for material ESG topics.

## Sustainability Statement

### REPORTING SCOPE & BOUNDARY

SR2021 covers the reporting period from 1 January 2021 to 31 December 2021. We exercise a “local where-we-operate” practice.

Content for inclusion has been further determined based on the Global Reporting Initiative (“GRI”) principles of accuracy, balance, clarity, comparability, reliability and timeliness, as well as stakeholder inclusiveness, sustainability context, materiality and completeness.

The Report’s scope and boundary covers the holding entity, VELESTO Energy Berhad, all subsidiaries and its primary business operations of drilling and hydraulic workover services. This consists of the Group’s six jack-up (“JU”) rigs and its four hydraulic workover units (“HWUs”).

Data has been presented for three consecutive years to show meaningful comparisons against past performance and to indicate trend lines.

SR2021 provides some data on VELESTO’s supply chain comprising contractors, vendors, business partners, consultants and other goods and services suppliers. The Group looks to strengthen its disclosures including supply chain disclosures going forward.

### EXCLUSIONS

Excluded are disclosures on VELESTO’s Oilfield Services (“OFS”) operations in Tianjin, China given its comparatively small operational footprint.

Given that VELESTO is a drilling services provider, it does not own the oil and gas resources which it extracts for its clients. Hence, the reporting scope for SR2021 exclude ESG impacts arising from the ownership of the aforementioned oil and gas resources, discovered or produced by VELESTO for clients with the same applied for the distribution and consumption of such resources.

The same applies to ESG impacts arising from the larger upstream oil and gas value chain as VELESTO’s involvement is only limited to exploration and production (“E&P”) drilling.

### APPLIED FRAMEWORKS

SR2021 has been prepared in line with the GRI Standards: Core Option. The GRI Content Index is provided at the end of SR2021.

Following are additional reporting guidelines and frameworks that have been referenced or applied:

- Bursa Malaysia Sustainability Reporting Guide Second Edition
- FTSE4Good Bursa Malaysia Index
- SASB Sector Specific Disclosures
- United Nations Sustainability Development Goals (“UNSDGs”)

### STATEMENT OF USE

The SR2021 was reviewed and approved by the Board of Directors on 22 April 2022. The Board acknowledges responsibility for the following statement of use: The information contained in SR2021 has been prepared in reference with the GRI Standards.

### MATERIALITY

Materiality of ESG topics is determined based on the following:

- Topics that are material to financial value creation
- Topics that are material to stakeholders and indirect value creation
- Extent of topics’ ESG impact

### RESTATEMENTS OF INFORMATION

SR2021 may contain restatements of information from previous year’s reporting. This is due to the fact that such information remains unchanged in the financial year except for performance numbers, and remain relevant for inclusion. Restated information include content on the Group’s principal business operations, location of operations, business entities; information on stakeholder engagement, and materiality.

### REPORTING CYCLE

VELESTO adopts an annual reporting cycle for sustainability reporting as mandated by the local regulator, Bursa Malaysia Securities Berhad (“BURSA”).



**REPORT QUALITY & ASSURANCE**

All data in SR2021 have been collated from official sources and internal documents and records. Data analysis and computation has been performed using industry standards as well as widely accepted calculation methodologies such as the Greenhouse Gas (“GHG”) Protocol.

Other standards we have used or comply with are as follows:

- Annex 1 of the International Convention for the Prevention of Pollution from Ships
- Annex VI of MARPOL 73/78
- Fleet Certification by regulatory bodies such as the American Bureau of Shipping and Det Norske Veritas
- International Carbon Bank & Exchange

VELESTO has undertaken independent auditing and assurance for financial data. Data on Occupational, Health and Safety performance has been verified by DNV-GL.

**PRECAUTIONARY APPROACH**

VELESTO has applied the precautionary approach as reflected via its risk mitigation strategies and framework and in preventing Occupational Health and Safety (“OHS”) incidents. For specific information, please refer to the Statement on Risk Management and Internal Control (“SORMIC”) on page 132 of the Annual Report and the subsection on OHS in this sustainability report, page 42.

**DISTRIBUTION & FEEDBACK**

We welcome questions, feedback and suggestions that will spur further improvements in our reporting process. Please send any comments, insights, and queries to:

**INVESTOR RELATIONS & SUSTAINABILITY  
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 +603-2096 8788  investor.relations@velesto.com

**MEMBERSHIP OF ASSOCIATIONS AND EXTERNAL INITIATIVES**

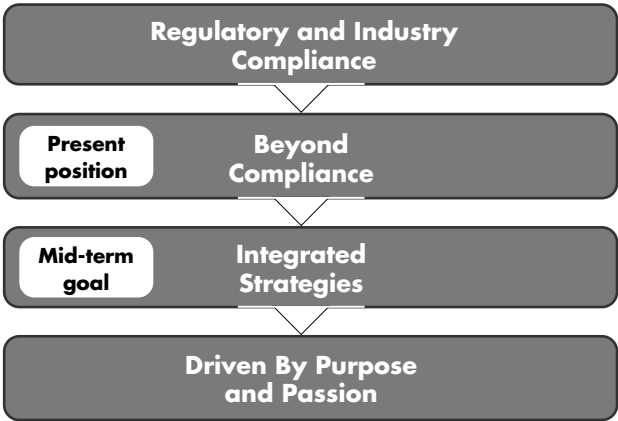
VELESTO is a member of various industry associations and professional bodies both in the respective locations in which the Group operates. The Group leverages on its membership to promote awareness and action on ESG matters and towards actively promoting a more sustainable industry and value chain.

- Below is a list of associations we are members of:
- The Malaysian Oil & Gas Services Council (“MOGSC”)
  - Malaysian Gas Association (“MGA”)
  - Energy Industry Council (“EIC”)
  - International Association of Drilling Contractors (“IADC”)
  - United Nations Global Compact (“UNGC”)

In addition, VELESTO is proud to contribute to academia and industry development, through our continuous participation in various advisory panels such as Malaysia Petroleum Resources Corporation (“MPRC”), Universiti Teknologi Petronas (“UTP”) and Heriot-Watt University Malaysia.

**VELESTO SUSTAINABILITY BLUEPRINT**

VELESTO’s mid-term goals are to integrate our sustainability practices with our governance, strategy, risk management, metrics and targets. The Group will continue to developed emissions intensity reduction strategies and is addressing its human rights risk exposures.



## Sustainability Statement

### GOVERNANCE OF SUSTAINABILITY AT VELESTO

Governance of sustainability at VELESTO is achieved through its robust governance structure that enables the Board of Directors ("Board") and Management oversight on ESG-related risks.

Beyond oversight, the structure is designed to enable the highest decision-making bodies of the Group to receive timely updates and accurate information from working levels on a wide range of business and operational matters.

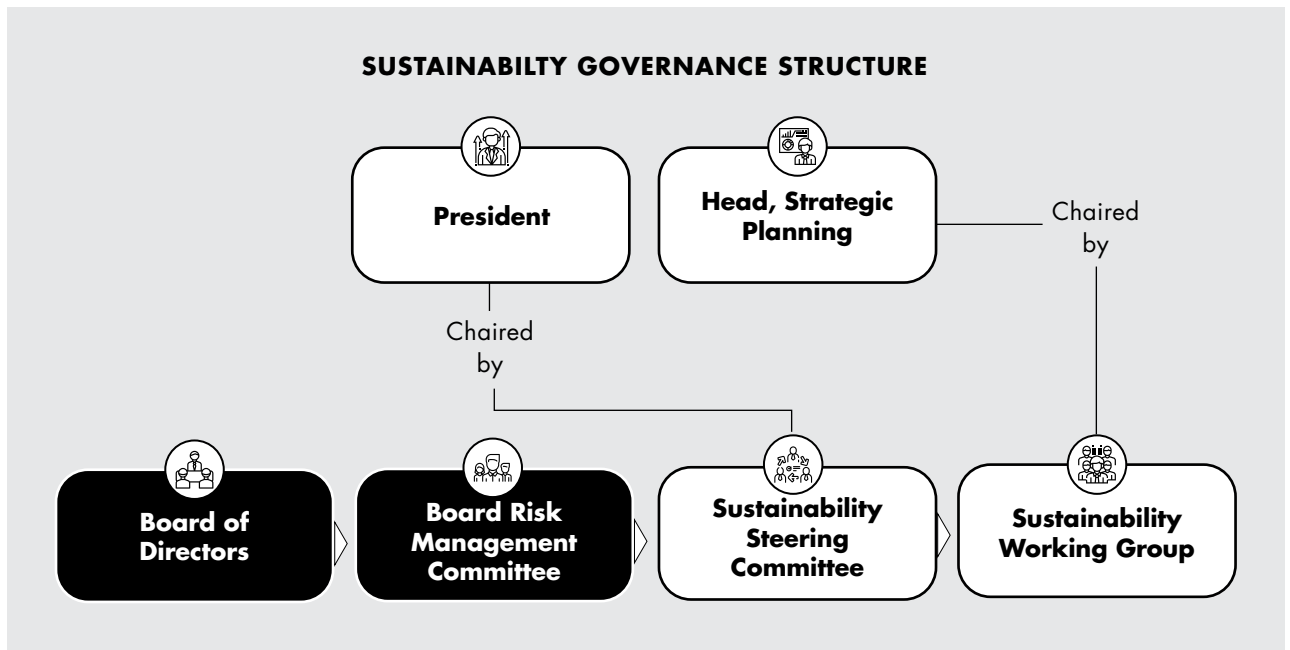
The structure facilitates two-way communication, where aspirations and broad directives set by the Board and Senior Management can be conveyed and implemented Group wide, whilst at the same time, enabling working levels to provide timely and precise feedback of issues, challenges as well as results achieved.

In essence, the structure enables the Board and Senior Management to stay updated with progress on all ESG matters and to develop policies, strategies and goals that are realistic, meaningful and aligned to the capacity and capabilities of the Group. It also ensures that working levels have a channel to voice their concerns and ideas and to have the assurance of strategic leadership support from the Board and Senior Management.



Within the governance structure, the Board and Senior Management maintain oversight on the following material ESG topics: Occupational Health and Safety ("OHS"), climate change and greenhouse gas ("GHG") emissions, energy and water consumption, environmental spills, talent management and development, business, financial, operational and strategic risks as well as community development.

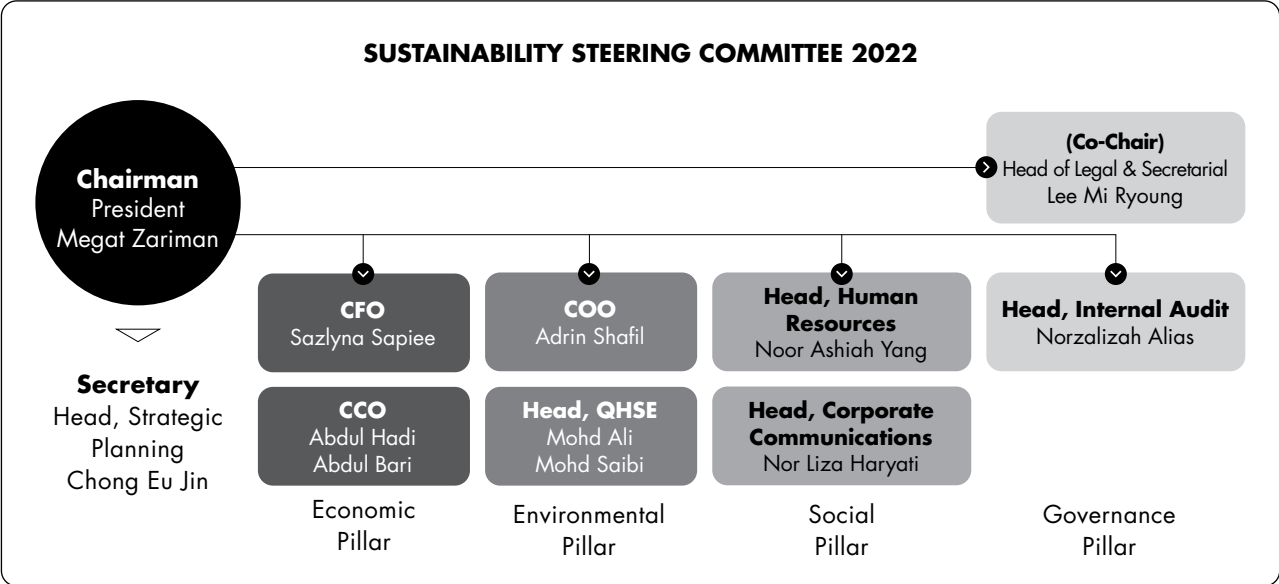
The Board Risk Management Committee ("BRMC") is supported by the Group's Sustainability Steering Committee ("SSC") and the Sustainability Working Group ("SWG"). The structure is closely intertwined with the Group's Risk Management Structure towards developing an integrated approach for risk management, where the potential impacts of ESG matters are progressively included within the risk matrix and risk register.

For further details on the Board's roles and responsibilities as well as Board composition, Board independence and performance, kindly refer to the Corporate Governance ("CG") Report for FY2021: The CG report also showcases how VELESTO has applied the stipulated practices of the Malaysian Code on Corporate Governance 2021 ("MCCG 2021").



**SSC & SWG ROLES & RESPONSIBILITIES**

 <b>SUSTAINABILITY STEERING COMMITTEE ("SSC")</b>	 <b>SUSTAINABILITY WORKING GROUP ("SWG")</b>
<ul style="list-style-type: none"> <li>The Committee members consist of Senior Management of VELESTO:                             <ul style="list-style-type: none"> <li>- President (Chairman)</li> <li>- Head, Legal &amp; Secretarial (Co-Chair)</li> <li>- Head, Strategic Planning (Secretary)</li> <li>- Chief Financial Officer ("CFO")</li> <li>- Chief Commercial Officer ("CCO")</li> <li>- Chief Operating Officer ("COO")</li> <li>- Head, Human Resources</li> <li>- Head, Quality, Health, Safety and Environment ("QHSE")</li> <li>- Head, Internal Audit</li> <li>- Head, Corporate Communications</li> </ul> </li> <li>Ensures the Sustainability strategy is aligned with the Group's vision and mission</li> <li>Reviews and recommends Sustainability Statement to the Board</li> <li>Reviews and recommends Sustainability strategies, policies and other related matters such as management systems, performance monitoring, policies, commitments and regulations</li> <li>To continuously monitor stakeholders' expectations on VELESTO's Sustainability activities through effective communication strategies</li> </ul>	<ul style="list-style-type: none"> <li>The Working Group consists of representatives from Corporate and Operations that are responsible for Sustainability strategies and projects</li> <li>Tracks data to ensure that all outlined activities achieve defined targets</li> </ul>



## Sustainability Statement

### INTEGRATING ESG MATERIAL TOPICS INTO RISK MANAGEMENT APPROACH

Increasingly, risks arising from material ESG topics are being introduced into VELESTO's overall approach to risk management.

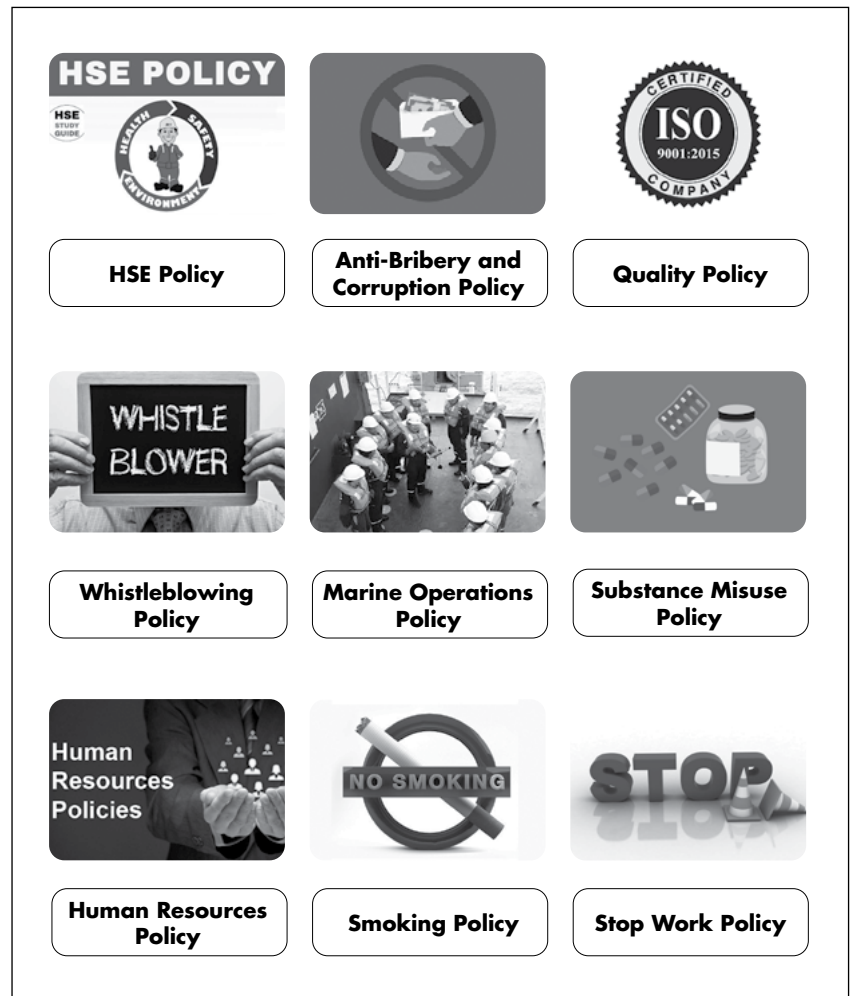
After identifying the risks, risk owners are required to categorise the risks according to their level (impact and likelihood).

The approach is not completely new to VELESTO as several sustainability matters such as OHS has been included in the risk matrix and risk register. The scope now is being increasingly extended to include matters such as climate change and emissions, labour rights, talent management and corruption. The focus is on establishing clear linkages of financial, business and operational impacts that could arise from the aforementioned material sustainability topics.

