



SUSTAINABILITY  
REPORT 2022

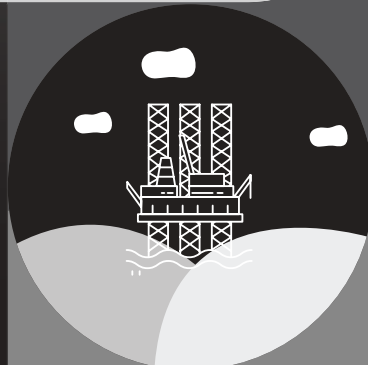
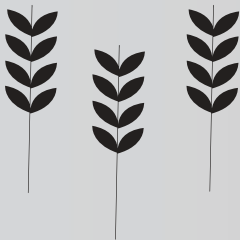
**PERFORMANCE  
DRIVEN,  
OPERATIONS  
FOCUSED**



# SUSTAINABILITY STATEMENT

## STRENGTHENING A SUSTAINABLE TOMORROW

2022 ESG Performance Highlights	53
Message from the Group President	54
2022 Performance Scorecard	56
Sustainability Milestones	57
Sustainability Blueprint	57
Sustainability Governance at Velesto	58
Stakeholder Engagement	62
Determining Materiality	66
<b>ENVIRONMENTAL MATTERS</b>	<b>67</b>
<b>SOCIAL MATTERS</b>	<b>74</b>
<b>GOVERNANCE MATTERS</b>	<b>91</b>
<b>ESG PERFORMANCE DATA</b>	<b>97</b>



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



# SUSTAINABILITY STATEMENT



## ABOUT THIS STATEMENT

### STATEMENT OF USE

**Velesto Energy Berhad ("Velesto" or the "Group")'s Sustainability Report for the period from 1 January 2022 to 31 December 2022 ("SR2022") has been prepared in accordance with the GRI Standards.**

The SR2022 marks the Group's 7<sup>th</sup> annual publication of its Environmental, Social and Governance ("ESG") disclosures to meet our Listing Requirements. It is intended to communicate Velesto's efforts and achievements in its ongoing journey to embed sustainable practices into the Group's operations, and provide a measure of the positive and negative impacts of Velesto's business activities on its stakeholders, the environment and the prospects of the organisation.

### LINKAGE TO INTEGRATED REPORTING

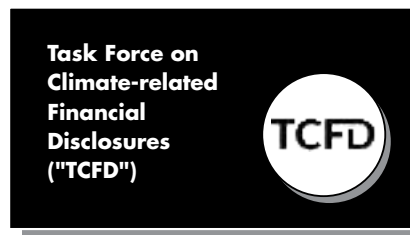
To obtain a more comprehensive understanding of the relationship between Velesto's financial and sustainability performance, it is recommended to read SR2022 together with Velesto's Integrated Annual Report ("IAR2022"), which offers a detailed view of the company's business strategy, external operating environment, business model, and other strategic information.

### PRECAUTIONARY APPROACH

Velesto views sustainability as integral to our risk management strategy, serving to reinforce the Group's business model while also providing a catalyst for change through the identification of growth opportunities. The Group applies a precautionary approach in the management of its ESG matters by integrating risk mitigation strategies and in its ESG management framework to prevent Occupational Safety and Health ("OSH") incidents, and reduce any negative social and environmental impacts that may arise from its operations.

### APPLIED FRAMEWORKS

Velesto's SR2022 is prepared in accordance with the following frameworks:



*\* Bursa Malaysia, GRI, FTSE4Good and TCFD content indices are provided at the end of this report.*

### MATERIALITY AND CONTENT DETERMINATION

SR2022 is prepared on the basis of double materiality to include:

- ESG matters' outward impact on the environment and society
- ESG matters' inward impact on Velesto's enterprise value creation ability

In an effort to provide readers with a better understanding of the company's sustainability performance within its operating context, content for inclusion has been further determined based on the GRI principles of materiality, stakeholder inclusiveness, sustainability context, and completeness, as well as GRI's report quality principles of balance, comparability, accuracy, timeliness, reliability, and clarity.

SR2022 also contains restatements of information from the previous year's reporting, where information remains largely unchanged yet remain relevant for inclusion, and have been identified accordingly.



# SUSTAINABILITY STATEMENT

---

## SCOPE, BOUNDARY AND EXCLUSIONS

---

Velesto exercises a "local where-we-operate" practice in the management of its operations. The SR2022 reporting scope and boundary encompass Velesto Energy Berhad ("Velesto" or "the Group"), including all subsidiaries and primary business operations of drilling services and integrated services. This includes all data and information related to the group's six jack-up rigs ("JU") and four hydraulic workover units ("HWUs").

Where possible, the report presents statistical data for three consecutive years to facilitate meaningful comparisons with past performance and to identify trends.

However, ESG impacts arising from oil and gas resources owned, consumed or discovered or produced by Velesto's clients and entities upstream of the Group's value chain are excluded from this report as Velesto is a drilling services contractor and does not own the resources it extracts for its clients.

Impacts of associate companies which Velesto have no direct managerial control are also excluded from this report.

---

## DATA QUALITY AND ASSURANCE

---

The information we have disclosed in this SR is guided by our appetite for disclosure and collected from Velesto's official internal documents and records.