Risk comes under the purview of the Board Risk Management Committee. Specific information on VELESTO's risk management framework, its approach to risk identification and mitigation and more is provided in the Statement on Risk Management and Internal Control ("SORMIC") of this report.

### ESTABLISHED POLICIES FOR GOOD GOVERNANCE

Governance of sustainability is also strengthened through the establishment of various policies as follows. All policies can be viewed at: <https://velesto.com/quality/>.



### SUSTAINABILITY GOVERNANCE THROUGH OPERATIONAL SITE CERTIFICATION

All of VELESTO's JU rigs and HWUs, its Kuala Lumpur Headquarters and its operating bases in Kemaman, Terengganu and Labuan have been certified by DNV-GL to the globally recognised management system standards as below:

VELESTO has migrated from OHSAS 18001:2007 Occupational Health and Safety Management System to ISO 45001:2018 and was certified on 26 February 2021. VELESTO has also upgraded from ISO/TS 29001:2010 to ISO 29001:2020, and was certified on 14 March 2022.

ASSETS/LOCATION	CERTIFICATION
<b>NAGA 2, NAGA 3, NAGA 4, NAGA 5, NAGA 6, NAGA 8</b>	ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 29001:2020
<b>GAIT 1, GAIT 2, GAIT 5, GAIT 6</b>	ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 29001:2020
<b>KL Headquarters, Kemaman Warehouse, Labuan Warehouse</b>	ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 29001:2020



**REINFORCING GOOD GOVERNANCE THROUGH ETHICAL CONDUCT AND CORPORATE INTEGRITY**

A further aspect or component of good governance in VELESTO is the Group’s Code of Business Conduct and Ethics (“CoBE”), which sets the tone for desired corporate behaviour and practices within the organisation.

Essentially, the CoBE is aimed at inculcating a Group wide, organisational culture centred on integrity, ethical behaviour, accountability, transparency and professionalism. The Code emphasises clarity on conflicts of interest and rules for corporate behaviour; in terms of the manner in which representatives of VELESTO should conduct their professional engagements between themselves, superiors and stakeholders. The latter includes vendors, suppliers, contractors, business partners and others.

Specifically, the CoBE addresses matters such as sexual harassment, racial discrimination, coercion and more. All new employees are briefed on corporate integrity and ethical conduct during their induction session. Likewise, all incoming directors are briefed on the CoBE as part of their induction.

All employees will be required to agree and declare their understanding of the Group’s policy and procedures and submit their individual ‘Disclosure of Conflict of Interest’.

Beyond the induction stage, periodic refresher programmes are organised for staff to ensure that the CoBE and Vendors Code of Business Conduct are reinforced, and a clear message is sent that VELESTO views good corporate governance and corporate behaviour with importance.

In FY2021, there were zero cases of non-compliance or unethical conduct reported.



**ZERO TOLERANCE STANCE TO BRIBERY AND CORRUPTION**

VELESTO continues to adopt a no compromise approach with regard to any form of corruption or bribery in any aspects of its business operations. The hard stance taken against corruption and bribery is reflected in the Group’s Anti-Bribery and Corruption Policy (“ABC Policy”). The ABC Policy was developed pursuant to Section 17A of the MACC Act 2009 (Amendment 2018) and can be viewed here: <https://velesto.com/quality/anti-bribery/>.

The ABC policy defines what are corrupt acts and strictly prohibits them to be carried out in any manner within the Group’s organisation. However, this also extends to any dealings between external parties and VELESTO, including agents of the Group i.e. the Board, management and staff.

The policy strongly prohibits VELESTO’s Board of Directors, management, employees or third parties, being involved in bribery, whether by offering, promising, soliciting, demanding, giving or accepting bribes or behaving corruptly in the expectation of a bribe or an advantage. The policy instructs the Board and employees of VELESTO on how to deal with matters pertaining to gifts, entertainments, donations and charitable activities. It also stipulates what punitive actions will be taken for anyone engaged in corrupt acts. This includes fines, suspensions, dismissal and other forms of disciplinary action which may include reporting the matter to enforcement authorities for appropriate action.

## Sustainability Statement

### SAFEGUARDS TO DRIVE STRONG ANTI-CORRUPTION STANCE

VELESTO's ABC Policy is supported by the following safeguards towards preventing corrupt practices within the organisation and between the organisation and its supply chain.

INTERNAL AUDIT
<ul style="list-style-type: none"> <li>Internal Audit conducts regular or periodic reviews on Division/Department to ensure the effectiveness of its internal controls and processes in mitigating corruption risks</li> </ul>
INTEGRITY GOVERNANCE UNIT
<ul style="list-style-type: none"> <li>Assesses organisational Corruption Risks via Corruption Risk Management</li> <li>Promotes Integrity and inculcates anti-corruption practices</li> <li>Manages the Whistle Blowing Channel</li> <li>Established ABC Policy and Corporate Gifts, Gifts, Entertainment and Hospitality Procedure</li> </ul>
SUPPLY CHAIN
<ul style="list-style-type: none"> <li>Established policy and procedures on procurement and subcontract processes</li> <li>Due diligence activities were conducted on selection and appointment of vendors</li> <li>Strict tender processes, such as multiple quotations and proposals, evaluation criteria</li> <li>Closely monitoring existing process management and suppliers relationships</li> <li>Firmly establishing expectations with suppliers via Suppliers CoBE and Vendor Integrity Pledge ("VIP") available on VELESTO's website</li> <li>Identification of high-risk supplier via the new Supplier Registration Request Form ("SREF")</li> </ul>

### BOARD OVERSIGHT ON ANTI-CORRUPTION AND WHISTLEBLOWING

The Board via its Board Whistle-Blowing Committee ("BWBC") and Integrity & Governance Unit ("IGU"), maintains comprehensive oversight on VELESTO's anti-corruption agenda. BWBC is tasked with deliberating on reports/findings brought to them by IGU pertaining to whistleblowing good corporate conduct, ethical behaviour, anti-corruption and bribery.

IGU investigates all reports and the findings are brought to the attention of BWBC, who deliberates and presents its views to the Board and advice on any action to be taken.

On a related matter, VELESTO's ABC Policy is reviewed regularly by the Board to ensure its robustness in tandem with changing regulatory requirements. The Board and Senior Management are also actively involved in a wide range of communication, internal initiatives and programmes, towards driving the ABC agenda Group wide.

BWBC is chaired by Datuk Tong Poh Keow and comprises two other members and convenes biannually.

### INDEPENDENT INTEGRITY GOVERNANCE UNIT

IGU is an independent unit that reports directly to the BWBC and Malaysian Anti-Corruption Commission ("MACC") on any potential or actual incidences involving corruption or other forms of corporate wrongdoing. Administratively, IGU reports to the President's Office.

**ANTI-CORRUPTION COMMUNICATION PROGRAMMES AND ACTIVITIES**

As in previous years, VELESTO continues to drive a wide range of communication efforts to reinforce the message of zero tolerance towards corruption and bribery. These include electronic mediums, virtual townhalls, newsletters and others. The continued reinforcement of the iLEAP core values, is also part of the approach to Group-wide dissemination and inculcation of an organisational culture centred on integrity and ethical behaviour.

ACTIVITIES	REMARKS
<b>Completion of IGU documentation including framework, policies and procedures</b>	<ul style="list-style-type: none"> <li>The following documents were established/revised in year 2021:               <ul style="list-style-type: none"> <li>- Whistle-Blowing Procedure (Revised)</li> <li>- Governance and Business Ethic Guide (New)</li> <li>- Anti-Bribery Management System Manual (New)</li> </ul> </li> </ul>
<b>Anti-Bribery &amp; Corruption trainings for Internal Stakeholders</b>	<ul style="list-style-type: none"> <li>Series of virtual and physical Anti-Bribery &amp; Corruption trainings were held from 1 September 2021 – 13 December 2021</li> <li>Participants were at HQ level, supply base and rigs</li> <li>As at December 2021, 90% of VELESTO's staff have attended the training</li> </ul>
<b>Anti-Bribery &amp; Corruption trainings for External Stakeholders</b>	<ul style="list-style-type: none"> <li>Three sessions of virtual Anti-Bribery &amp; Corruption trainings were conducted on 7,9 &amp; 14 December 2021</li> <li>As at December 2021, 13% of VELESTO Approved Vendors List attended the training</li> </ul>
<b>Corruption Risk Management ("CRM")</b>	<ul style="list-style-type: none"> <li>Corruption Risk Assessment performed on quarterly basis</li> </ul>
<b>VELESTO Vendor Integrity Pledge ("VIP")</b>	<ul style="list-style-type: none"> <li>Established a standard pledge document and forwarded the VIP to VELESTO's approved vendors for their agreement and commitment since 2020.</li> <li>As at 6 December 2021, 67% of VELESTO Approved Vendors List have signed the VIP</li> </ul>
<b>Organisational Anti-Corruption Plan ("OACP") Workshop</b>	<ul style="list-style-type: none"> <li>The workshop was facilitated by Malaysia Anti-Corruption Academy ("MACA") to help VELESTO develop its Anti-Corruption plan.</li> <li>Seven of Senior Management members attended the workshop from 26 July to 29 July 2021.</li> </ul>
<b>National Integrity Day 2021 Talk</b>	<ul style="list-style-type: none"> <li>Topic: Tumbuk Rusuk "Pengkisahan Dari Tirai Besi"</li> <li>Invited speaker: Tuan Firdaus Ramlan</li> <li>The event was conducted on 5 November 2021 virtually</li> </ul>
<b>IGU e-Newsletter</b>	<ul style="list-style-type: none"> <li>The IGU e-Newsletter is to facilitate employees learn/understand the importance of practicing high integrity and compliance culture.</li> <li>The e-Newsletter were disseminated to all employees.               <ul style="list-style-type: none"> <li>- 1<sup>st</sup> edition on 31 March 2021</li> <li>- 2<sup>nd</sup> edition on 4 June 2021</li> <li>- 3<sup>rd</sup> edition on 2 September 2021</li> <li>- 4<sup>th</sup> edition on 17 December 2021</li> </ul> </li> </ul>
<b>Reporting to Board Whistle-Blowing Committee ("BWBC") (biannually)</b>	<ul style="list-style-type: none"> <li>IGU reporting to BWBC conducted as follows:               <ul style="list-style-type: none"> <li>- 1-2021 – 15 June 2021</li> <li>- 2-2021 – 24 November 2021</li> </ul> </li> </ul>
<b>Submission of MACC Report (biannually)</b>	<ul style="list-style-type: none"> <li>Report was submitted based on a standard format/ template set by MACC</li> <li>Report coverage period and submission date:               <ul style="list-style-type: none"> <li>- January – June 2021: 30 July 2021</li> <li>- July – December 2021: 31 January 2022</li> </ul> </li> </ul>

## Sustainability Statement

### ASSESSMENT OF CORRUPTION RISKS WITHIN OPERATIONS

VELESTO undertakes a quarterly assessment for corruption risks. During each quarterly assessment, specific departments or units of the Group will be scrutinised for weaknesses that could lead to higher risks for incidences of corruption. A system comprising approved risk rating matrix parameters is used to assess corruption risks. The system enables varying risk levels – extreme, high, medium and low to be determined based on two parameters: the likelihood and impact of risk.

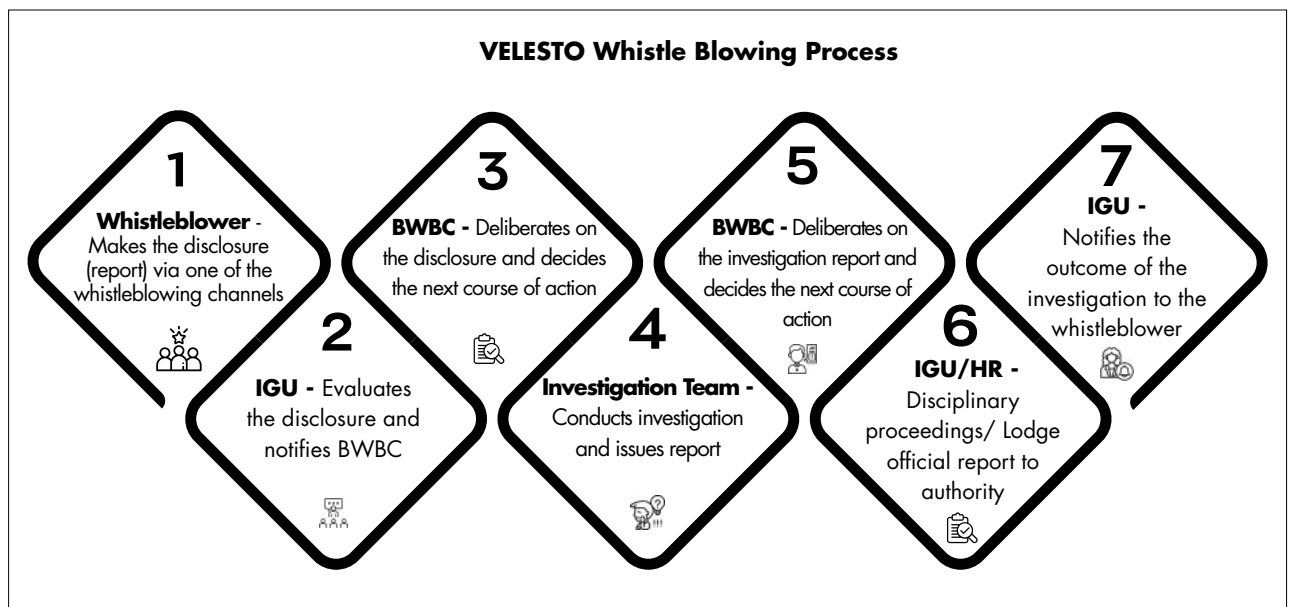
The corruption risk events will be assessed by the respective divisions/ departments and submitted to IGU on quarterly basis. Identified risk/potential risk and Risk Action Plans (“RAPs”) will be closely monitored and reviewed by IGU. In FY2021, we have conducted assessments on all divisions. Following which, risk action plans were identified to mitigate the risk events accordingly.

### WHISTLEBLOWING MECHANISM

Since 2019, VELESTO has established its dedicated whistleblowing (“WB”) mechanism and the whistle blower’s identity and report will be protected as per the Whistleblowers Protection Act 2010.

The whistle blower is accorded immunity from any form of punitive action, intimidation or reprisal irrespective if the allegation is substantiated or proven to be unfounded provided that the report has been made in good faith. The whistle blower will be free of recrimination or reprisals and concerns of his/ her identity being divulged.

Reports can be made directly to the Head of IGU. Upon verification and notification to BWBC, the reports will be investigated by the IGU. If the reports are substantiated, appropriate actions will be taken on the offending party. This includes warnings, dismissals, and contract termination, or even reported to enforcement authorities such as MACC or the police for further action.





### **CASCADING THE ANTI-CORRUPTION AGENDA TO THE SUPPLY CHAIN**

The Group also continues to reinforce the message of anticorruption via specific supplier briefings.

One initiative championed by Group Procurement and IGU is the VELESTO ABC Online Training for External Parties. The programme is part of VELESTO's initiatives in combating corruption and embracing the T.R.U.S.T principles (Guidelines on Adequate Procedures).

In addition, VELESTO has established a standard pledge document and forwarded the VIP to VELESTO's approved vendors for their agreement and commitment since 2020. As at 6 December 2021, 67% of VELESTO Approved Vendors List have signed the VIP.

### **ENVIRONMENTAL AND SOCIAL GOVERNANCE OF THE SUPPLY CHAIN**

VELESTO increasingly looks to cascade its sustainability goals and aspirations to its supply chain towards progressively driving a larger multiplier effect that will benefit the environment and society. Primarily assessment of vendors is conducted by evaluating if vendors have relevant sustainability policies such as policies on OHS, human rights, environmental performance, labour rights and others.

In addition, all tender and contract documents come with clauses that compel suppliers and vendors to abide by VELESTO's CoBE. All documents also state that VELESTO reserves right the right to take appropriate action including termination of services or reporting to the authorities in the event suppliers do not comply with the aforementioned.

Any supplier who scores below the desired quality scores will be asked by VELESTO to improve their quality levels and provided sufficient time to rectify weaknesses. If after such time, the supplier fails to address the identified weaknesses, said supplier will be removed from the vendor procurement list.

On average, about 20 physical inspection audits are conducted annually. In FY2021, there were no termination of suppliers for non-compliance.

### **STAKEHOLDER ENGAGEMENT**

VELESTO has continued to prioritise stakeholder engagement, more so during the COVID-19 pandemic period. Consistent, two-way engagement is essential in ensuring that the Group remains aligned to the concerns and aspirations of its many and diverse stakeholder groups. This ensures that value creation, both financial and non-financial values continue to be viewed from an inclusive perspective.

Stakeholder engagement is also essential towards developing a comprehensive understanding of the Group's material topics. Beyond the view of the Board and Management, it is vital to also understand what the most material concerns are, aspirations and needs of stakeholders and thereafter, incorporating these into the materiality assessment process and overall management approach to sustainability.

Stakeholders are defined as individuals or groups that are impacted or may be potentially impacted by VELESTO's business presence and activities, or have the potential to impact or influence VELESTO's operational and/or financial performance as well as overall corporate reputation and perception.

Given that VELESTO's business model and operations as a drilling services and oilfield services provider has not changed in FY2021, the Group's stakeholder engagement activities are comparatively similar to the previous financial year.