We have obtained independent third-party assurance from our external auditors, Ernst & Young and DNV-GL, who provide assurance on Velesto's audited financial statements and HSE Management System respectively.

The Velesto internal team, Management, and to a certain extent, the Board Committee, have maintained continuous oversight in the preparation of this SR.

Where relevant, computational and analysis of data have been carried out according to industry standards and widely accepted calculation methodologies such as:

- Greenhouse Gas ("GHG") Protocol
- 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

The SR2022 has been reviewed and was approved by the Board of Directors on 14 April 2023.

---

## FORWARD-LOOKING DISCLAIMER

---

Future-oriented statements discussing the Group's intentions, plans, targets and expectations have been made in good faith based on reasonable current assumptions and are subject to risks and uncertainties beyond the Group's control. Readers are advised not to place undue reliance on such statements.

---

## FEEDBACK CHANNEL

---

Velesto values stakeholder engagement as a crucial part of the Group's sustainability process. Comments and inquiries on this report and its contents can be directed to:

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





2022 ESG PERFORMANCE HIGHLIGHTS

**FTSE4Good**  
**Bursa Malaysia**  
**Index**  
**Constituent**  
 (ESG 3-STAR RATING)



Winner of the  
**MSWG-ASEAN Corporate**  
**Governance Award 2021**  
 and  
**MSOSH Gold Class 1 Award 2022**



**BEST HSE**  
 and  
**Operational**  
**Performance**  
**HWU Gait VI**  
 for Workover and  
 P&A campaign  
 2022



↓ **15%**  
 in emissions intensity  
 by operating days  
 and  
 ↓ **32%**  
 in revenue  
 intensity.



**ZERO**  
**Major Spill**



↓ **2%**  
**Total Water**  
**Consumption**  
**Volume**  
 despite increase  
 in business  
 activity levels



↓ **29%**  
**Total Waste**  
**Generated**  
 (from 194 tonnes  
 in FY2021 to  
 137 tonnes  
 in FY2022)



**722**  
**Employees**  
 (73% Malaysians)



**ZERO**  
**Lost Time**  
**Incident ("LTI")**  
 for Velesto employee  
**ONE LTI**  
 from contractor



**WOMEN**

Representation in Leadership Positions:

**44%**  
 of Directors

**36%**  
 of Senior  
 Management



**RM331 mil**  
**Procurement**  
**Spend on Local**  
**Suppliers**  
 (56% Malaysian)



**ZERO**  
**Incidence of**  
**Customer Data**  
**Breaches**



**ZERO**  
**Incidence of**  
**Corruption**



Undertaken Desktop  
**Materiality**  
**Assessment**  
 for FY2022 Reporting



Undertaken  
**Coral Reef Restoration**  
**Community**  
**investment initiative**  
 at Perhentian Island



**503**  
**Participants Trained**  
 at VELESTO Instep Drilling Academy  
 ("VIDA")





## MESSAGE FROM THE GROUP PRESIDENT



**“Through our pursuit of value creation and profit-making, we have learned to tread lightly along the path of stewardship. In FY2022, we reaffirmed our commitment to reduce emissions by 2030 to support Malaysia's sustainability aspirations and our strategic stakeholders' net-zero aspirations.”**

Dear Stakeholders,

It is with great pleasure that I present to you Velesto Energy Berhad's FY2022 Sustainability Report ("SR2022"). This report provides an in-depth look at our sustainability performance throughout the past year, highlighting our achievements, challenges, and ongoing journey to progressively integrate sustainability into our core business operations and strengthen decision-making processes.

The SR2022 comes on the heels of a new sustainability reporting guide released by Bursa Malaysia in September 2022, urging Malaysian PLCs to conform more closely to global sustainability reporting standards and include disclosures of common and sector-specific ESG indicators to address stakeholder requirements. Velesto has quickly set about to meet and is committed to exceed the prescribed disclosures for compliance.

Given the increasing significance of Environmental, Social, and Governance ("ESG") and climate change concerns, the Board and Management of Velesto have increased our focus on managing these risks on the business and will continue to formulate ESG strategies to ensure resilience and long-term sustainability. We have aligned with Bursa's requirement including GRI & TCFD disclosure requirements. TCFD context index has been outlined on page 237. Furthermore, we have committed to undertake a comprehensive materiality assessment to re-evaluate the Group's ESG risks in FY2023, considering the changes in regulatory requirements. In the interim, a desktop materiality assessment of our ESG matters was conducted for the purpose of determining relevant disclosures for SR2022 and has been outlined on page 66.

As a responsible rig operator in the oil and gas sector, Velesto recognises that though our operations inevitably generate climate-change inducing greenhouse gases ("GHG"), fossil fuels still play a crucial role in meeting the energy needs of today while the transition to cleaner energy sources is in progress. We are committed to undertaking the process of hydrocarbon extraction responsibly, taking a precautionary approach to lower our emissions wherever possible to reduce our environmental footprint and minimise any harm that may arise from our business activities.



This commitment was formalised in FY2022, and the Group has set a target to achieve a 10% reduction in emissions intensity measured by operating days, and a 30% reduction in revenue emissions intensity by 2030, from our 2021 emissions baseline, which will go a long way to support the achievement of Malaysia's emissions reduction aspirations and our strategic stakeholder PETRONAS' Net Zero pathway.