# Sustainability Statement

## STAKEHOLDER ENGAGEMENT

METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES / OUTCOMES
<b>SHAREHOLDERS AND INVESTORS</b>		
<ul style="list-style-type: none"> <li>Analyst Briefing</li> <li>Annual General Meeting</li> <li>Annual Report</li> <li>Investor Briefing</li> <li>Announcements of corporate developments to BURSA</li> <li>Quarterly announcements of financial results to BURSA</li> <li>One-on-one meeting</li> <li>Updates on Investor Relations page on VELESTO's website</li> <li>Press Release</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly updates by the President on the position and status of the Group to analysts from various financial/research houses</li> <li>A yearly update to shareholders on the strength and position of the Group, while also sharing the current health of their investment</li> <li>Regulatory matters</li> <li>Ad-hoc (as and when required) briefings to investors on the strength and position of the Group</li> <li>Quarterly announcements/discussions on the financial results</li> <li>Ad-hoc (as and when required) updates to analysts and fund managers</li> <li>Ad-hoc (as and when required) updates via Press Release distributed to the media</li> </ul>	<ul style="list-style-type: none"> <li>More positive coverage by analysts and media</li> <li>Maintained share price performance</li> <li>Compliance with MMLR</li> </ul>
<b>PETRONAS AND OTHER OIL COMPANIES</b>		
<ul style="list-style-type: none"> <li>Management engagement</li> <li>Customer feedback exercises</li> <li>Frequent rig/office visits</li> <li>Formal meetings</li> <li>Email queries</li> <li>Trade shows and exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>Discussions and clarifications on technical, operational and commercial matters</li> <li>Operational and safety issues</li> <li>Rig operating schedules</li> <li>Rig/office visits by existing and potential clients</li> <li>Quarterly management engagement and frequent operational meetings to discuss technical, operational and commercial matters</li> <li>Continuous effort in promoting VELESTO</li> <li>Various emails with regards to commercial and technical clarifications from clients</li> <li>Various marketing emails to existing and potential clients</li> <li>Abu Dhabi International Petroleum Exhibition and Conference ("ADIPEC"), Malaysian Oil &amp; Gas Services Council ("MOGSEC"), Malaysia External Trade Development Corporation ("MATRADE") etc</li> </ul>	<ul style="list-style-type: none"> <li>Ensure all clarifications are responded to and appropriate actions are undertaken</li> <li>Managing issues with various teams</li> <li>Visits jointly organised by Business Development and Operations teams</li> <li>Frequent engagements with clients and authorities on respective matters</li> <li>Frequent marketing meetings held between VELESTO and new/existing clients to promote and/or introduce VELESTO's capabilities and rig schedules</li> <li>Participated in various tradeshows and exhibitions when deemed necessary, local and overseas for marketing and branding purposes</li> </ul>
<b>GOVERNMENT/REGULATORS/AGENCIES</b>		
<ul style="list-style-type: none"> <li>Annual/periodical compliance as per relevant laws and regulations</li> <li>Management engagement</li> <li>Formal and informal meetings</li> <li>Written and email communications</li> </ul>	<ul style="list-style-type: none"> <li>Compliance to regulatory requirements</li> <li>Feedback on impact of policies</li> <li>Explore areas of mutual support from government initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Mutual understanding on compliance requirements and adherence</li> <li>Participation in initiatives/programmes</li> <li>Clarification on regulations</li> <li>Appeal or concession, if required</li> </ul>

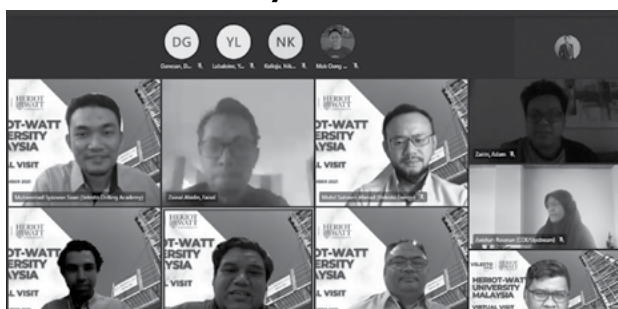
METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES / OUTCOMES
<b>EMPLOYEES</b>		
<ul style="list-style-type: none"> <li>• Townhall sessions</li> <li>• Festive celebrations</li> <li>• Internal communications emails</li> <li>• Employee excursions/ events</li> <li>• Management Health, Safety, and the Environment (“HSE”) walkabouts</li> <li>• Lunch with President session</li> <li>• Talent Management Roadshow &amp; Workshop</li> <li>• Reskilling &amp; Upskilling Roadshow</li> <li>• Virtual ‘Teh Tarik’ Session with President</li> <li>• HR-RIG Engagement Session</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly updates by the President on the position and status of the Group to VELESTO employees in townhall sessions</li> <li>• Provide updates on VELESTO’s SharePoint on the latest happenings, events, etc. Some internal emails also discuss topics related to work-life balance</li> <li>• HSE Observation Card (“HOC”) winner</li> </ul>	<ul style="list-style-type: none"> <li>• Updated awareness on the Group</li> <li>• Internal communications help ensure that all members of the organisation are kept up-to-date on the on-goings at VELESTO</li> <li>• Promote safety awareness at the workplace</li> </ul>
<b>FINANCIAL INSTITUTIONS</b>		
<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Analyst Briefing</li> <li>• Annual General Meeting</li> <li>• Regular engagement, conference call and periodic update</li> <li>• Site/rig visits</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity and investment management</li> <li>• Financial risk management</li> <li>• Regulatory and debt covenants compliances</li> </ul>	<ul style="list-style-type: none"> <li>• Effective communications on business and operational updates</li> <li>• Updated release of Group’s financial results and operational performances</li> <li>• Compliance and continuous engagements to improve the debt covenants</li> </ul>
<b>COMMUNITIES</b>		
<ul style="list-style-type: none"> <li>• Corporate Social Responsibility (“CSR”)</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of VELESTO’s three main CSR pillars (safety, education and environment) at selected partners/schools/communities</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement/betterment of the participating stakeholders’ understanding on safety, improved education experiences and results, and improved/better understanding of the environment</li> </ul>

# Sustainability Statement

METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES / OUTCOMES
<b>VENDORS</b>		
<ul style="list-style-type: none"> <li>• Management engagement</li> <li>• Vendor feedback exercise</li> <li>• Office/site visits</li> <li>• Site audits</li> <li>• Document audits</li> <li>• Formal meetings</li> <li>• Email queries</li> <li>• Trade shows and exhibitions</li> <li>• Appointment of Vendor Development Programme (“VDPx”) vendors</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction meetings</li> <li>• Discussions and clarifications on technical and operational requirements</li> <li>• Commercial negotiations</li> <li>• Solicitation/clarification of quotations</li> <li>• Operational and safety issues</li> <li>• Rig operating schedules</li> <li>• Continuous effort in promoting VELESTO’s core values (iLEAP)</li> <li>• Various marketing emails from vendors</li> <li>• Robustness of HSE management systems</li> <li>• Financial capability</li> <li>• Technical capability</li> <li>• Outstanding issues (payment, delivery, quality, etc.)</li> <li>• MOGSC, MATRADE etc</li> </ul>	<ul style="list-style-type: none"> <li>• Familiarising with vendor’s capabilities</li> <li>• Ensure VELESTO’s requirements on HSE and CoBE are understood and delivered as required</li> <li>• Negotiate for competitive rates for materials/services procured</li> <li>• Ensure materials/services are procured at the right quality and delivered to the right location at the right time</li> <li>• Ensure safety standards are upheld to prevent incidents at work site</li> <li>• Ensure business dealings are dealt with according to VELESTO’s core value</li> <li>• Ensure vendors are technically sound and have robust HSE management systems and financial stability to carry out work seamlessly</li> <li>• Ensure issues are resolved at the shortest possible time</li> <li>• Continuous networking to promote local participation in VELESTO’s procurement activities</li> <li>• Actively promote local vendors to upskill and be more competitive in the international arena via VDPx initiative</li> </ul>

Following were some of the major stakeholder engagements that VELESTO held or participated in during the financial year:

### Heriot-Watt University Virtual Visit



### DrillTEC – Enriching Local Talent & Company Group Discussion



### VIDA Showcase during Minggu Saham Digital



**DETERMINING MATERIALITY**

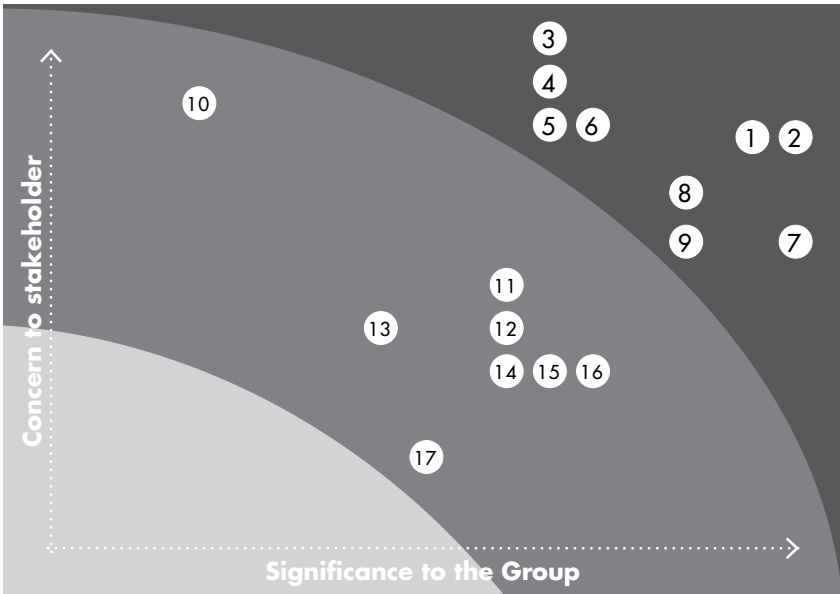
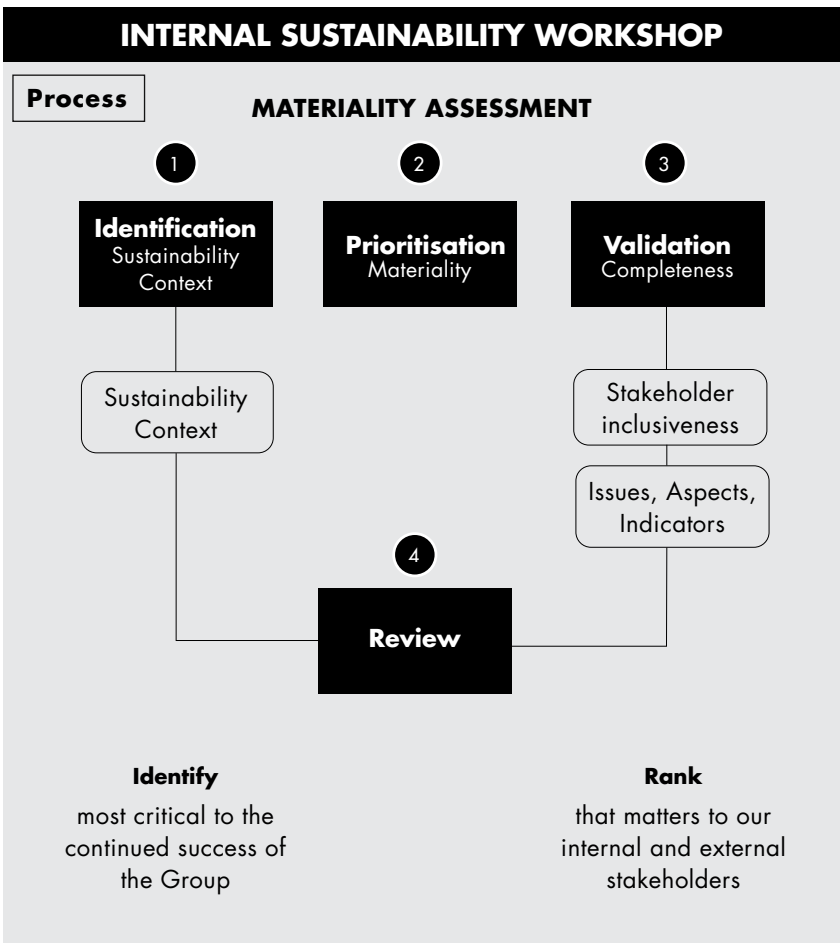
In FY2021, given the continued effects of COVID -19 on the external operating landscape, VELESTO has continued to assess its materiality topics. The assessment process is guided by the focus areas of people development, environmental footprint, health and safety and corporate governance.

A universe of potential material topics is developed by drawing from the GRI Standards 2018, the FTSE4Good Index, TCFD, SASB, as well as typical topics associated with the upstream oil and gas sector.

The topics are further refined to the most relevant to VELESTO’s business model and operations by the SWG and the SSC, with the final list of topics approved by the BRMC. Where possible, external validation is obtained from significant stakeholders.

Supported by external views, the list of material topics is then further refined and weightage is given to each, based on their potential Economic, Environmental and Social (“EES”) impact and its severity and significance to VELESTO and its stakeholders.

Our key criterion for materiality prioritisation is based on impact or significance of a particular materiality matter to VELESTO and its stakeholders. Based on the prioritisation, VELESTO develops its materiality matrix for the financial year. The developed materiality matrix is shared with Senior Management and the Board for further deliberation and subsequently validation. Following is the FY2021 materiality matrix.



# Economic Performance



## ECONOMIC VALUES CREATED

Economic returns such as revenues and earnings are vital for any for-profit entity. Sustainable or improving financial performance is necessary for business growth and also to drive environmental and social performance.

Often significant reductions in energy consumption and emissions or for other environmental related measurements require new investments in technology, infrastructure and systems. These are typically funded by internally generated funds, of which the availability is determined by financial performance. The same applies for debt financing, where financiers would be more willing to invest only in profitable business operations.

VELESTO's financial performance is to a large extent, dependent on the operating conditions of the oil and gas sector. Given that FY2021 was a continued year of turbulence, low rig utilisation and charter rates, the Group's financial performance as per all upstream operators, were affected. The full details of VELESTO's financial performance are provided in the Chairman's Statement and Management Discussion and Analysis ("MD&A") and Financial Statements of this IAR2021.

### Revenue

# RM378

mil

(2020: RM547 mil)

### EBITDA

# RM21

mil

(2020: RM293 mil)

### Loss After Tax

# (RM91)

mil

(2020: -RM492 mil)

### Loss Per Share

# (1.11)

sen (\*)

(2020: -5.99 sen)

Despite turbulent operating conditions, VELESTO has continued to generate and distribute a wide range of economic values for stakeholders as provided:

### Purchases from Local Suppliers

# RM190

mil

(2020: RM120 mil)

### Taxes Paid to the Government

# RM20

mil

(2020: RM10 mil)

### Employees Salaries and Benefits

# RM117

mil

(2020: RM118 mil)

### Debt Repayment and Interest to Financiers

# RM547

mil

(2020: RM295 mil)



**VALUE GENERATED FOR COMMUNITIES**

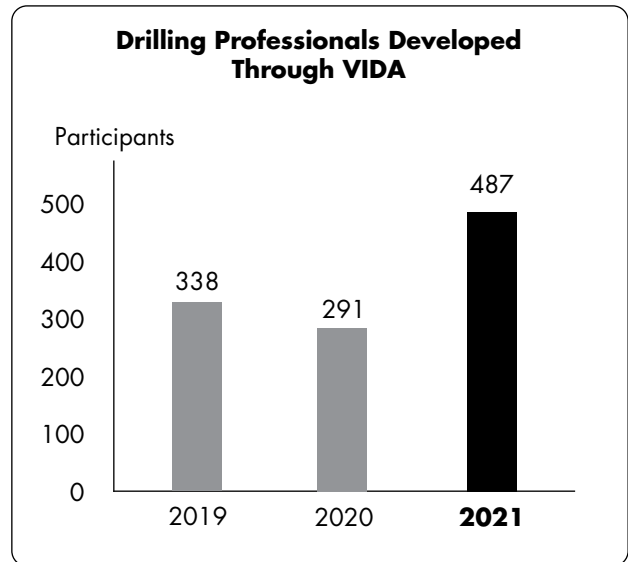
At all locations where the Group operates, VELESTO has directly or indirectly enabled the development of local business and employment opportunities, notably through local procurement (i.e. transportation, accommodation, logistics, food and beverage and others).

One of VELESTO’s most significant contributions to local infrastructure is its participation in the VIDA. Now in its eight year, VELESTO’s ardent support to VIDA has enabled the development of professionally qualified, local as well as foreign drilling professionals for the oil and gas sector.

VIDA has and continues to be effective in addressing the talent needs of both the oil and gas sector while contributing to national aspirations of developing a highly-skilled talent pool who can secure higher incomes; which is essential towards elevating Malaysia into a high-income per capita nation.

Through VIDA, students enrolled in the UTP MSc Drilling Engineering programme will be able to participate in the IWCF Well Control Level 4 Combined Subsea & Surface course as well as the Well Construction with Land Rig Hands-On Practice Workshop conducted by VIDA at Institut Teknologi Petroleum PETRONAS, Terengganu.

At the same time, VELESTO’s subject matter experts were appointed as a visiting lecturer for Well Construction. This collaboration is intended to prepare UTP graduates for professional certification and exposure to drilling operations following their completion of the programme.



## Economic Performance

### LOCAL PROCUREMENT LOCAL SUPPLY CHAINS

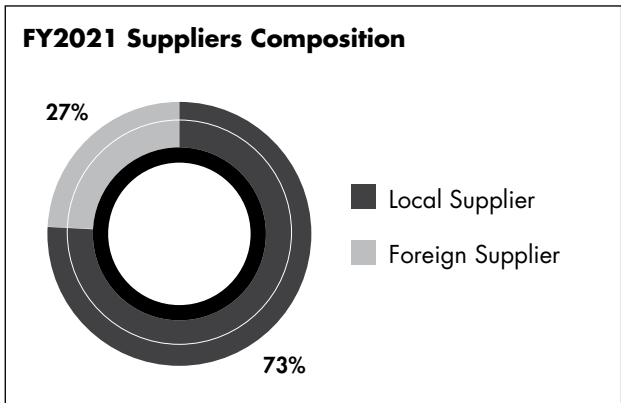
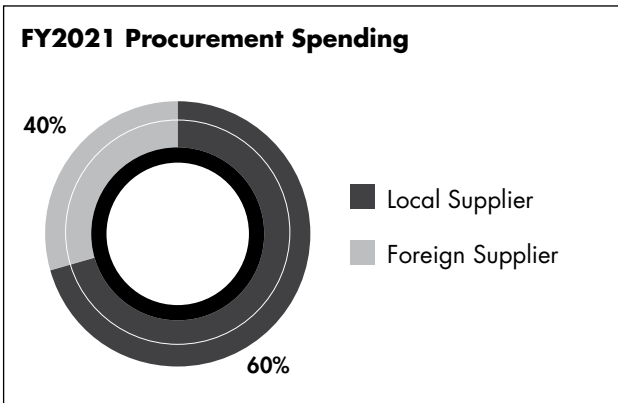
VELESTO’s preference is for local suppliers unless the required goods or services are unavailable locally or cannot be procured at a competitive pricing. As much as possible, the Group continues to adopt a Local First policy for all purchases.