On this, we have already achieved 15% reduction in emissions intensity by operating days, and a 32% reduction in revenue intensity in FY2022. While the progress made is encouraging, we are mindful of the need for continuous improvement in our emissions management strategy to maintain this downward trend for the coming years amid an ever evolving operating environment. We are actively exploring new technologies and best practices to enhance our energy efficiency and support the achievement of these goals. We have also intensified our collaboration and engagements with peers through participation in industry associations and trade events to promote climate action and other ESG commitments, the details of which are disclosed on page 65 of this report.

Additionally, our environmental stewardship efforts have been expanded to biodiversity conservation in FY2022. Although Velesto does not operate in or near biodiversity-sensitive sites as evidenced by the Environmental Impact Assessment ("EIA") reports received from the Group's project clients, we remain committed to creating a net-positive impact on the marine ecology. Our commitment to this is reflected in our partnership with the faculty of Science and Marine Environment of Universiti Malaysia Terengganu ("UMT") and Alunan Coral Project NGO in FY2022, to support coral reef restoration efforts carried out at Perhentian Island in Terengganu. Perhentian Island is known for its rich marine biodiversity and stunning coral reefs, which provide a habitat for various marine species and support the livelihoods of local communities.

Velesto is currently the sole oil and gas company involved in the restoration of the fragile coral reefs surrounding this renowned tourist destination, which is known for its rich marine biodiversity. We will be monitoring the impact of this restoration efforts on the marine environment and supporting public education on coral reefs.

Other Community Investment activities undertaken by Velesto in FY2022 were likewise geared towards furthering education while supporting community outreach. This includes the SMART's Cool Program that focused on improving education quality, particularly in assisting to increase teachers' competency in using English in Teaching & Learning (PDP) Maths and Science Dual Language Program. We have also initiated the first phase of our Community Outreach program – Striking a Balance in Education for All, targeting students from the "Less Students" school category in remote areas of Miri, Sarawak. Our goal is to reduce educational inequality and empower underprivileged students to reach their full potential.

Meanwhile, the Group's long-standing Velesto-INSTEP Drilling Academy ("VIDA"), now in its ninth year, remains committed to developing top-notch drilling professionals to fulfil the industry's demand for skilled talent. Through VIDA, we strive to equip our students with the knowledge and expertise needed to excel in their careers and contribute to the growth of the industry. Against the backdrop of the recovering industry and improved COVID-19 situation, we saw a continued enrolment of 503 participants in FY2022, up from 487 in FY2021.

Skills training and development continues to be a priority for Velesto as we recognise the importance of cultivating the competencies and expertise of our employees. We have implemented comprehensive talent training programs that encompass technical training, leadership development, and continuous learning opportunities, with a total of 4,612 training hours recorded in total for the Company in FY2022. Our comprehensive safety programs, employee training initiatives, and workplace wellness strategies ensure that our workforce

remains safe, healthy, and engaged, and were key to the achievement of zero fatalities and 0.50 in Lost Time Injury ("LTI") rate in FY2022 with a total of 2,002,687 manhours worked.

By investing in the growth of our employees, we not only enhance their individual capabilities but also strengthen our organisation's ability to adapt and innovate in an increasingly competitive and dynamic industry with a future-ready workforce. This is complemented by a continued emphasis on championing diversity, equity, and inclusion to foster a workplace culture that values the unique contributions of all individuals in line with the principles of good governance and ethical conduct that form the foundation of Velesto's business. We are pleased to note that the Group's robust corporate governance structure, anti-corruption efforts and internal control measures have continued to ensure transparency, accountability, and compliance with all applicable laws, regulations, and industry standards.

Looking ahead, our focus remains on delivering enduring value for all our stakeholders. We believe responsible ESG management is key to achieving our business targets in the short, medium, and long term. We acknowledge that our journey towards creating value and sustainability is a continuous process and we will persist in our efforts to innovate, collaborate, and explore new opportunities that drive sustainable value creation, all with the aim of building a better future for everyone. I would like to express my heartfelt appreciation to our employees, partners, and stakeholders for their invaluable contributions and support. Together, we will continue to work towards a sustainable and prosperous future by charting a path that leverages our collective strengths and resources.