Benefits of local procurement include reduced environmental footprint due to less transportation requirements compared to imported goods and services, the creation of jobs for the local community, including highly skilled specialised professions, knowledge and skills development and transfer, development of local entrepreneurs and various other socio-economic multiplier effects.

VELESTO’s support of local supply chains is clearly reflected via its support as an anchor partner of the PETRONAS Vendor Development Programme (“VDPx”). Based on its business requirements, VELESTO has identified the following specialty areas for the development of local suppliers: Topside Medic Support Services, Logistics & Forwarding Services Offshore Catering Services and Offshore Manpower Services.

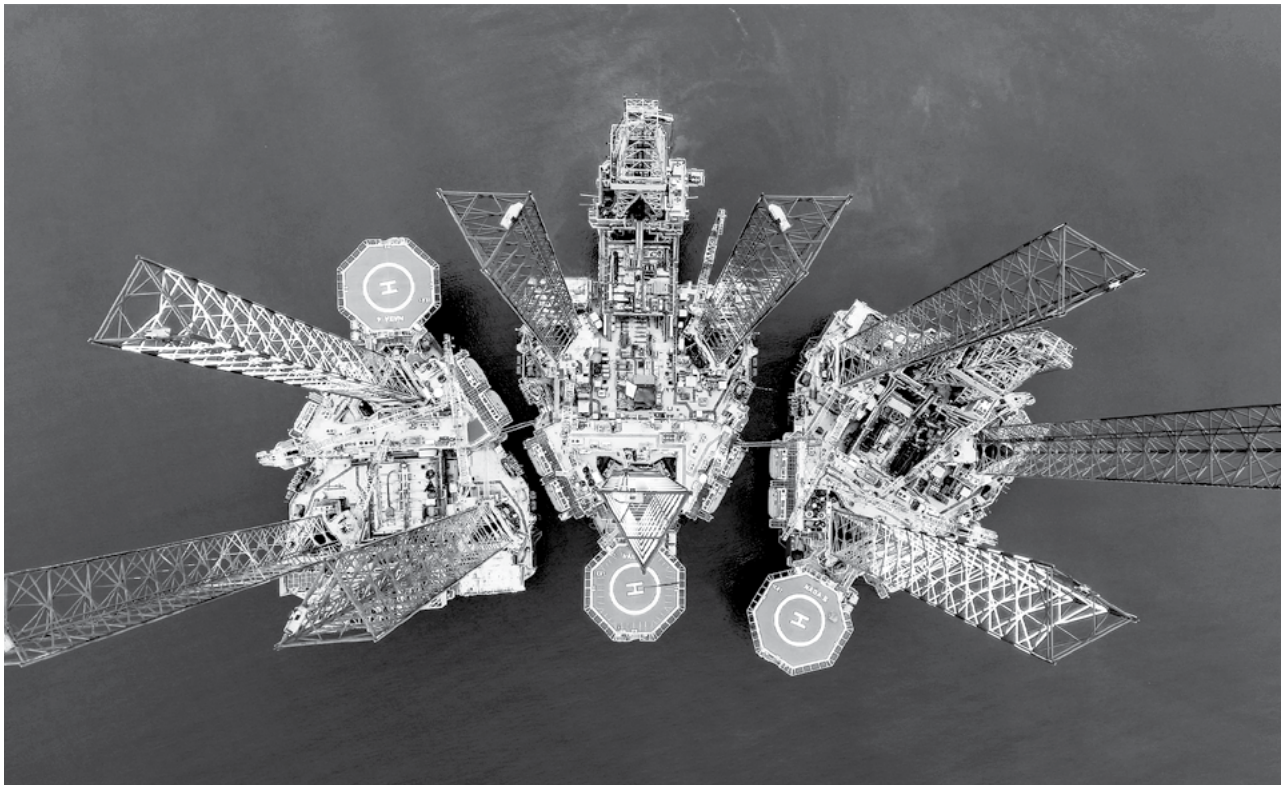
VELESTO adopts an open tender policy, where all eligible vendors may bid for contracts. Contracts are awarded based purely on merit; that is the best value proposition offered based on costs, quality, OHS track record, any fines or censures from regulatory authorities and other factors.

COMPREHENSIVE SUPPLY CHAIN MANAGEMENT PROCESS
Effective risk management process is placed, to assist supply chain partners in addressing uncertainties and complexities.
SUPPLIER DEVELOPMENT STRATEGY
Develop more suppliers to reduce single or limited source dependencies and increase industry competition to drive down costs.
LONG TERM SUPPLIER PARTNERSHIP
Focus on establishing long-term partnerships results in cost and operational efficiencies and provides assurance to suppliers.





# Environmental Performance



In FY2021, VELESTO has continued to focus on improving its environmental footprint. Improvements are measured based on the following:

- Reduction in energy, water and resource consumption
- Improvement in energy and emissions intensity
- Reduction in waste produced.

The Group has chosen to align its disclosures with SASB recommendations in addition to existing GRI and FTSE4 Good requirements.

The Board and Senior Management maintains oversight on all material environmental topics. These include climate change and GHG emissions, energy and water consumption and waste production and disposal. We will gradually increase our disclosures in the areas of Governance, Risk Management, Strategy, Metrics and targets over the next three to five years. Ultimately, improvements in environmental performance supports medium to long-term value creation, including revenues and profits.

VELESTO's approach to managing environmental impact is also based on industry best practices as mandated by MARPOL, PETRONAS, and other industry best practices. All of VELESTO's sites have adopted the ISO 14001:2015 certification.

## CLIMATE CHANGE AND EMISSIONS

In recent years, the impacts of climate change have become more severe and frequent. Rising ambient temperatures, affected weather patterns, water scarcity, biodiversity loss, increased severity of natural disasters, these are just some of the impacts attributed to climate change.

In particular, the consumption of hydrocarbons as a source of energy has been a key contributory factor to rising GHG emissions including carbon emissions, that have led to the present levels of danger and seriousness in terms of climate change and global warming impacts.

As such, the world's energy industry including the oil and gas sector has been identified as requiring a "major reset"; by transitioning towards carbon neutrality by producing cleaner, greener alternatives as opposed to hydrocarbons.

FY2021's COP26 Summit has outlined a clear path towards reversing the present trend, premised on a goal of carbon neutrality by 2050.

## Environmental Performance

### Velesto And Carbon Neutrality

It must be mentioned that while the consumption of oil and gas is a contributor to carbon and other GHG emissions, natural gas has an important role to play as a transition fuel, as it has a lower intensity than other carbon fuels. In addition, the process of exploration, development and production itself is differentiated in terms of intensive in carbon emissions.

As a contractor, we do not own or trade in carbon fuels – as such, we are not directly responsible for the emissions arising from the resources we help to discover or produce, or the emissions from our client's operations. However, we do have a role to reduce the emissions from our own operations, which will in turn support our clients in reducing their Scope 3 Supply Chain emissions.

Most, if not all drilling operators including VELESTO, comply with International Convention for the Prevention of Pollution from Ships ("MARPOL") standards that mandate efficient production methods and energy usage, no environment spills, environmentally friendly waste disposal and zero contamination of the environment.

However, VELESTO believes that regardless of its present performance, it can do more towards reducing its environmental footprint and achieving greater efficiency. For its part, VELESTO has been actively monitoring the potential and actual contribution to climate change. Primarily, the Group's efforts will be to reduce our consumption of fossil fuels i.e. diesel to operate its rigs and the resulting emissions released.

In terms of emissions reduction targets, VELESTO has set a goal to reduce its operating days emissions intensity by 10% and revenue emissions intensity by 30% between 2021 and 2030. By using an emissions intensity approach, the Group's environmental performance will not be as badly affected by the cyclical nature of our business operations, where fleet utilisation historically can fluctuate significantly. The targets are to be achieved from the continued implementation of energy efficiency measures, topline growth by increasing scope of our services from existing asset and the possibility of future investments that are less carbon intensive.

The Board and Senior Managements' aspirations to set more ambitious reduction targets are dependent on a sustained recovery in the oil and gas sector, which will enable improved financial results that in turn allow VELESTO to undertake the substantial CAPEX and investments required to drive larger cuts in emissions. As the Group returns to a more robust financial position, supported by a strong balance sheet, its present targets will be reviewed accordingly.

VELESTO's approach to managing GHG emissions is based on the internationally recognised Greenhouse Gas Protocol as well as compliance to Annex VI of MARPOL 73/78. This entails air pollution prevention, including control on greenhouse gas emissions and the quality of fuel oil used by diesel engines.

Our attention on addressing emissions from operations is based on the contributory effects of said emissions to climate changes and other environmental impacts. At present, the Group's emission levels comply with regulatory standards.

### Board Oversight on Climate Changes and Acknowledgement of Related Risks

The Board and Senior Management have started to acknowledge the physical and transitional risks brought on by climate change, which are being assessed under the Group's risk management framework. We have included climate change elements as a root cause to certain risk events in the Group's Risk assessment process in FY2021.

**Action To Address Climate Change**

As a service provider in the oil and gas industry, VELESTO adopts all practical measures to ensure the types of fuel used in diesel engines on rigs produces lower amounts of carbon dioxide (“CO<sub>2</sub>”). This corresponds with the Paris Agreement and the Kyoto Protocol of the United Nations Framework on Climate Change (“UNFCC”). The UNFCC encourages reduction in CO<sub>2</sub> emission where Malaysia is one of the Non-Annex 1 parties for both commitment periods (2008-2012 and 2013-2020).

As prior mentioned, VELESTO’s primary contributors to carbon emissions is consumption of diesel (Scope 1) to operate its rigs. Electricity sourced from the national grid (Scope 2 emissions) is also consumed to power the Kemaman and Labuan supply bases and VELESTO’s Headquarters in Kuala Lumpur.

The Group’s management approach is driven by its Rig Power Management System (“RPMS”). Essentially, the RPMS provides each rig with five diesel powered generators with the biggest power consumer being the mud pumps followed by the Top Drive System (“TDS”) and the Draw works. Fuel source consumed is diesel fuel.

The RPMS can detect when the rig equipment requires a lower power load and with that, automatically shuts or slows the engine(s) down. This enables more efficient use of energy for drilling activities.

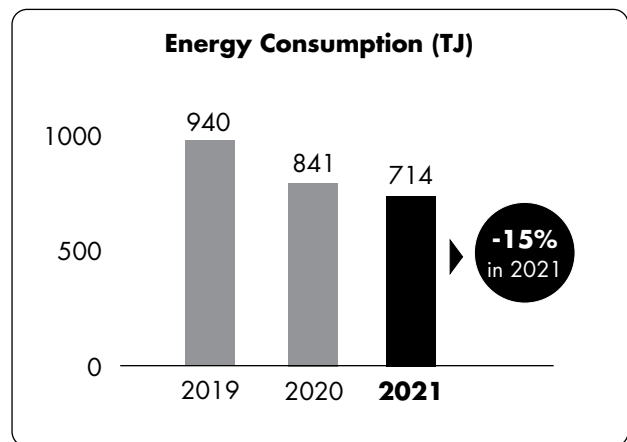
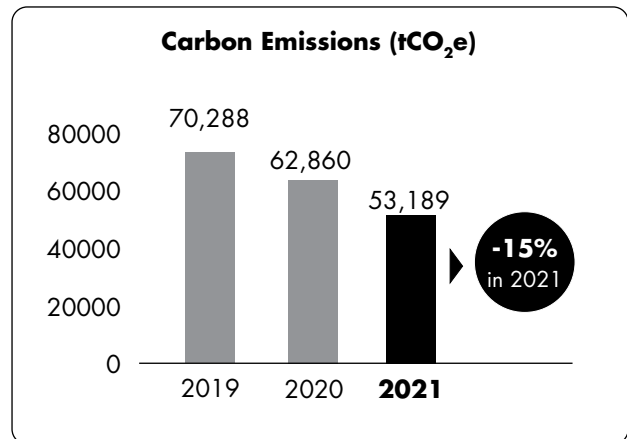
**External Collaboration and Engagements in Addressing Climate Change**

In FY2021, VELESTO collaborated with MPRC and MOGSC to promote the adoption of more sustainable practices among Oil & Gas services and equipment players. President, En. Rohaizad Darus took the lead by speaking at several industry engagements and events.

Further strengthening its collaborations with associations, on 2 June 2021, VELESTO became a member of UNGC.

**Energy and Carbon Emissions Data**

All GHG data and calculations are based on the World Resources Institute’s GHG Protocol, Intergovernmental Panel on Climate Change’s Emission Factors and ISO14064-1. Following are the Group’s total emissions based on Scope One and Two sources in metric ton of carbon dioxide equivalent (“tCO<sub>2</sub>e”):



## Environmental Performance

### Other GHG Emissions

In addition to carbon emissions, VELESTO in FY2021 has reported on other GHG emissions beyond carbon. All emissions comply with the regulations set out by the DOE of Malaysia.

EMISSIONS	METRIC	FY2021
Energy Emission (Diesel)-CH <sub>4</sub>	tCO <sub>2</sub> eq	60
Energy Emission (Diesel)-N <sub>2</sub> O	tCO <sub>2</sub> eq	113

For FY2021, VELESTO has included the following ratios to reflect the Group's energy, emissions and resource efficiency as measured against financial performance:

FINANCIAL YEAR	2019	2020	2021
Revenue (RM mil)	671	547	<b>378</b>
Utilisation (%)	80	66	<b>48</b>
Operating Days	2,044	1,683	<b>1,110</b>
Carbon Emissions (tCO <sub>2</sub> e)	70,288	62,860	<b>53,189</b>
Carbon emissions intensity (tCO <sub>2</sub> e / Operating Days)	34.4	37.4	<b>47.9</b>
Carbon emissions intensity (tCO <sub>2</sub> e / Revenue - RM mil)	104.8	114.9	<b>140.9</b>

The higher carbon emissions intensity by revenue in 2021 reflects the lower utilisation during the year.

By setting a 10% Operating Days emissions intensity reduction goal, we aim to reduce our emissions intensity from 47.9 tCO<sub>2</sub>e per operating day to not more than 43.1 tCO<sub>2</sub>e per operating day by 2030.

Likewise, a 30% Revenue emissions intensity reduction will require us to reduce emissions from 140.9 tCO<sub>2</sub>e per RM mil to not more than 98.6 tCO<sub>2</sub>e per RM mil in Group revenue.

### WATER CONSUMPTION AND MANAGEMENT

The consumption of water is regarded as of being less material compared to other topics as VELESTO utilises mostly seawater for its rig operations. VELESTO does not have any operations in proximity with fresh-water bodies or water catchment areas and hence has no material impact on water security.

Seawater is available in abundance and the use of such water does not affect local communities as the rigs are mostly located far out at sea, hundreds of kilometres away from fishing villages and seaside communities.

The abundance of seawater also means that water is not being sourced from a water stressed location. About 60%-70% of seawater withdrawn is used for non-potable applications such as flushing and drilling. The remainder is filtered and distilled via reverse osmosis for potable consumption (for the crew). On some of our rigs, besides seawater, rainwater and recycled water (sourced onshore) are used. Potable water is also consumed at the Group's onshore operational sites.

The only potential risk is the disposal of wastewater, the accidental spillage of untreated effluents into seawater. VELESTO treats all wastewater in accordance to Annex IV of MARPOL 73/78 prior to being discharged into the sea. For FY2021, VELESTO has complied with all regulatory requirements. The Group has seen zero fines, warnings or censures for non-compliance for wastewater discharge in FY2021.

The reverse osmosis of seawater effectively means that VELESTO practically has a limitless water source. However, the distillation/reverse osmosis process does consume energy, which leads to increased consumption of fuel and inevitably increased emissions.

On all rigs, efforts are made to consume water efficiently. This includes various water saving features built into rigs and also constant awareness and education campaigns to remind offshore crew to conserve water.

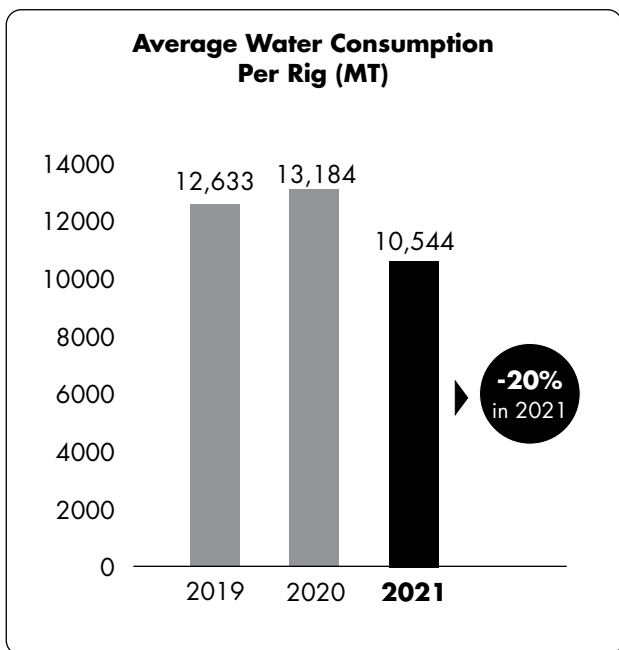
**Efforts to Reduce Water Consumption/Increase Efficiency**

VELESTO’s focus is to progressively reduce water sourced from onshore sources and ultimately become 100% reliant on seawater and rainwater harvesting.

However, any increased usage of seawater is likely to increase energy consumption. Hence, the preference is to increasingly tap rainwater while using more environmentally fuel sources for energy. It is possible that the usage of solar to partially power rigs may be adopted if proven commercially and operationally effective.

**Water Consumption Data**

Similar to energy consumption, water consumption is determined by rig utilisation levels, which in turn is determined by the level of exploration and production activity for the financial year.



**WASTEWATER**

In line with Annex 1 of MARPOL 73/78, all VELESTO rigs are equipped with internationally approved oily water separator facilities to treat water with oil content and bring the said oil content to permissible levels (below 15 parts per million or “ppm”) prior to being discharged overboard.

Also in line with Annex IV of MARPOL 73/78, all VELESTO rigs have sufficient storage capacity for manure and a dedicated, self-contained Sewage Treatment System. Hence, waste is treated on-board and the final treated effluent, which is deemed safe by the Department of Environment (“DOE”), is stored to allow full decomposition prior to discharge into the sea.

**WASTE MANAGEMENT**

Waste management disclosures are scoped to our rig operations. In accordance with MARPOL 73/78, our offshore drilling platforms adhere to a dedicated waste management plan to ensure all types of waste are disposed in an environmentally friendly manner.

Licensed third-party contractors are used for waste disposal. All contractors are approved by the DOE. Waste produced from oilfield services, is disposed of accordingly to the standards set by DOE’s Environmental, Quality (Schedule Waste) Regulation 2005.

Waste is managed according to the Group’s stringent process and procedures which comply with DOE’s regulatory standards as well as industry best practices.

Solid waste is segregated based on usable and disposable materials, particularly at our warehouses in Kemaman and Labuan. Solid and chemical wastes are transported and disposed of via licensed local contractors without any incidents of spillage.

**ENVIRONMENTAL SPILLS**

As prior mentioned, VELESTO has recorded one major spills in FY2021. VELESTO’s rigs comply with Annex 1 of MARPOL.

In addition, our fleet is certified by regulatory bodies such as ABS and DNV. The Group’s rigs have been designed with spill containment systems as part of the overall management approach to effective environmental protection, especially direct environmental pollution.

VELESTO continues to monitor environmental incidents as part of its monthly HSE performance reporting system. VELESTO categorises environmental spills into minor and major spills. Minor spills are defined as spills with less than, or equal to 800 litres of spillage while major spills are identified as spillages amounting to 800 litres or more.

FINANCIAL YEAR	2019	2020	2021
<b>Major Spills</b>	0	0	<b>1</b>
<b>Minor Spills</b>	8	0	<b>0</b>

None of the spills above had a material impact on the environment.

## Environmental Performance

### BIODIVERSITY

VELESTO relies on the Environmental Impact Assessments ("EIA") provided by clients to ascertain if its operations are in areas of high biodiversity value or in habitats for rare and endangered species including flora and fauna listed on the IUCN Red List of Threatened Species. EIAs are conducted by clients prior to any drilling activities.

Thus far, all EIAs show that the Group's rigs and HWUs are not operating at sites deemed to be biodiverse. The Group takes all precautions, as stipulated under MARPOL and DOE regulations to ensure all effluents are within permissible limits and as such, do not harm physical environments.

The Group also places its rigs in coral free areas so as to not disturb any aquatic habitats. This is achieved by referring to seabed survey reports provided by clients. These reports indicate seabed conditions which are then referenced to determine positioning of rigs.

The Group's operations do not impede the pathways of migratory species such as turtles and other marine life. Given that all EIAs have indicated no biodiversity concerns, VELESTO has not conducted any biodiversity audits in its area of operations.

All JUs are situated away from the traditional fishing areas of local fishermen. Hence, fish populations are also not disturbed by the presence of rigs.

VELESTO is also of the view that it can play a role in biodiversity conservation by mitigating its carbon footprint. That is, reducing emissions and energy consumption, as well as consumption of other resources.

However, beyond its operations, VELESTO is exploring areas of collaboration with NGOs, academic institutions and other bodies to support various biodiversity initiatives and programmes. This includes research studies and more. VELESTO's involvement is driven purely that as a responsible corporate organisation, it can contribute to the ongoing efforts to reverse biodiversity loss, which continues to be evident at alarming rates.

The importance of preserving and conserving biodiversity is evident given that biodiversity is intrinsically linked to food security, tourism, safeguarding traditional way of life and livelihoods and maintaining healthy ecosystems.

### DECOMMISSIONING

VELESTO is participating in Plug and Abandonment ("P&A") decommissioning activities and is cognisant that decommissioning activities, if not managed properly can result in significant environmental impacts. These impacts include spillages of crude oil that will result in environmental pollution.

Hence, the Group is committed to ensure safe and environmentally compliant decommissioning which VELESTO complies with the local and international conventions. We adhere to and require our contractors to follow the required guidelines as below:

- ASCOPE Decommissioning Guidelines for Oil and Gas Facilities.
- DOE Environmental Impact Assessment Guidelines for Petroleum Industries.
- Guidelines on Radiological Monitoring for Oil and Gas Facilities Operators Associated to TENORM, AELB 1996.
- Guidelines for Decommissioning with Radioactive Materials, AELB 2009.
- Guidelines on Mercury Management in Oil and Gas Industry, DOSH 2011.
- DOE Environmental Guidelines for Decommissioning of Oil and Gas Facilities in Malaysia.

# Social Performance



VELESTO's material social topics revolve primarily around two stakeholder groups, that is its workforce and the local community.

The focus on talent management is vital as the retention and development of a high-calibre, professional workforce is vital to value creation.

Hence, all aspects of talent management i.e. talent recruitment, retention, training and development and remuneration is given due consideration.

With regard to local communities, VELESTO is of the view that as a responsible corporate organisation, it is in a strategic position to create a wide range of positive values for local communities as well as society. Hence, the Group continues to support local community development.

Pertaining to human rights, VELESTO's concerns/ focus areas are as follows: Occupational Health & Safety; Workers Rights, Discrimination, Fair and Safe Work Conditions and impacts of pollution from business operations on local communities.

## HUMAN RIGHTS

- Businesses should support and respect the protection of internationally proclaimed human rights; and
- Ensure that they are not complicit in human rights abuses.

## LABOUR

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labour;
- The effective abolition of child labour; and
- The elimination of discrimination in respect of employment and occupation.

## ENVIRONMENT

- Businesses should support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility; and
- Encourage the development and diffusion of environmentally friendly technologies.

## ANTI-CORRUPTION

- Businesses should work against corruption in all its forms, including extortion and bribery.



## TALENT MANAGEMENT

VELESTO is guided by basic human rights principles and the Malaysian Employment Act 1995 and all other relevant labour laws of Malaysia. The Group subscribes to the International Labour Organisation ("ILO") and the Universal Declaration of Human Rights and also the 10 Principles of UNGC as follows:

### Principles of the UNGC:

- Human rights, labour, environment and anti-corruption
- UN Guiding Principles on Business and Human Rights
- International Labour Law
- Prohibiting child and forced labour
- Ensuring non-discrimination and equal opportunity
- Supporting a harassment-free and violence free workplace.
- Prohibiting retaliation or any form of physical and mental disciplinary practice
- Respecting worker's right to freedom of association
- Ensuring compliance with laws governing working hours and wages

## Social Performance

Consistent with the aforementioned, VELESTO has instituted the following policies and procedures:

Procedure on Fatigue Management and Flexible Working Hours	Elimination of excessive working hours
Minimum Wage Order 2018	Compliance with minimum wage
Policy Statement on Human Rights and Labour Standards	Right to freedom of association/ collective bargaining
Policy Statement on Recruitment Management System Procedure ("MSP") and CoBE for both employees and vendors	Prevention of child or forced labour
	Written policies that address non-discrimination, the creation of an equal opportunity workplace, gender and ethnic diversity

VELESTO subscribes to the principle that all people have the right to enjoy their own culture, to practice their religion and to speak their language. This is reflected in the Group's HR policies and in the workplace environment.

For FY2021, VELESTO continues to uphold its track record for zero reported incidents of infringements of the rights of any persons, adult or child, nor any incidence of, forced or compulsory labour. Neither has there been any violation of human rights involving the rights of indigenous people at any time in VELESTO's history.



### HUMAN RIGHTS DUE DILIGENCE ON THE SUPPLY CHAIN

VELESTO is against any form of child exploitation and modern slavery, including forced labour, debt bondage and human trafficking in its supply chain. All workers, including those employed by 3<sup>rd</sup> party contractors or sub-contractors must ensure their labour force are treated with dignity and work in safe conditions.

### COLLECTIVE BARGAINING

As provided in its Human Rights Policy, VELESTO supports the right of employees and workers to collective bargaining. At the moment, employees and workers have not requested the formation of a union or any other body to bargain collectively or to represent their rights. However, the management recognises the rights of employees as stipulated by law.

### FREEDOM OF ASSOCIATION

VELESTO recognises employees' right of freedom of association and the right of collective bargaining, both of which are part of the four core labour standards under the ILO and the Universal Declaration of Human Rights.

Employees are free to join, support or participate in any legal association, cultural society, professional body or political entity so long as such associations are not illegal i.e. involvement in outlawed groups.

### MINIMUM NOTICE PERIODS

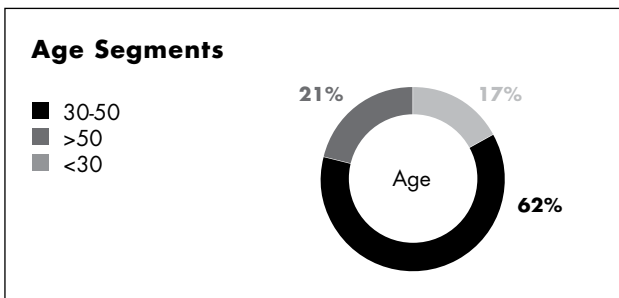
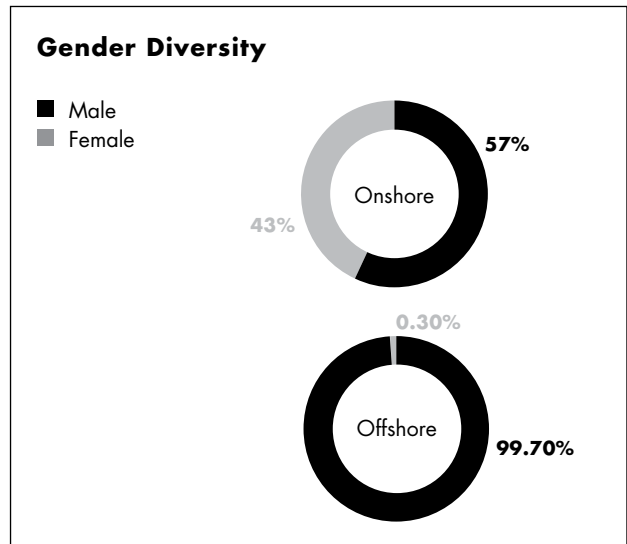
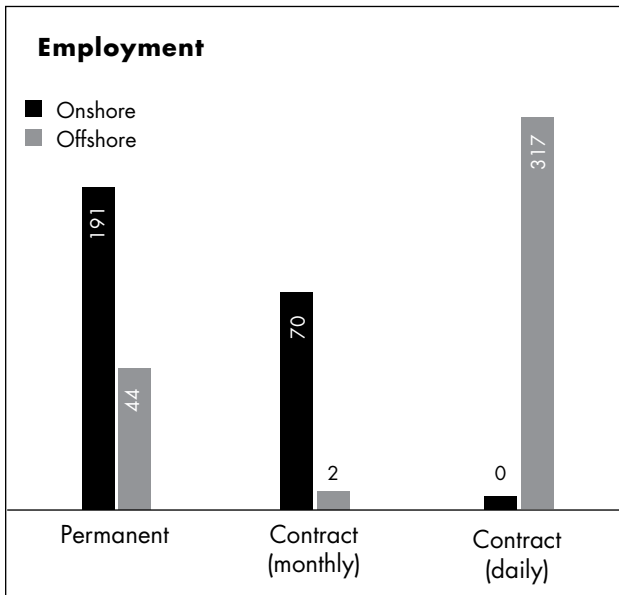
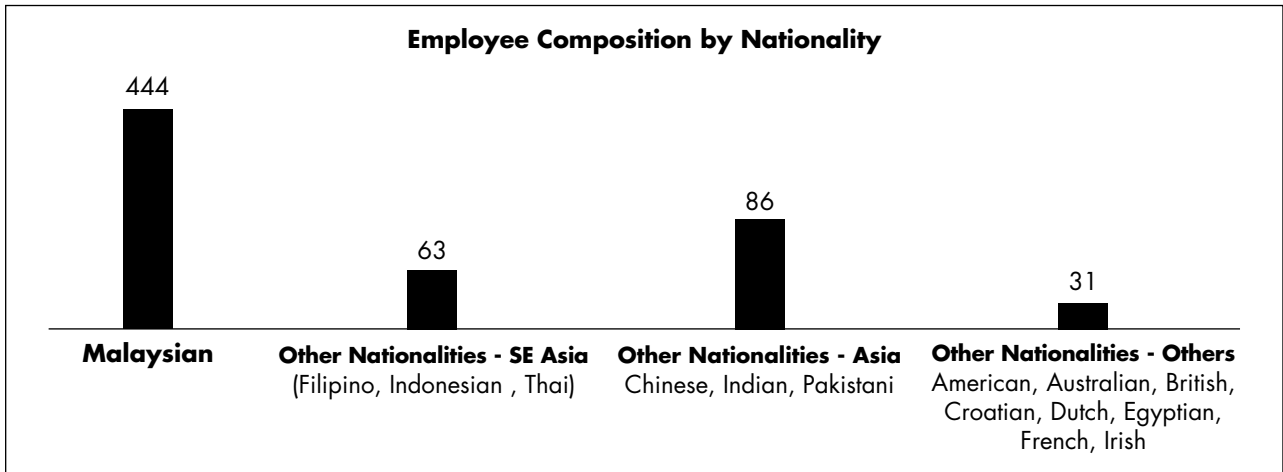
As much as possible, VELESTO strives to provide a minimum notice period for major operational changes. This is aimed at minimising any impacts arising from the change of duties, or work location. The exact notice period differs based on the specific change.

Employees are entitled to and are encouraged to seek further clarification or information regarding the change. Employees also have the right to voice any grievances or dissatisfaction arising from the change with their immediate superior or GHR.

In FY2021, there were zero complaints received with regard to operational changes.

Other changes, such as changes to employees' benefits or any changes in employment conditions is conveyed to employees, one month prior to actual implementation. The one-month period provides sufficient time for employees to seek clarification or to voice their disagreements/ suggestions for improvement to the proposed change.





### New Hires

New Hires 2021		%
Malaysian		62
Other Nationalities		38
Total		100

## Social Performance



### TALENT MANAGEMENT AND SUCCESSION PLANNING

Since the introduction of VELESTO's Talent Management Programme in 2020, the Group has identified 24 High Potentials Programme ("HiPots") who are talents that have been earmarked for fast-tracked career progression in the organisation.

The HiPots will be groomed to fill critical positions across the Group and the next echelon of leaders in VELESTO. HiPots have been grouped into two distinct talent pools - Future Leaders and Senior Leaders.

The Senior Leaders will be groomed for succession planning of critical positions. There are 64 critical positions that have been identified and career development plans ("CDP") already drawn up for each HiPots and critical positions in 2021.

The second is for Future Leaders, where a programme called mySTAR has been implemented to develop potential junior employees towards becoming the next future leaders, as senior leaders move up the organisational hierarchy to assume higher leadership roles.

The HiPots was launched virtually under the theme HiPots ARISE in December 2021, with the tagline "Building tomorrow's leaders today!".

### Leadership Oversight On Talent Development

FY2021 saw the implementation of the VELESTO Talent Council ("VTC") which comprises Senior Management. The VTC was established to enable more strategic and comprehensive oversight on the material topic of talent management and development. VTC works closely with Human Resources ("HR") to establish the broad goals and strategies for talent management and provide HR with the necessary impetus and direction to address present talent gaps and challenges within the Group.



### WORKFORCE COMPOSITION

VELESTO's workforce continues to reflect a multi-ethnic and multi-national composition from diverse backgrounds. Collectively, the men and women represent a mini-United Nations who bring to the Group a broad range of professional expertise, experience and capabilities.

The value of such diversity in the workforce is the ability to cultivate a high-performance culture based on meritorious performance, where a richness of ideas and perspectives can emerge. This supports innovative thinking and creativity.

The Board and Senior Management of VELESTO continue to actively encourage diversity based on ethnicity, gender and skills and experiences. The Group's Human Resources Policy strictly forbids any discrimination in the hiring, rewarding, remunerating of, and promotion and training of employees based on race, gender and religious background or any other socio-cultural and demographic factors. The same applies to compensation and benefits and employee communication.

All employees, or candidates for employment are judged purely on merit; that is their qualifications, experience and professional contributions and results achieved. The only exception is a group-wide preference to hire local talents as much as possible.

The Group does not intend to set any targets for gender diversity, preferring instead to focus on ensuring a fair talent recruitment process that enables qualified candidates to have an equal opportunity to apply for jobs.

40% of our Senior Management consist of women. The Board of Directors has three women directors, which exceeds the BURSA recommended composition of 30% of sitting directors on the Board to comprise women.

### **PROMOTING GENDER DIVERSITY VIA PARTICIPATION IN THE 30% CLUB**

Of note, VELESTO has been an active participant of the Malaysian Chapter of the 30% Club, a special interest group formed to promote increased diversity, equity and inclusion ("DEI") of women in the Boards and Senior Management of public listed companies.

VELESTO's President has participated in a wide range of 30% Club activities. The direct involvement of the Group President attests to the commitment and seriousness of VELESTO in promoting greater participation of women in the highest levels of corporate Malaysia and within the oil and gas sector.

Aside from the Group, other key senior executives involved in 30% Club's activities are the Chief Commercial Officer and the Chief Financial Officer. The latter, in FY2021, participated in the Mentee Programme, towards developing future leaders.