Sincerely,

**Megat Zariman Abdul Rahim**  
President, Velesto Energy Berhad





## 2022 PERFORMANCE SCORECARD

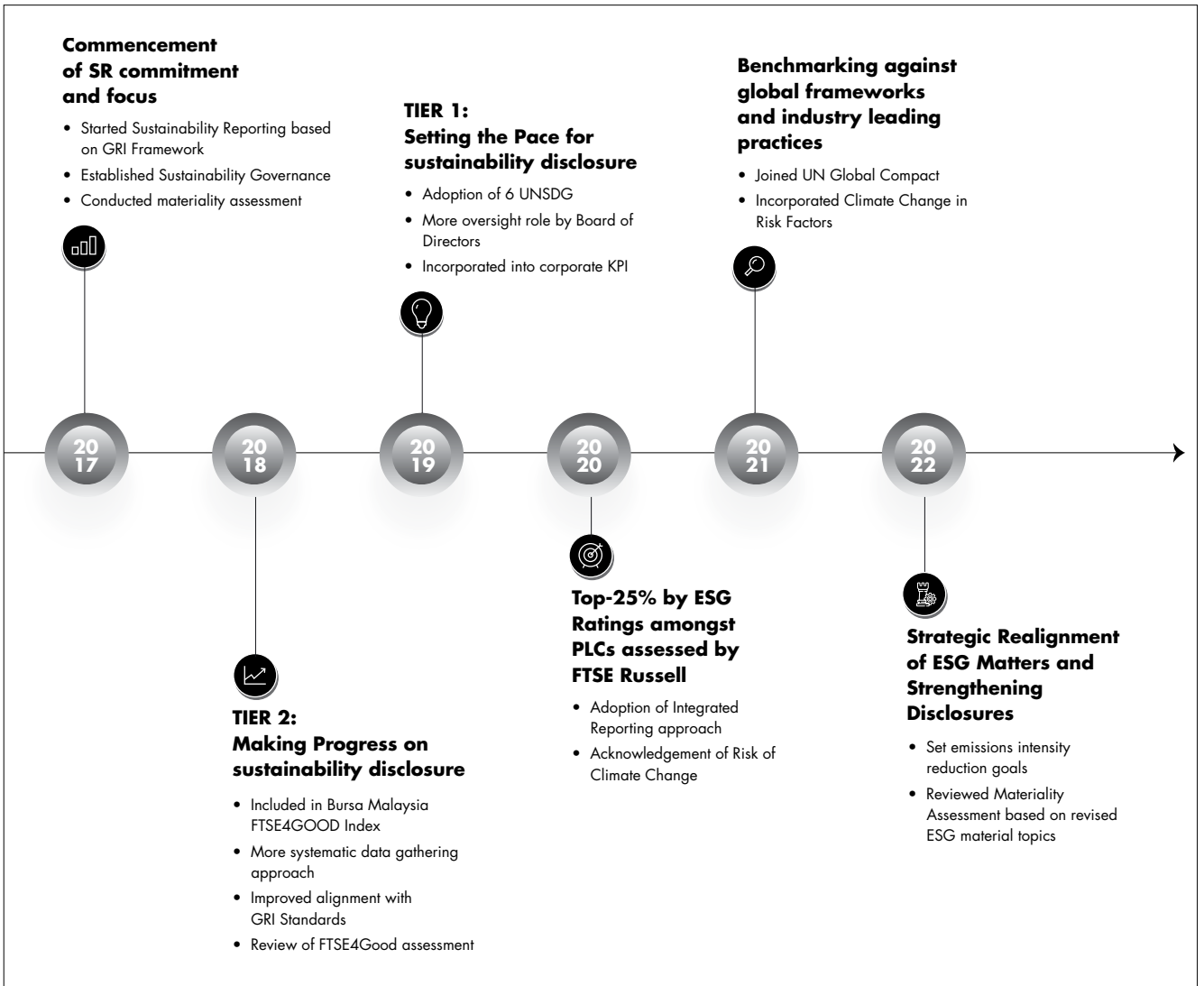
2022 Performance Highlights	Future Plans/ Commitments, Targets And Pledges
<b>PROTECTION OF HEALTH AND SAFETY</b>	
<ul style="list-style-type: none"> <li>• Zero fatalities</li> <li>• 0 LTI from Velesto, 1 LTI from contractor</li> <li>• 0.51 Total Recordable Case Frequency (TRCF)</li> </ul>	<ul style="list-style-type: none"> <li>• Zero fatalities</li> <li>• Zero LTI</li> <li>• TRCF less than 1.0</li> <li>• Continued protection of staff from COVID-19 impacts</li> </ul>
<b>DECENT WORK AND ECONOMIC GROWTH</b>	
<ul style="list-style-type: none"> <li>• 722 jobs (73% Malaysian)</li> <li>• RM142 million in employees salaries and benefit</li> <li>• RM331 million purchase from local suppliers (56%)</li> <li>• RM74 million net debt repayment to financiers</li> <li>• RM15 million taxes paid to Government</li> <li>• Track record of zero infringements in human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Job and staff retention</li> <li>• Development of more high-skilled jobs for Malaysians</li> <li>• Continuous prioritisation of local procurement and engagement across supply chain</li> <li>• Improved financial and business performance</li> <li>• Continued support of government initiatives</li> <li>• Support for UN Global Compact 10 Principles</li> </ul>
<b>GENDER DIVERSITY</b>	
<ul style="list-style-type: none"> <li>• 36% of Senior Management and 44% of Directors comprised of women</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>• Zero major spills</li> <li>• No material impact to biodiversity</li> <li>• Collaboration with a total of 26 students and 6 lecturers from the Faculty of Marine Science &amp; Environment, UMT and Alunan Coral Project NGO on coral restoration efforts at Perhentian Island, Terengganu</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid major spills</li> <li>• Energy and water consumption savings</li> <li>• Collaboration with government agencies on expanding Velesto's coral nursery at Perhentian Island, Terengganu, and data monitoring of the transplanted corals to assess the effectiveness of the restoration efforts</li> </ul>
<b>ENHANCEMENT OF PEOPLE'S LIVES</b>	
<ul style="list-style-type: none"> <li>• A total of four secondary schools, three primary schools (including two Less Students schools), and 89 teachers in Miri, Sarawak to promote greater equality, equity in education, and safety awareness</li> <li>• Benefited youth and young graduates in participation and hiring in support of government and stakeholders' initiatives e.g. MySTEP and Velesto Trainee Scheme ("VTS")</li> <li>• Supported the development of future professional workforce through Velesto's internship program</li> </ul>	<ul style="list-style-type: none"> <li>• Increase support for government initiatives as well as expend and ensure quality beneficiaries/recipients in the areas of education, safety awareness, employment opportunities e.g., SMART's Cool, EduSafety and MyStep and internship program</li> <li>• Continued to work with key stakeholders, both offshore and onshore, towards ensuring mutual value creation.</li> </ul>







**SUSTAINABILITY MILESTONES**



**SUSTAINABILITY BLUEPRINT**

In view of Bursa Malaysia's new sustainability reporting framework, Velesto is reviewing the gaps in our current sustainability disclosures. The Group aims to close these gaps within the next 1 to 3 years to remain ahead of compliance requirements.

At the same time, we are implementing initiatives to further integrate sustainability into our strategy and operations. These include strengthening our fundamentals, operationalising emissions reduction initiatives, and increasing sustainability awareness and capabilities internally.



## SUSTAINABILITY GOVERNANCE AT VELESTO

### BOARD AND SENIOR MANAGEMENT RESPONSIBILITY ON ESG

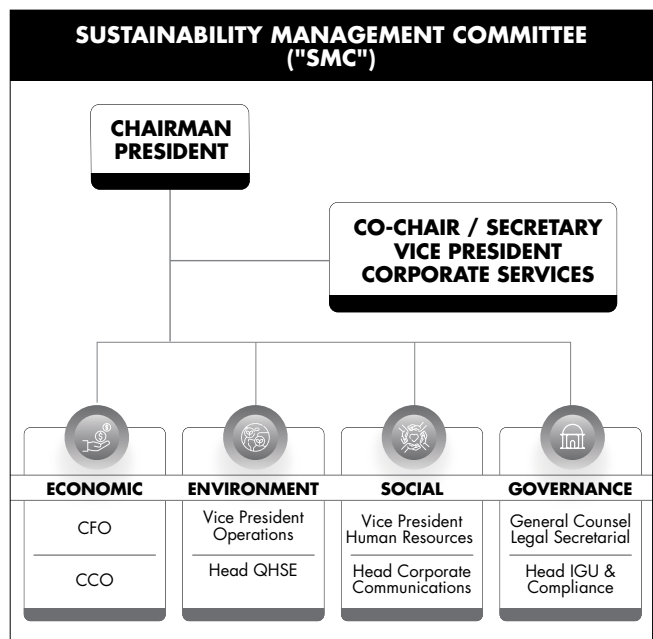
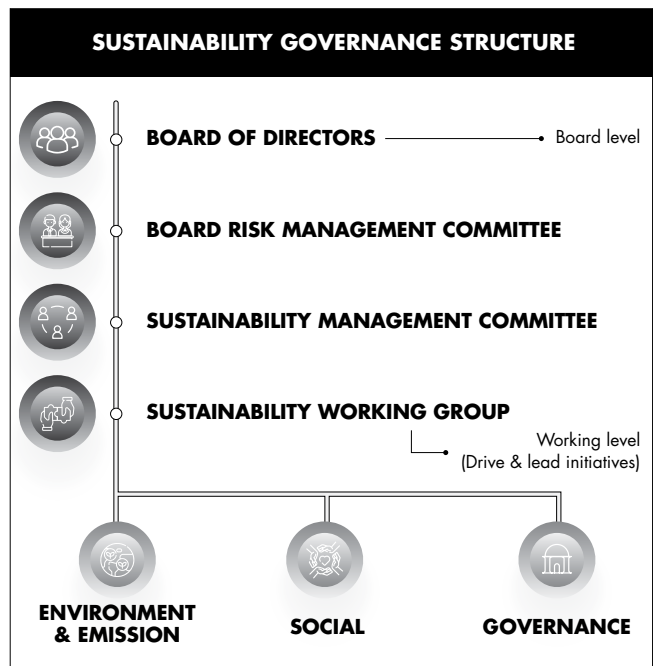
**The sustainability agenda at Velesto is driven by the tone from the top. The Board of Directors acknowledges ultimate responsibility for all ESG matters, including setting the company’s sustainability strategies and priorities, while the Group's ESG goals and targets fall under the purview of Velesto's senior management.**

In 2022, the Board and senior management identified sustainability as one of the focus pillars under the Group strategy roadmap, i.e. WAWASAN 2030. The sustainability agenda was developed in tandem with the business strategy to provide clear perspectives of our sustainability priorities, aligning these goals with Velesto’s long-term value creation plan.