### **PRACTICING GENDER EQUALITY FOR JOB RECRUITMENT, RETENTION, REWARDS AND PROMOTION**

VELESTO provides both men and women equal opportunity to apply to any available job position with selection of candidates and appointment, dependent purely on merit. It remains committed to developing female talent for the oil and gas industry in Malaysia.

While the oil and gas sector has typically seen a disparity between the number of male and female employees, VELESTO has continued to promote an equal opportunity environment and to provide support to women looking to take on jobs within the industry. Notably, technical or offshore or field related jobs.

For its efforts, the Group has successfully developed several women talents in recent years. In terms of office related jobs, women comprise a significant portion of the workforce.

### **TALENT RECRUITMENT**

The principles of equal opportunity, diversity and merit are applied to all aspects of the talent management process including recruitment. There is no preference or discrimination on the grounds of ethnicity, gender, age, marital status, disabilities, political affiliations and other socio-demographic factors. Though locals are given priority, foreigners may also apply for all advertised vacancies.

Most vacant employment positions are advertised through a wide range of channels to ensure as many candidates as possible can apply.

All new hires are briefed on their rights as an employee as provided for in the laws of the country. This includes labour and human rights and the Group policies on good governance such as CoBE and Company Policy & Procedures. New hires are also provided an induction session to enable them to acclimatise to their new work environment and organisational culture.

During this period, employees are given as much support and assistance possible to adjust to their jobs and new work environment.

### **TRAINING AND DEVELOPMENT**

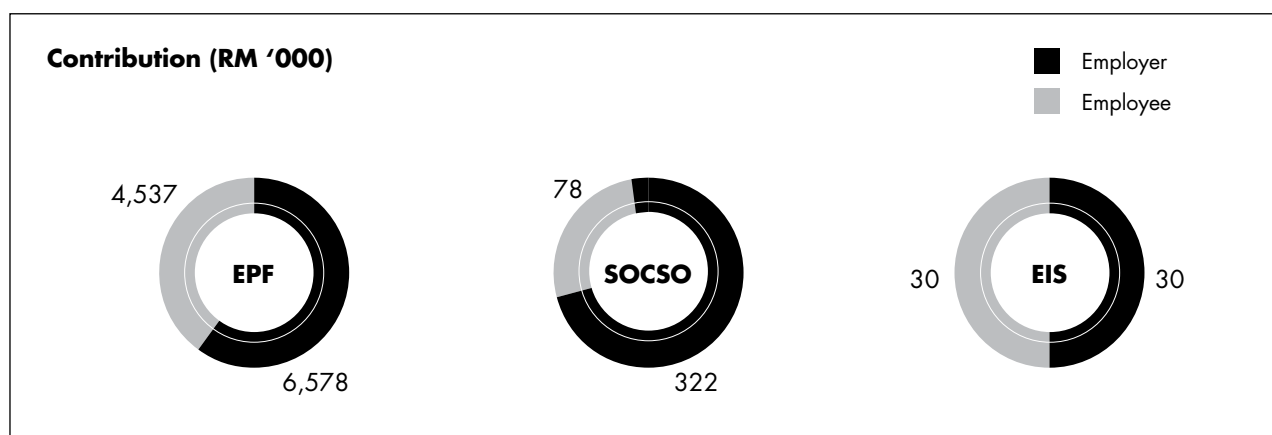
Training and development are material to VELESTO as ensuring staff are equipped with the knowledge and skills to perform at optimum levels, is essential to achieving operational excellence and productivity.

Training and development are customised to the competency gaps and unique scenario of each individual. Their competency gaps are assessed during the annual appraisal process. A comprehensive personal development plan is developed for each employee involving HR, the individual employee and his/ her superiors. Subsequently, training Key Performance Indicators ("KPI") are established for the employee to meet, prior to the next appraisal. 100% of our employees are provided appraisals on an annual basis.

Training is paid for by the Group through its contribution to the Human Resources Development Fund ("HRDF"). Employees enjoy fully sponsored participation at professional courses, seminars, training programmes and more.

Apart from investing in external training partners, VELESTO has also identified 'subject matter experts' ("SME") who facilitate a number of soft skills or technical programs. This not only promotes knowledge sharing within the VELESTO community, but also contributes towards cost saving initiatives within the Group by tapping on our own staff capabilities.

## Social Performance



<b>TRAINING KPI</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Total Training Statistics Spend (RM mil)</b>	6.0	1.2	<b>5.0</b>
<b>Total Number of Training Programmes Attended by Employees</b>	1,286	1,066	<b>890</b>
<b>Average Training Spend Per Employee (RM'000)</b>	5.0	1.2	<b>8.0</b>
<b>Total Number of Training Days</b>	5,401	1,458	<b>935</b>
<b>Average Number of Training Days Per Employee</b>	4.2	2.1	<b>1.5</b>

### MECHANISMS TO ASSESS TRAINING EFFECTIVENESS

All trainings that employees attend are assessed for effectiveness. Post training assessment is conducted through digital Training Evaluation Forms distributed to participants. The forms assess a wide range of aspects including employees' satisfaction with the training, learning objectives and outcomes achieved and the ability to apply what has been learnt to the respective job.

### RESKILLING AND UPSKILLING OPPORTUNITIES

In response to the sudden reversal or downturn in the oil and gas sector brought on by the COVID-19 pandemic, VELESTO has opted to retrain and upskill staff rather than to retrench personnel. In FY2021, 20 employees were reskilled to undertake different jobs within the organisation and, another 18 upskilled to occupy more technical roles or roles with greater management responsibilities.

Through upskilling, our employees' capabilities and potential are maximized as they grow their portfolio to take on additional roles & responsibilities to meet organisational demands.



**AZRINA SABTU**

Head, Risk Management and Senior Manager, Legal & Secretarial Division

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I am the Senior Manager, Legal in the Legal, Secretarial and Risk Management division. As part of VELESTO’s Upskilling & Reskilling programme, I was upskilled in 2021 to take on the additional role as Head of Risk Management.

In my role, risk assessment is part of the process in ensuring legal risks are highlighted when entering into an agreement. I am able to further expand my knowledge on how VELESTO manages its risks to realise its key objectives.

I am fortunate to have this opportunity as it allows me to realise that I can do more in my career as I expand my knowledge and experience.

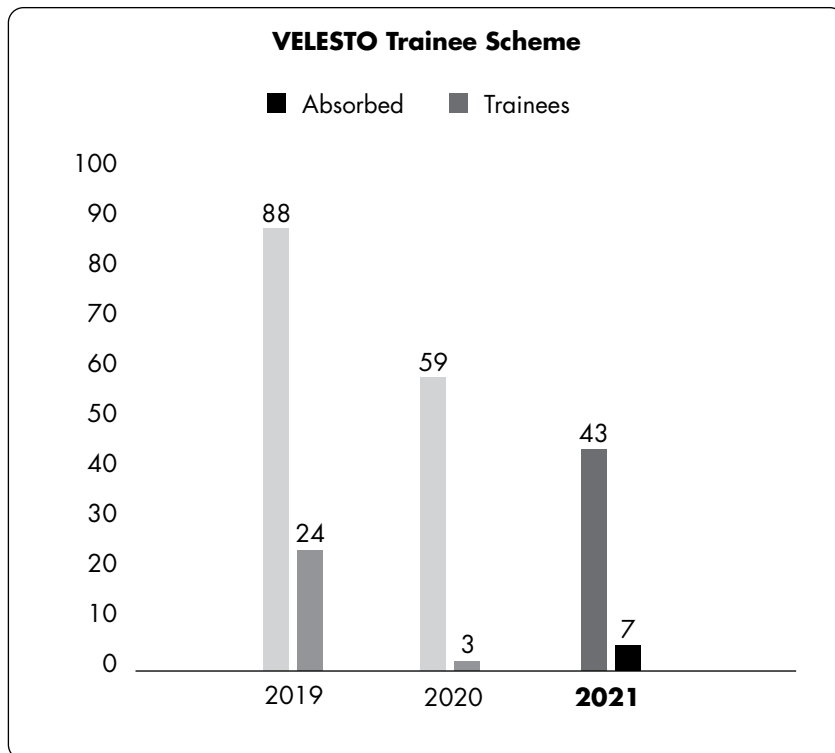
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**YOUTH UNEMPLOYMENT INITIATIVES, APPRENTICESHIPS OR GRADUATE PLACEMENTS**

In FY2021, VELESTO continued to drive its VELESTO Trainee Scheme (“VTS”), subsequently rebranded to VTS Protégé RTW Programme, and internship programme.

The scheme provides unemployed youths, particularly local undergraduates first-hand exposure to work related to their chosen fields of study. It enables unemployed Malaysians to gain first-hand, work experience that will improve their employment prospects going forward.

VELESTO also provides full time employment to any VTS Protégé participants that shows good aptitude and potential. In FY2021, seven participants were absorbed by VELESTO to become full time employees.



## Social Performance

### COMPETITIVE REMUNERATION

VELESTO subscribes to the principle of equal work for equal pay. Remuneration, including bonuses, salary increments is determined on the principle of merit determined by the employee's work performance in the realisation of personal, Group and Company KPIs, seniority or tenure.

Other factors considered when determining remuneration include employee's skills and professional qualifications. The performance of employees is assessed during the aforementioned employee appraisal process, which is held at least once annually.



### MINIMUM WAGE COMPLIANCE

VELESTO subscribes to the Malaysian government's minimum wage policy with all employees earning monthly wages equal to or exceeding the set minimum wage of RM1,500 per month, from 1 May 2022 onwards.

### INDUSTRY COMPETITIVE BENEFITS

Benefits accorded comprise both mandatory benefits as stipulated in the Employment Act 1955 of Malaysia and additional benefits provided at the volition of the Group. All full-time VELESTO employees are entitled to the following benefits:

<ul style="list-style-type: none"> <li>• 16% EPF contribution by company</li> <li>• Group Personal Accident ("GPA")</li> <li>• Group Term Life ("GTL") insurance for all employees</li> <li>• Group Hospitalisation &amp; Surgical</li> <li>• Statutory sick pay leave without hospitalisation ranging from 14 days to 28 days depending on the employee's job grade and period of service</li> <li>• A period of up to 60 days is granted if hospitalisation is necessary</li> <li>• Company supported/ subsidised health/ medical insurance plan for offshore crew</li> <li>• Annual medical check-up for all employees aged 40 years and above</li> <li>• Overtime payments (where applicable)</li> <li>• Employee's newborn benefits</li> <li>• Employee's bereavement wreath</li> <li>• Employee Education Assistance Programme</li> <li>• Long Service Award &amp; Recognition</li> </ul>	<p>Employees are entitled to various types of paid and unpaid leave, which include:</p> <ul style="list-style-type: none"> <li>• Marriage leave (3 days)</li> <li>• Pilgrimage leave (20 days)</li> <li>• Examination leave (10 days)</li> <li>• Compassionate and congratulatory leave (7 days)</li> <li>• Parental leave</li> </ul>
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### PARENTAL LEAVE

Female employees are entitled to paid maternity leave of 60 consecutive days for each confinement period. Male employees are granted paternity leave of four days.

TRAINING KPI	2019	2020	2021
Employees who took maternity leave	2	2	3
Return to Work Rates	100%	100%	100%

**EMPLOYEE COMMUNICATION AND ENGAGEMENT**

The Board and Senior Management continue to advocate transparent and timely communication with all employees. This is achieved through a wide range of physical and virtual communication channels that are used to ensure dissemination of information and to gauge employee sentiments and satisfaction.

In particular, the Group’s committed approach to effective communication was instrumental in its management of issues and emergencies such as during the NAGA 7 incident and also during the ongoing COVID-19 pandemic. Constant two-way engagement enabled management to ensure employees were updated on developments or changes to company policies, SOPs as well as other matters pertinent to the pandemic.

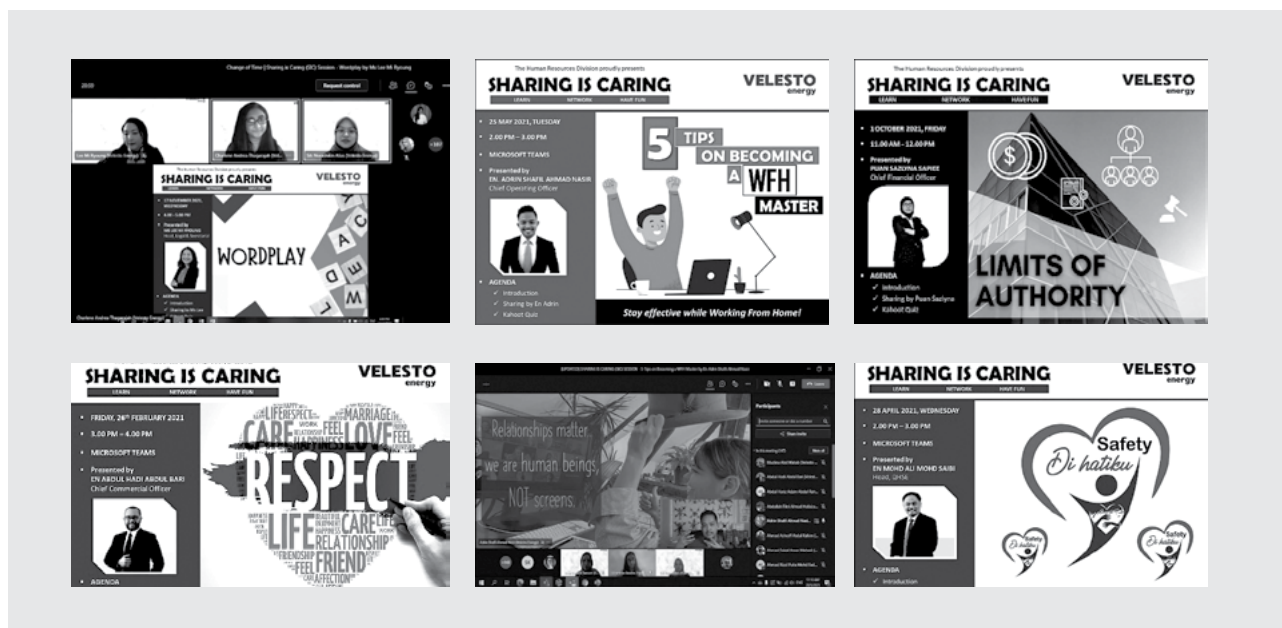
As part of its employee engagement, VELESTO initiates an annual Employee Engagement Survey (“EES”). For FY2021, the Group registered an employee satisfaction score of 79%. This is the 4<sup>th</sup> consecutive year that EES scores have been on the uptrend.

Following are some of the key employee communication channels and engagements initiated in FY2021:

- Quarterly Townhalls

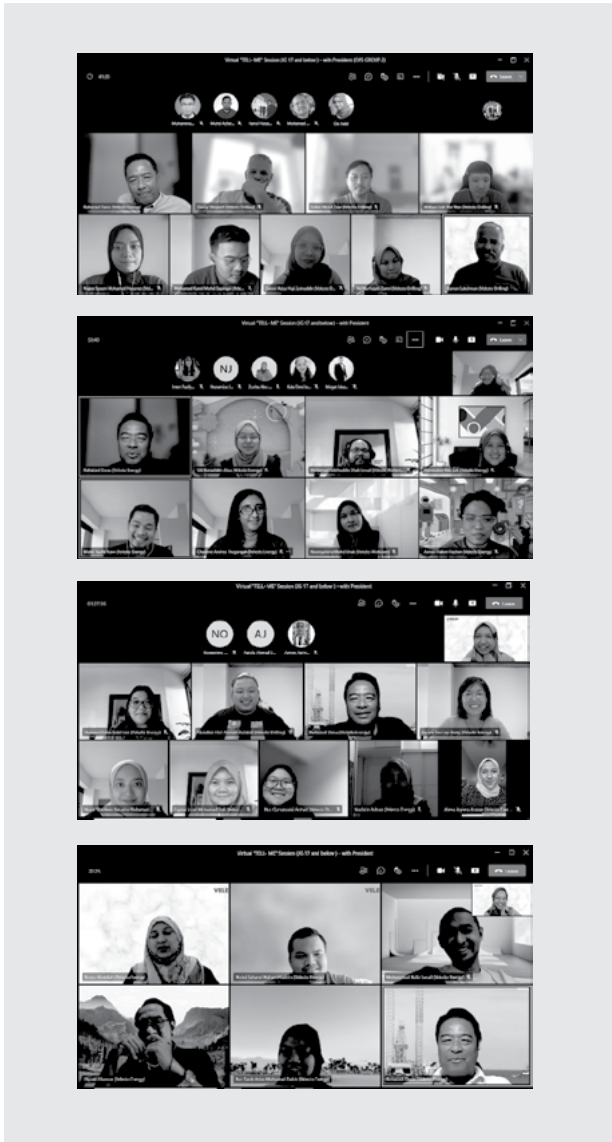


- Sharing-is-Caring knowledge sharing sessions by leaders

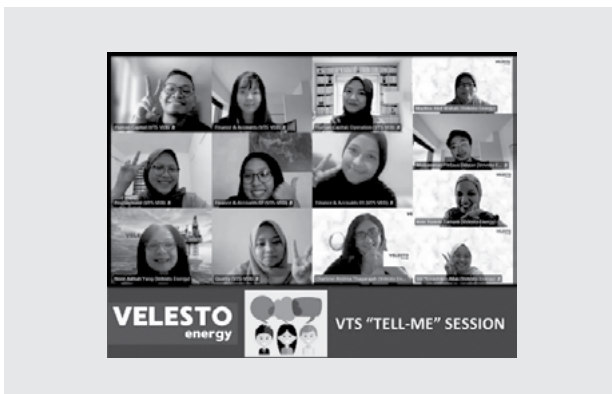


## Social Performance

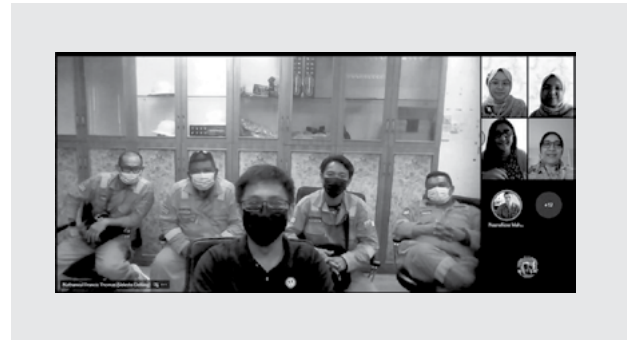
- Divisional Tell-Me sessions with President



- Tell-Me sessions between HR & VTS Proteges



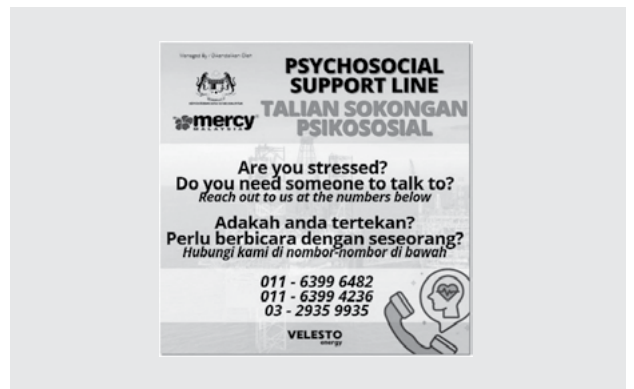
- Management Online site visits with offshore and supply base crew



- Meet the President engagement sessions for newly recruited staff



- Psychosocial Support Hotline – established during the heights of the COVID-19 pandemic to provide a counselling channel for employees





- VELESTO Inspires Me (“VIME”) People Magazine



**TELL-ME SESSIONS**

One of the key engagement channels in FY2021 was the Tell-Me Sessions between staff and Senior Management, including the President. In FY2021, the President fielded 13 Tell-Me sessions.