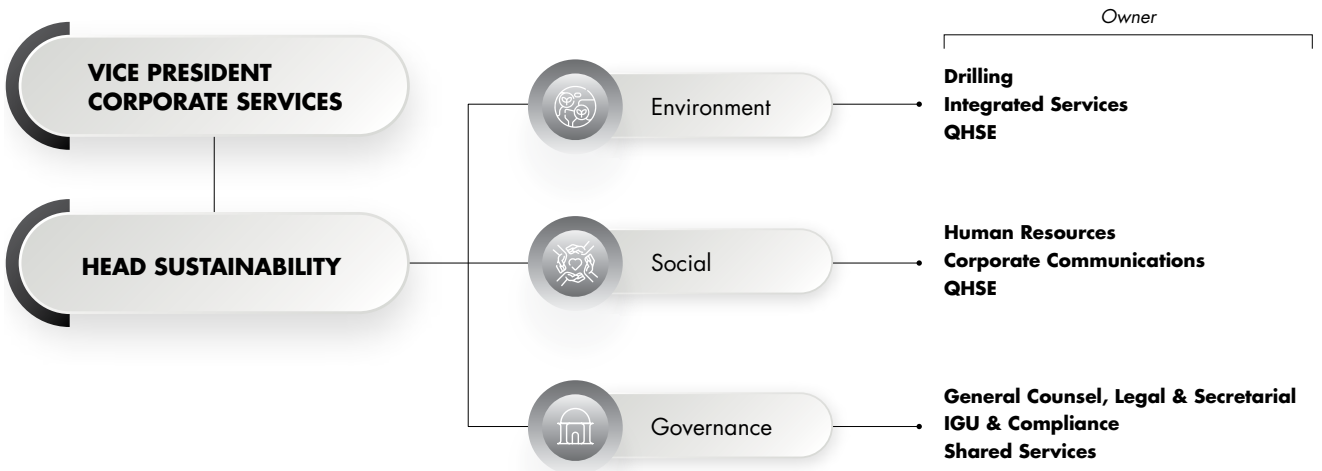
The Board provides oversight on all environmental and climate-related matters such as energy and emissions management, biodiversity, resource consumption, pollution and waste management, as well as socio-economic issues like talent management, Occupational Safety and Health, labour and human rights practices, and local community impact, in addition to corporate governance, anti-corruption, regulatory compliance and supply chain management.

Velesto has established a sustainability governance structure comprising the Board Risk Management Committee ("BRMC"), the Sustainability Management Committee ("SMC") and the Sustainability Working Group ("SWG"), to facilitate communication between the highest decision-making bodies and working levels, with Velesto's President tasked with the strategic management of ESG and climate change matters, and the operationalisation of the Group's sustainability strategy as the chair of the Sustainability Management Committee ("SMC"). This robust structure ensures that the Board and Senior Management stay updated on all ESG matters as they are emerging, while serving to bridge communication across the hierarchy to convey aspirations and directives, receive feedback, and make adjustments to sustainability strategies that are realistic and aligned with the company's capacity and capabilities to reach our goals and objectives. In keeping abreast of the dynamic sustainability landscape, the Board and the senior management will continue to attend sustainability training programs, including those arranged by the market regulator and professional associations.

The structure was bolstered in FY2022 to include the composition of the SWG, which serves to strengthen ESG functions at the working level while providing greater clarity on their respective roles and responsibilities.



**SUSTAINABILITY WORKING GROUP ("SWG")**



Roles	Responsibilities	Composition
<b>Board of Directors ("Board")</b>	<ul style="list-style-type: none"> <li>Maintains oversight on all material ESG topics</li> <li>Oversees the company's sustainability agenda</li> <li>Ultimately accountable for integrating ESG considerations into corporate strategies, governance, and decision-making</li> </ul>	<ul style="list-style-type: none"> <li>Independent Non-Executive Directors and Executive Directors</li> </ul>
<b>Board Risk Management Committee ("BRMC")</b>	<ul style="list-style-type: none"> <li>Works closely with the Sustainability Management Committee to develop an integrated approach for effective risk management through the identification, assessment and management of material ESG matters, taking into account ESG and climate-related risks and opportunities</li> <li>Ensures the potential impacts of ESG matters are progressively included within the Group's risk matrix and risk register</li> <li>Provides half-yearly reports to the Board</li> </ul>	<ul style="list-style-type: none"> <li>Independent Non-Executive Directors and Executive Directors. (refer to page 122 of IAR2022)</li> </ul>
<b>Sustainability Management Committee ("SMC")</b>	<ul style="list-style-type: none"> <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>Continuously monitors stakeholders' expectations on Velesto's Sustainability activities through effective communication strategies</li> <li>Meets / reports to BRMC quarterly</li> </ul>	<ul style="list-style-type: none"> <li>Senior Management of Velesto (refer to SMC structure)</li> </ul>
<b>Sustainability Working Group ("SWG")</b>	<ul style="list-style-type: none"> <li>Responsible for the implementation of Sustainability strategies and projects</li> <li>Tracks data to ensure that all outlined activities achieve defined targets</li> </ul>	<ul style="list-style-type: none"> <li>Representatives from Corporate and Operations (refer to SWG structure)</li> </ul>

For more details on the Board's roles and responsibilities, composition, independence, and performance, please refer to Velesto's FY2022 Corporate Governance Report. Velesto's adherence to Practices 4.1 to 4.5 of the MCCG 2021 on Sustainability Leadership is also detailed therein.



## SUSTAINABILITY GOVERNANCE AT VELESTO

### EMBEDDING ESG CONSIDERATIONS INTO RISK MANAGEMENT

In recent years, ESG matters are increasingly being raised during Board level discussions in recognition of their impacts on the Group's value creation ability. Velesto has progressively incorporated more ESG topics into its risk management framework to better track the potential impact of these sustainability matters and the likelihood of such events occurring, with these ESG considerations given greater emphasis in guiding Board and Senior Management's decisions on Velesto's strategic plans and priorities.

These risks are identified systematically across Velesto's operations in adherence to the Group's Enterprise Risk Management policy. Reference is also made to external risk management frameworks and corporate reporting standards listed below to identify ESG risks relevant to Velesto's business sector and operating environment through our annual materiality assessment undertaken during the preparation of the SR2022.

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

Upon identification of relevant risks, risk owners provide the categorisation of the risks' impact severity and likelihood, and works with the BRMC in managing these risks. The BRMC is responsible for providing guidance on the Group's risk parameters and risk appetites, and notifies the Board when a particular ESG matter is in danger of exceeding the risk tolerance of the Group.

Going forward, the Group's focus is on extending the scope of the risk management framework to cover more ESG risk factors, while working to establish clear linkages on the financial and operational impacts that may arise from these sustainability matters.

*For more information on Velesto's risk management framework, approach to risk identification and mitigation, and other details, please refer to the Statement of Risk Management and Internal Control ("SORMIC") section of the IAR2022.*

**Going forward, the Group's focus is on extending the scope of the risk management framework TO COVER MORE OTHER ESG RELATED RISK FACTORS**

### LINKING REMUNERATION WITH ESG PERFORMANCE

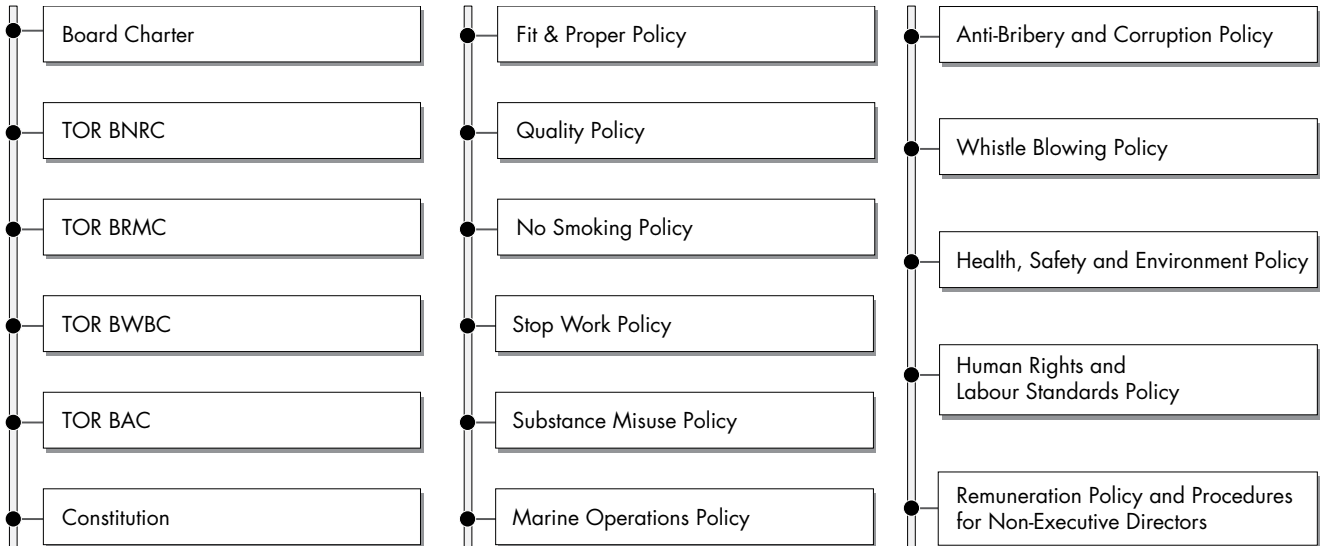
Velesto supports Bursa Malaysia's recommendation for listed companies to link Board and Senior Management remuneration to the achievement of ESG goals and targets.

At present, two ESG performance goals i.e. Zero LTI and Zero Major Spills are linked with the remuneration of Senior Management. Velesto is focusing on establishing baselines upon which other realistic and tangible ESG targets and KPIs can be formulated, such as emissions reduction, that can be applied across various parts of the Group.

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



**DIVERSE POLICIES FOR GOOD GOVERNANCE**



Velesto's sustainability governance is backed by a dynamic set of policies, codes, charters, and Terms of References ("TOR"), which sets out the principles, procedures and appropriate behaviour covering various aspects of the Group's operations to guide the conduct of our Board of Directors, employees and stakeholders. These documents can be accessed at the Group's Governance portal, located at <https://www.velesto.com/>.

The Group's policies, including its Code of Business Conduct and Ethics ("CoBE"), are reviewed and amended periodically to ensure their continued effectiveness. Compliance with these established codes are monitored by Velesto's Integrity Governance Unit and Compliance, which has established a Group-wide approach to identify and investigate any incidence of non-compliance.

**OPERATIONAL SITE CERTIFICATION AND ACCREDITATION**

Velesto also ensures sustainability governance through operational site certification, with all its JU rigs, HWUs, Kuala Lumpur Headquarters, and operating bases in Kemaman and Labuan, certified to globally recognised management system standards.

Velesto has migrated from OHSAS 18001:2007 Occupational Health and Safety Management System to ISO 45001:2018. Velesto has also recently upgraded from ISO/TS 29001:2010 to ISO 29001:2020, with certification achieved on 14 March 2022.