The Tell Me Sessions serve to provide employees opportunity to share their concerns directly to Senior Management and to elicit feedback/ responses on a wide range of issues. For Senior Management, the sessions serve as an excellent means to speak to all levels of employees and to feel the pulse and sentiment of working level employees.

**COVID-19 PREVENTION**

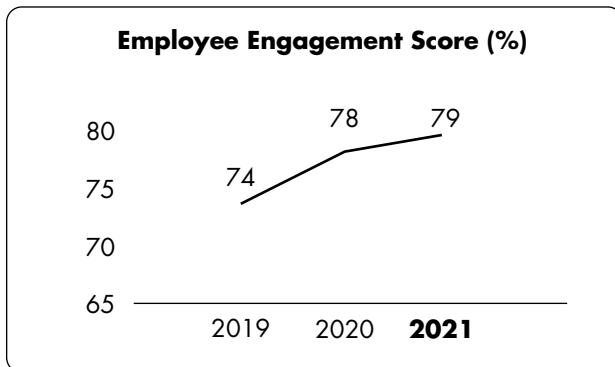
VELESTO has continued to ensure a high level of vigilance and Standard Operating Procedure (“SOP”) compliance with regard to preventing the spread of infections related to COVID-19. The task is indeed challenging given the need to take into account, quarantine measures, ensuring social distancing amidst tight working conditions, especially for offshore vessels while ensuring business continuity and continued optimum operational levels.

However, applying the many lessons and insights learnt in FY2020, the Group has continued to do the best of its abilities to safeguard staff and stakeholders from the pandemic. The Group had updated its Emergency Management Procedure with specific COVID-19 preparedness and response plans to ensure smooth and safe operations during the pandemic. Among the new and existing measures carried out in FY2021 were the following:

- Appointment of Health Advisor
- COVID-19 drills on all JU rigs
- Regular disinfection at various operational sites and office
- Provision of sufficient PPE and disinfection agent
- Regular swab test and temperature screening of employees
- Mandatory 14-day quarantine period for staff who have been infected or may have been in close contact
- Established transit centres for Quarantine Transit (Miri, Kemaman, Kota Bharu and Labuan)
- Special Day Rate for extended hitch and Meal Allowance for affected crew
- Earlier, more frequent Salary and cash advances
- Work From Home (“WFH”) for all employees based in Kuala Lumpur headquarters during the Malaysian Movement Control Order (“MCO”)
- Broadband lines and home internet reimbursement
- Online learning and development programmes
- Dedicated psychosocial line

## Social Performance

### Employee Engagement Score



We are proud that despite the challenging working environment during the year, the Group's Employee Engagement Score continued its upward trend, increasing to 79% in 2021.

### HIRING AND RETAINING B40/ LOWER INCOME STAFF DURING COVID-19

The ongoing pandemic had led to many middle income or M40 households falling into B40 or lower-income level. In assisting such families, VELESTO invited all qualified applicants from B40 group to submit job applications online. The Group also organised a 3-day walk-in-interview from 1 until 3 December 2021 in Miri, Sarawak. Over 179 applications were received and two were hired for job positions across the Group.



## CORPORATE SOCIAL RESPONSIBILITY

VELESTO continues to contribute to the development of local communities more so during the FY2021 pandemic year. As prior mentioned, the Group believes that it can contribute positively to local communities and therefore remains committed to playing a role in the betterment of society across several key aspects or pillars: education, community safety, community upliftment and the environment.

Following were the major community engagements undertaken in FY2021 with full compliance to government COVID-19 SOPs where relevant. Corporate Social Responsibility ("CSR") activities were organised via virtual mediums and also through physical events with the relaxation in restrictions, especially in the latter part of FY2021.

### EDUCATION

FY2021 saw VELESTO continues its collaboration with Science Bridge Academy ("SBA") and Selangor State Education Department ("JPN Selangor") to organise the second edition of STEM-themed online competition - SMART's COOL: CABARAN TEKNOLOGI TINDAK BALAS COVID-19 2.0.

Building on the success of the previous year's competition, this year's edition saw the number of participating schools more than triple from 15 to 50.

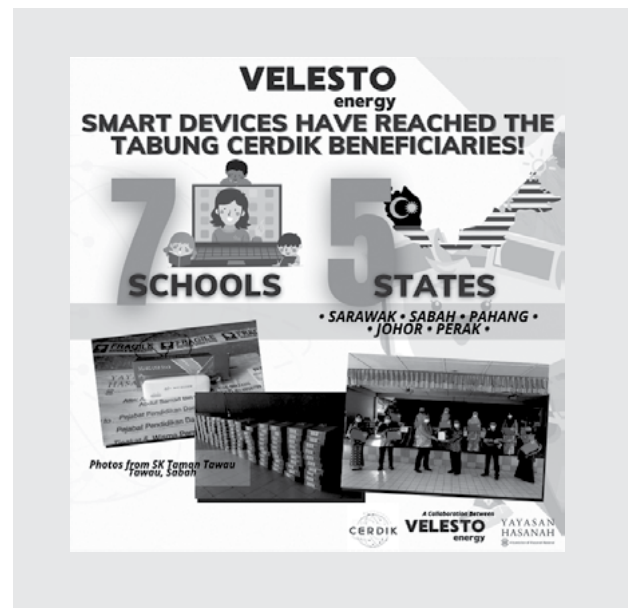
The programme was given a special mention during the launch of Techlympics, a MOSTI event witnessed by Dato' Sri Dr Adham Baba, the current Minister of Science, Technology and Innovation.



Separately, VELESTO participated in the CERDIK initiative as part of the PNB Group CSR programme. Jointly led by the Malaysian Ministry of Finance (“MOF”) and Ministry of Education (“MOE”), the initiative aimed to provide tablets, laptops, and data connectivity to students from lower-income families across five states: Sabah, Sarawak, Pahang, Johor, and Perak.

Along with several other Government Linked Companies (“GLCs”) and Government Linked Investment Companies (“GLICs”), VELESTO was proud to contribute towards a combined total of RM150 million in smart devices. These devices provided B40 families with access to digital tools to facilitate online learning, which was vital during the COVID-19 pandemic.

The programme ensures that schoolchildren from financially challenged backgrounds are not left behind and are able to continue their education during the pandemic.



**ENVIRONMENT**

A notable highlight is VELESTO’s continued collaboration with Kloth Cares, a local NGO towards recycling textile waste. As part of the initiative, a designated recycling bin was placed outside VELESTO headquarters in Plaza Sentral where unwanted fabric items could be donated by the public. As of March 2022, more than 3,500kg was collected.

## Social Performance



### COMMUNITY

In promoting environmental awareness and enabling the media to gain a better understanding of present ESG trends and issues, VELESTO jointly organised an online workshop titled “Approaching and Writing on Sustainability” with the Malaysian Press Institute (“MPI”). The event was attended by various media houses and publications such as RTM, BERNAMA, and Sin Chew Daily.

The first half of the workshop was hosted by Joshua Rayan Communications (“JRC”), a leading Malaysian ESG Guidance and Advisory firm. JRC provided insights on how to approach and write about ESG topics. This included potential story angles, how to develop interview questions and how to read and understand sustainability reports and data.

The second half was facilitated by Edey Suresh, Director at the UN Global Compact Network Malaysia & Brunei (“UNGCMYB”). He provided an in-depth briefing of local and global sustainable development trends and concerns and role and purpose of the UNGCMYB and how companies can align themselves and support the UNSDGs.





## OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT

In essence, OHS is the Group’s license to operate. In the oil and gas sector, an impeccable OHS track record is a prerequisite to bid for jobs. From a business/ operational perspective, OHS is material to VELESTO as it is akin to a license to operate in the construction and property development industries.

Any OHS incident is likely to disrupt business operations which in turn impacts revenues. There may also be rectification costs. In addition, any OHS incident may also affect the Group’s reputation and branding as a safe and reliable operator.

However, OHS is material to VELESTO as any injury or even fatality would be a tragedy that would affect families and society. The goal is for everyone to be able to work in a safe and secure environment confidently; to operate in environments in which they can produce their best quality work and to be productive and equally important, to be able to go home to their families and loved ones.

A strong OHS management system drives down compliance costs and reduces risks. A good OHS track record will ultimately translate into higher productivity, higher employee/ worker morale, stronger brand reputation, increased competitiveness when bidding for contracts, higher productivity and faster project completion and also reduced costs i.e. reduced need to replace damaged property and equipment.



### OHS AT VELESTO: KEY FACTS AND FIGURES:

50% employee representation on OHS Committees.

OHS comes under the purview of the Board and Senior Management, including the Group President

**Zero fatalities for the 4<sup>th</sup> consecutive year**

In FY2021, VELESTO was recognised by clients for its excellent OHS performance through the following awards:

#### External Organizations Award

#### Malaysian Society for Occupational Safety and Health (“MSOSH”)

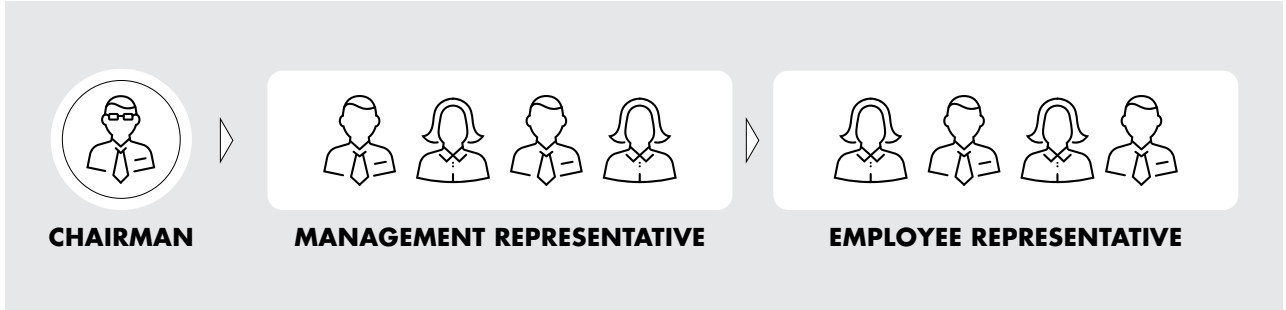
Award : MSOSH OSH GOLD CLASS 1 AWARD WINNER FOR 2021

Category : Petroleum, Gas, Petrochemical & Allied Sectors



# Social Performance

## MANAGEMENT APPROACH TO OHS



VELESTO’s QHSE management approach is driven by globally recognised best practices such as ISO45001:2018, ISO14001:2015, ISO9001:2015 and ISO29001:2020.

The Group has developed a comprehensive OHS policy that provides the basis for continued proliferation of a OHS First mindset across the Group. The policy meets present regulatory requirements but also extends further towards realising OHS operational excellence and the safest possible work conditions for employees and workers.



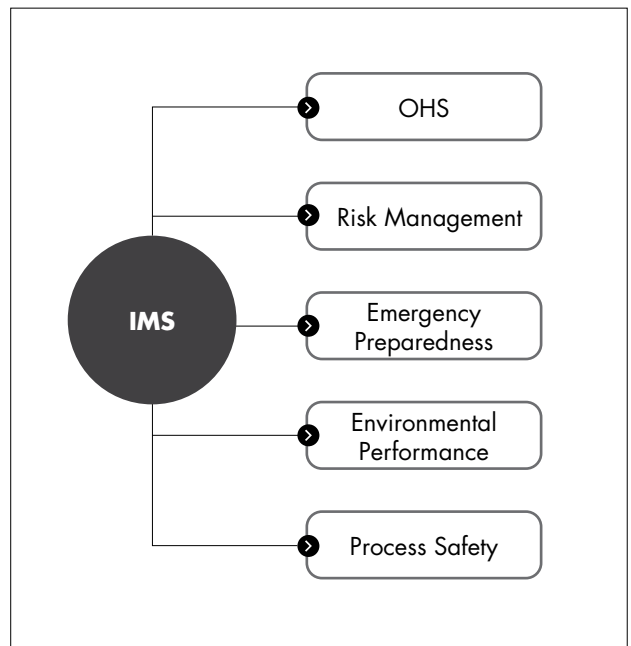
The policy is applicable to all of our business activities and premises and is compliant with Malaysia’s Occupational Safety and Health Act 1994. In addition, VELESTO has established a group-wide Integrated Management System (“IMS”). The IMS covers the following as part of VELESTO’s structured approach to OHS:

### HSE POLICY COMMITMENTS:

VELESTO shall take reasonable and practicable steps to eliminate and prevent undue risks in line with constantly ensuring zero accidents and no damage to the environment. As such, VELESTO shall:

- Demonstrate high HSE visibility and leadership;
- Ensure competent workforce and adequate resources;
- Comply with HSE, legal and other requirements;
- Monitor and improve HSE performance;
- Implement comprehensive risk management based on a continuous review of HSE Management System’s hierarchy of controls and effectiveness;
- Minimise negative impact to our environment;
- Promote effective HSE communication; and
- Establish effective crisis management and consultation.

We shall ensure that this policy is communicated to and understood by all stakeholders in a clear and timely manner.



**BOARD AND SENIOR MANAGEMENT OVERSIGHT ON OHS**

Management’s oversight on OHS is achieved through a dedicated OHS committee comprising both management and employee representatives. VELESTO’s President, is the primary champion for HSE, supported by the Board as well as Senior Management.

Oversight is achieved via full Board meetings where Quality and HSE are usually discussed as part of the discussion agenda. Quality and HSE matters are also deliberated during the quarterly BRMC meetings.

Providing comprehensive oversight of the QHSE strategy is the Quality Department, HSE Division and HSE Committee. The HSE Committee, which meets on a quarterly basis, monitors and enhances the overall HSE performance for all business operations – offshore and onshore while Quality performance is managed by the Quality Department. Quality and HSE issues are deliberated, and corrective actions are implemented to prevent reoccurrences of any unnecessary incidences.

The HSE Committee is chaired by the President of VELESTO and comprises representatives from Management and the employees, both from the Operations and Corporate Divisions.

**EMPLOYEES HSE COMMITTEES**

VELESTO retains 100% employee representation on formal joint management employee health and safety committees. The formation of such committees enables employees who undertake frontline operations (and therefore more likely to be exposed to QHSE risks) to play an active and direct role in determining their work conditions.

The Committees enable two-way engagement with employees to share their feedbacks, concerns and suggestions to management. Essentially, this approach allows employees to assume responsibility for their own environment.

VELESTO also holds monthly HSE Operations Meeting to address prevailing HSE issues and to enable immediate rectification.

**ASSET INTEGRITY**

Asset integrity assurance is achieved via regularly scheduled maintenance. The asset management references are API, OEM and industry recommended practices. The system is regularly reviewed by an independent consultant and by clients.

VELESTO continues to focus on improving its asset management guidelines, its asset-tagging systems and the Special Periodical Survey Project Planning. It also continues to educate staff on the importance of asset management in preventing a major OHS incident.

**IMS INTERNAL AUDIT & INTERNAL AUDITOR TRAINING**

As part of VELESTO’s IMS requirements, an internal audit is conducted annually across VELESTO’s facilities. In FY2021, six IMS audits were conducted:

DATE	ASSET / OPERATIONAL SITE
1 - 3 Mar	NAGA 8
26 - 27 Mar	NAGA 5
28 - 29 Mar	NAGA 2
22 – 23 Apr	NAGA 7
3 - 5 May	KSB
16 - 18 Nov	ASB

In ensuring quality internal IMS audits, VELESTO continues to send staff for training. In the past four years, 62 staff were trained. The training sessions were focused on understanding the fundamentals of the IMS standards and how to apply them during an audit process.

**IDENTIFICATION OF RISKS & RELATED ACTION PLANS**

VELESTO continues to monitor all worksites and its value chain to identify QHSE risks. This includes occupational activities that may have high incidence or QHSE incidents.

Beyond impact to productivity and work operations, the assessments also consider the health and safety of employees. Hence, assessments conducted include exposure to chemical health risks, noise pollution and near miss incidents, potential hazards and more.

Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) is an integral aspect of VELESTO’s approach to upholding excellent OHS performance.

Using HIRARC, hazards and risks are identified, analysed and mitigated through the implementation of appropriate control measures. In 2021, the following key HSE issues were discussed/ addressed by the Committee:

## Social Performance

<ul style="list-style-type: none"> <li>• HSE performance and HSE programmes for FY2021</li> <li>• SOHELP-DIY 2021</li> <li>• Legal compliance across the Group</li> <li>• HSE contractual requirements</li> <li>• HSE training and refresher HSE training</li> <li>• New HSE communication medium via intranet and Microsoft Teams</li> <li>• Virtual HSE campaigns</li> <li>• Behavioural Based Programme (PBED &amp; Hearts and Minds)</li> <li>• Fatigue management</li> <li>• Mental health management talk and video series</li> <li>• Scheduled waste management across operations on the rig and at the supply base</li> <li>• Job enlargement of HSE Executive to support supply base</li> <li>• Emergency and crisis management</li> <li>• KSB and ASB Improvement Plan</li> <li>• Warm stacked rigs HSE Plan</li> <li>• Monsoon season preparation for onshore and offshore operations</li> </ul>	<ul style="list-style-type: none"> <li>• Cost and impact of property damage</li> <li>• Inspection of dropped object on idling and working rigs</li> <li>• Upskilling and reskilling of staff</li> <li>• Personal protective equipment for work and COVID-19 prevention</li> <li>• COVID-19 awareness campaign and basic essential kit</li> <li>• COVID-19 risk and effect to the staff</li> <li>• COVID-19 hybrid working arrangement for onshore staff</li> <li>• COVID-19 precautions and information communications</li> <li>• COVID-19 Management Procedure</li> <li>• MCO instructions</li> <li>• HOC and incident analysis</li> <li>• Key objective and action plan for 2021</li> <li>• ISO 29001:2020 Certification Audit</li> <li>• Internal Auditor Training</li> <li>• COVID-19 Vaccination Campaign</li> <li>• Rig &amp; Supply Base Security Management</li> </ul>
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### STOP WORK ORDER

In line with empowering employees to take control of their own safety, VELESTO has established a Stop Work Order culture

Stop Work Order provides when and how an employee can decide to cease work when face an unsafe situation. This enables employees to take charge of their own personal safety and their work environments. It also enables a swifter preventive response and reduces the possibility of OHS incidents from escalating.

25,320 Time Out For Safety ("TOFS") were issued in FY2021.

### INCIDENT INVESTIGATION

When a HSE incident occurs, the said incident must be reported within 24 hours to management

Investigation activities are initiated soonest using a Root Cause Analysis process to determine the underlying factors behind the incident. All incidents, even those that are deemed minor or non-disruptive to business operations are thoroughly investigated with the investigation report submitted to the respective authority.

Investigation is conducted using VELESTO Investigation Management System Procedure and incident investigation softwares - Tripod Beta and Systematic Cost Analysis Technique, which enable users to track down the causation path, analyse weak points in current safety measures, create barrier-based improvement plans and bring immediate visibility to incidents. This approach ultimately, enables a timely and rigorous assessment to determine root causes.

Using a lesson learnt approach, the key insight from the incident is shared to all relevant teams and employees towards preventing a reoccurrence. All root causes of incidents are logged into VELESTO's Incident Management database for review and action tracking.



**FY2021 QHSE PERFORMANCE**

Despite the NAGA 7 incident, VELESTO has maintained its track record for zero fatalities. Unfortunately, a hand injury in another operation on 22 August 2021 has resulted to our Loss Time Incidents (“LTI”) clock reset. From then until 31 December 2021, VELESTO has achieved 738,137 manhours without LTI. The Company’s Integrated Management System auditor, DNV-GL, has verified the data provided during the surveillance audit.

	2019	2020	2021
Fatality	0	0	<b>0</b>
Lost Time Injury Frequency (“LTIF”)	0.38	0.00	<b>0.54</b>
Total Recordable Case Frequency (“TRCF”)	1.53	0.00	<b>1.09</b>
Lost Time Injury	1	0	<b>1</b>
Medical Treatment Case	2	0	<b>0</b>
Restricted Work Case	1	0	<b>1</b>
First Aid Case	7	2	<b>4</b>
Environmental Pollution	0	0	<b>1</b>
Property Damage	18	9	<b>9</b>
Near Miss	20	14	<b>11</b>

**NAGA 7 INCIDENT**

On 3 May 2021, NAGA 7 was preloading at Conoco-Phillip’s Salam-3 location offshore Sarawak. The first stage of preloading was completed successfully, unfortunately, during the second stage of preloading, the rig experienced a stability event and, the rig listed 10 degrees to the port and 5 degrees trim by the stern.

After considering all the circumstances, the Offshore Installation Manager (“OIM”) sounded the alarm for abandonment. All 101 crew were mustered and disembarked safely via lifeboats. There were no casualties.

Stakeholders were notified of the incident and developments. A standby vessel was assigned on-site to provide the necessary on-site guard and surveillance assistance. This included monitoring of possible shifting of rig position, oil spill response activities, and providing warnings to other vessels passing the area. VELESTO continues to remain involved and cooperate with all relevant stakeholders.

**QHSE EMPLOYEE TRAINING**

Training in FY2021 also comprised training on handling heavy machinery such as forklifts, as well as first aid training and training on COVID-19 SOPs.

Other OHS training include training on Hazardous Waste Management for OHS Practitioners, Effective Safety and Health Committee, How to Do Inspection on Site, Practical Chemical Management at Workplace - Environmental & Impact Assessment and others.

**MANAGEMENT HSE VISITS**

HSE visits continue to be a mainstay of VELESTO’s approach to OHS despite the ongoing COVID-19 pandemic. This includes visits by both the President and Senior Management.

The visits serve to reinforce among both onshore staff and offshore crews, the Board and Senior Management’s commitment to OHS and their concern for employees. This in turns improves employee morale.

In 2021, 12 President’s HSE visits and 44 Management HSE visits were conducted.

## Social Performance

### HSE COMMUNICATION AND ENGAGEMENT ACTIVITIES

The message of ensuring the highest levels of HSE is constantly reinforced through various communication channels and employee engagements. HSE is regularly on the agenda of any official communication engagement i.e. townhalls, newsletters and others.

### HEALTH AND SAFETY CAMPAIGN

In retrospect, VELESTO's annual Health and Safety Campaign was perhaps more significant given the prevailing impact of COVID-19 across the financial year. The focus was on personal safety and to constantly maintain strict SOP compliance and discipline towards preventing the spread of the virus outbreak across VELESTO as well as externally to other stakeholders.

The importance of staying safe and healthy was also approached from the angle of keeping one's family and loved ones safe. In many ways, the general premise is similar to VELESTO's HSE approach - everyone goes home safely to their families. A significant portion of the campaign however, comprised online activities and digital engagements:

- Virtual QHSE Week 2021
- Virtual HSE Engagement
- Quarterly HSE Campaign
- Mental Health Campaign
- Monsoon Campaign 2021
- Behavioural In Focus ("BIF") Campaign
- Virtual QHSE Advisor & Medic Engagement
- Velesto Wellness programme 2021
- Mobile Crane Lifting Safety Awareness
- Scheduled Waste Training for Base
- Safe Riding Motorcycle Training for Workers

Aside from internal events, VELESTO also organised Virtual Management Engagements with clients. This was to demonstrate the commitment, concern and proactiveness of the VELESTO leadership to clients and crew amidst the COVID-19 pandemic.

### EMERGENCY RESPONSE & CRISIS PREPAREDNESS

VELESTO's Emergency Response & Crisis Preparedness was strengthened by including new SOPs for COVID-19. In particular, enhancements were made to strengthen protocols for working from remote locations, given the need to work from home during MCO and subsequently with the implementation of a Team A/ Team B system for employees to ensure adherence to social distancing.

As part of the Emergency Response & Crisis Preparedness, VELESTO has established its Group level Emergency Control Centre ("ECC") located at Level 18, Block 3A, Plaza Sentral. In FY2021, several mock ECC simulations or scenarios were conducted to test VELESTO's preparedness to manage and counter any major disruptions to business operations.

Other emergency measures include:

- Development of Emergency Response Plan ("ERP") for every VELESTO physical facility, which includes fire drills, staff evacuation, rig, abandon drill, etc.
- Establishment of Emergency Response Team ("ERT"). The ERT is capable of containing an incipient threat by swiftly mitigating emergencies according to the established plans stated in the Group's ERP.
- Weekly emergency drills on rigs.
- Annual fire drills on other facilities.

### HSE ALERT

VELESTO's HSE Division have conducted a series of monthly HSE Operations Meetings to continuously update and monitor any HSE issues. All HSE issues will be highlighted and discussed throughout this meeting. The meeting was chaired by the Chief Operating Officer and attended by respective Rig Managers, HSE Head and HSE Manager.

The HSE Alert is an ongoing initiative to communicate HSE Incidents and lessons learnt. The VELESTO Safety and Maintenance Action Tracking ("SMAT") System is used to track the communication of the HSE Alert and the implementation of the lesson learned actions.

Through SMAT system, in FY2021, six HSE Alerts were registered in SMAT. Upon receiving a HSE Alert through SMAT, the OIM/ Rig Superintendent/ Project Manager or representative will ensure that a copy of the HSE Alert is distributed to all line supervisors for discussion and deliberation during toolbox or HSE meetings.

A copy of the HSE Alert is also posted on the HSE bulletin board for reading and reference at the respective sites. HSE Alert shall be retained on the HSE bulletin board for a minimum of two months and will be compiled at the worksite by HSE Advisor. HSE Alert is translated into multiple languages for the benefit of worksite personnel.

# GRI Content Index

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	102-3 Location of headquarters	Annual Report 2021 (IAR) 8	Corporate Information
	102-4 Location of operations	IAR 9	Corporate Structure
	102-5 Ownership and legal form	IAR 8	Corporate Information
	102-6 Markets served	IAR 9	Corporate Structure
	102-7 Scale of the organisation	IAR 9	Corporate Structure
	102-8 Information on employees and other workers	28-30	Social Performance
	102-9 Supply chain	21	Local Procurement, Local Supply Chains
	102-10 Significant changes to the organization and its supply chain	14	Cascading The Anti-Corruption Agenda To The Supply Chain, Environmental And Social Governance Of The Supply Chain
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## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Referenced Sections / Omissions
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	102-21 Consulting stakeholders on economic, environmental, and social topics	15-17	Stakeholder Engagement
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	102-23 Chair of the highest governance body		
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	102-26 Role of highest governance body in setting purpose, values, and strategy	IAR 113	Principal Roles and Responsibilities of the Board
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## GRI Content Index

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			Part Omitted	Reason	Explanation
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	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 202: Market Presence 2016</b>	202-2 Proportion of senior management hired from the local community	IAR 106-IAR 109	Our Leaders		
<b>Indirect Economic Impacts</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	19-21	Economic Values Created		
	103-2 The management approach and its components	19-21	Economic Values Created		
	103-3 Evaluation of the management approach	19-21	Economic Values Created		
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	19-21	Economic Values Created		
	203-2 Significant indirect economic impacts	IAR 26, 19-21	Statement Of Value Added Distribution & Simplified Financial Statement, Economic Values Created		
<b>Procurement Practices</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	21	Local Procurement	Local Supply Chains	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers				

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
<b>Material Topics</b>					
<b>GRI 200 Economic Standard Series</b>					
<b>Anti-corruption</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	10-14	Zero Tolerance Stance To Bribery And Corruption		
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	13	Assessment Of Corruption Risks Within Operations		
	205-2 Communication and training about anti-corruption policies and procedures	12	Anti-Corruption Communication Programmes And Activities		
	205-3 Confirmed incidents of corruption and actions taken	10	Reinforcing Good Governance Through Ethical Conduct And Corporate Integrity		
<b>GRI 300 Environmental Standards Series</b>					
<b>Energy</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	22-24	Climate Change And Emissions		
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	24	Energy and Carbon Emissions Data		
	302-2 Energy consumption outside of the organization				
	302-3 Energy intensity				
<b>Water and Effluents</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	25-26, 26	Water Consumption And Management, Waste Management		
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	26	Waste Management		
	303-2 Management of water discharge-related impacts				
	303-3 Water withdrawal				
	303-4 Water discharge				
	303-5 Water consumption	25-26	Water Consumption And Management		

## GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
<b>GRI 300 Environmental Standards Series</b>					
<b>Biodiversity</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	27	Biodiversity		
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 304: Biodiversity 2016</b>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas				
	304-2 Significant impacts of activities, products, and services on biodiversity				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations				
<b>Emissions</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	22-24	Climate Change And Emissions		
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	24-25	Energy and Carbon Emissions Data		
	305-2 Energy indirect (Scope 2) GHG emissions				
	305-4 GHG emissions intensity	25	Other GHG Emissions		
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions				



GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
<b>GRI 300 Environmental Standards Series</b>					
<b>Waste</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	26		Waste Management	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>Environmental Compliance</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	26, 43		Waste Management, HSE Policy Commitments	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 307: Environmental Compliance 2016</b>	307-1 Non-compliance with environmental laws and regulations				
<b>Supplier Environmental Assessment</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	14		Environmental And Social Governance Of The Supply Chain	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
<b>GRI 400 Social Standards Series</b>					
<b>Employment</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	28-29		Talent Management	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	30		New Hires	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	35		Competitive Remuneration	
	401-3 Parental leave	35		Parental Leave	
<b>Labor/Management Relations</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	28-29		Talent Management	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	29		Minimum Notice Periods	
<b>GRI 403: Occupational Health and Safety</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	42-45		Occupational Health, Safety & Environment	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	403-1 Occupational health and safety management system	43		Management Approach To OHS	

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
<b>GRI 400 Social Standards Series</b>					
<b>GRI 403: Occupational Health and Safety</b>					
<b>GRI 403: Occupational Health and Safety 2018</b>	403-2 Hazard identification, risk assessment, and incident investigation	44	Identification Of Risks & Related Action Plans		
	403-4 Worker participation, consultation, and communication on occupational health services	44	Employees HSE Committees		
	403-5 Worker training on occupational health and safety	44, 46	IMS Internal Audit & Internal Auditor Training, QHSE Employee Training		
	403-8 Workers covered by an occupational health and safety management system	43	Management Approach To OHS		
	403-9 Work-related injuries	46	FY2021 QHSE Performance		
<b>Training and Education</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	32-34	Training And Development		
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 413: Local Communities 2016</b>	404-1 Average hours of training per year per employee	33	Training KPI		
	404-2 Programs for upgrading employee skills and transition assistance programs	33-34	Reskilling And Upskilling Opportunities		
	404-3 Percentage of employees receiving regular performance and career development reviews	32	Training and Development		
<b>Diversity and Equal Opportunity</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	31-32	Workforce Composition		
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	29-31, IAR 110-111	Social Performance, Board At A Glance		

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
<b>GRI 400 Social Standards Series</b>					
<b>Non-discrimination</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	29		Minimum Notice Periods	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>Freedom of Association and Collective Bargaining</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	29		Minimum Notice Periods	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>Forced or Compulsory Labor</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	28-29		Social Performance	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>Local Communities</b>					
<b>GRI 413: Local Communities 2016</b>	103-1 Explanation of the material topic and its Boundary	20-21, 39-41		Value Generated for Communities, Corporate Social Responsibility	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs				
<b>Supplier Social Assessment</b>					
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	14		Environmental And Social Governance Of The Supply Chain	
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				

# SASB Content Index

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	53,189 tonnes CO <sub>2</sub> e	EM-EP-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Refer to Velesto And Carbon Neutrality, Page 23 and Action To Address Climate Change, Page 24	EM-EP-110a.3
Air Quality	Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , (3) volatile organic compounds (VOCs), and (4) particulate matter (PM <sub>10</sub> )	Refer to Other GHG Emissions, page 25	EM-EP-120a.1
Water Management	(1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Refer to Water Consumption and Management Page 25. Mostly Seawater	EM-EP-140a.1
Biodiversity Impacts	Description of environmental management policies and practices for active sites	Refer to Biodiversity. No sites in sensitive regions	EM-EP-140a.2
	Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume impacting shorelines with ESI rankings 8-10, and volume recovered	1 major spill	EM-EP-140a.3
	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	VELESTO is a commercial drilling service company and hence does not have ownership of oil reserves and / or wells.	EM-EP-160a.3
Percentage of (1) proved and (2) probable reserves in or near areas of confl	EM-EP-210a.1		
Percentage of (1) proved and (2) probable reserves in or near indigenous land	EM-EP-210a.2		
Security, Human Rights & Rights of Indigenous Peoples	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	Refer to Social Performance Page 28-29	EM-EP-210a.3
	Community Relations	Discussion of process to manage risks and opportunities associated with community rights and interests	Refer to Corporate Social Responsibility, Page 39-41
Number and duration of non technical delays		Zero delays in FY2021	EM-EP-210b.2
Workforce Health & Safety	(1) Total recordable incident rate (TRIR), (2) fatality rate, (3) near miss frequency rate (NMFR), and (4) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees	Refer to FY2021 QHSE PERFORMANCE Page 46	EM-EP-320a.1
	Discussion of management systems used to integrate a culture of safety throughout the exploration and production lifecycle		EM-EP-320a.2

## SASB Content Index

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE
Business Ethics & Transparency	Percentage of (1) proved and (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	VELESTO is a commercial drilling service company and hence does not have ownership of oil reserves and / or wells.	EM-EP-510a.1
	Description of the management system for prevention of corruption and bribery throughout the value chain	Please refer to Environmental And Social Governance Of The Supply Chain, Page 14	EM-EP-510a.2
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and / or policy proposals that address environmental and social factors affecting the industry	Refer to Governance Of Sustainability At VELESTO, page 7-9	EM-EP-530a.1
Critical Incident Risk Management	Description of management systems used to identify and mitigate catastrophic and tail-end risks	Refer to Our Risks And Mitigation Strategies page IAR 44-45	EM-EP-540a.2

ACCOUNTING METRIC	UNIT OF MEASURE	CODE
Number of offshore sites	6	EM-EP-000.B
Number of terrestrial sites	3	EM-EP-000.C





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