ASSETS/ LOCATIONS	SCOPE	CERTIFICATIONS/ ACCREDITATIONS
Velesto Energy Bhd: KL Headquarters	Provision of Offshore Drilling and Hydraulic Workover Services for the Oil & Gas Industry.	ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 29001:2020
Velesto Drilling: Labuan Warehouse, NAGA 4, NAGA 6, NAGA 8	Provision of Offshore Drilling Services for the Oil & Gas Industry	ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 29001:2020
Velesto Workover: Kemaman Warehouse	Provision of Hydraulic Workover Services for the Oil & Gas Industry	ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 29001:2020

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



**STAKEHOLDER ENGAGEMENT**

**Velesto defines stakeholders as individuals or groups who are impacted or have the potential to impact the Group's operations, financial performance, and reputation. Maintaining a consistent and effective two-way engagement is crucial to ensure that the Group is in alignment with the evolving needs, expectations and concerns of its diverse stakeholder groups when developing and implementing the Group's strategies and business plans.**

The Group leverages a range of engagement channels to monitor, measure and manage stakeholders' concerns and ensure the development of an inclusive ESG sustainability agenda that remains relevant to its stakeholders. A summary of Velesto's stakeholder management strategy is presented below, which has remained largely the same as the previous year's disclosure.

METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES/ OUTCOMES
<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/ programs</li> <li>Clarification on regulations</li> <li>Appeal or concession, if required</li> </ul>
<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 Malaysia</li> <li>Quarterly announcements of financial results to Bursa Malaysia</li> <li>One-on-one meeting</li> <li>Updates on Investor Relations page on Velesto's website</li> <li>Press Releases</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 Releases 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>



METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES/ OUTCOMES
<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>• Workshops</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 tradeshow and exhibitions when deemed necessary, local and overseas for marketing and branding purposes</li> </ul>
<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 sessions</li> <li>• Talent Management</li> <li>• Roadshows &amp; Workshops</li> <li>• Reskilling &amp; Upskilling Roadshows</li> <li>• HR-RIG Engagement Sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly updates by the President on the position and status at 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 at 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 Briefings</li> <li>• Annual General Meeting</li> <li>• Regular engagement, conference calls and periodic updates</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>





## STAKEHOLDER ENGAGEMENT










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 Program ("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>• Negotiated 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>• Ensured safety standards were upheld to prevent incidents at work site</li> <li>• Ensured business dealings were dealt with according to Velesto's core value</li> <li>• Ensured vendors are technically sound and have robust HSE management systems and financial stability to carry out work seamlessly</li> <li>• Ensured issues were resolved at the shortest possible time</li> <li>• Continuous networking to promote local participation in Velesto's procurement activities</li> <li>• Actively promoted local vendors to upskill and be more competitive in the international arena via VDPx initiative</li> </ul>
<b>COMMUNITIES</b>		
<ul style="list-style-type: none"> <li>• Communities Investment</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of Velesto's three main communities investment 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 understanding of the environment as well as helping to conserve the environment</li> </ul>





**INDUSTRY ASSOCIATION MEMBERSHIPS AND EXTERNAL INITIATIVES**

Velesto has been a member and active participant in various associations, professional bodies and trade events in the oil and gas sector. These marketplace engagements allow the Group to stay up to date on industry developments and contribute to discussions and collaborations to tackle some of the most pressing and emerging challenges and raise the bar on sustainability practices.

Trade Associations & External Initiatives	Velesto's Participation & Contribution
 <p>The Malaysian Oil &amp; Gas Services Council ("MOGSC")</p>	<p>Velesto has been a member of this non-profit industry association promoting the interests of Malaysian oilfield service providers in Malaysia.</p>
 <p>Malaysian Gas Association ("MGA")</p>	<p>As a member of MGA, Velesto actively supports the organisation in promoting a vibrant and sustainable gas industry to fuel Malaysia's socio-economic growth through regular participation in MGA events.</p>
 <p>Energy Industry Council ("EIC")</p>	<p>The EIC is a not-for-profit organisation with a membership of over 800 companies who deliver goods and services to the energy industries. Through our membership in EIC, Velesto gains insights and market intelligence into energy projects as well as advancements and best practices in the energy sector that support a sustainable energy future.</p>
 <p>International Association of Drilling Contractors ("IADC")</p>	<p>IADC is a non-profit trade association that is the global leader in advancing the drilling industry and is recognised worldwide for its accreditation programs, conferences, advocacy efforts, and industry news. Velesto works collaboratively with IADC members to improve operational safety, efficiency, reliability, and environmental stewardship for the future of the industry.</p>
 <p>United Nations Global Compact ("UNGC")</p>	<p>Velesto became a member of UNGC on 2 June 2021 and subscribes to the 10 Principles on human rights and labour best practices across its organisation.</p>
 <p>30% Club</p>	<p>The 30% Club is a special interest group formed to promote increased inclusion of women in the Boards and Senior Management of public listed companies.</p> <p>Velesto has been an active participant of the Malaysian Chapter of the 30% Club in supporting the development of future female leaders. In FY2022, women made up 44% of Velesto's Board and 36% of the Senior Management.</p>
 <p>Malaysia Petroleum Resources Corporation ("MPRC")</p>	<p>MPRC is an agency of the Ministry of Economy tasked with advancing Malaysia's Oil and Gas Services and Equipment ("OGSE") sector towards cleaner and sustainable renewable energy as new areas for business growth.</p> <p>Former President En. Rohaizad Darus previously served as a panellist on its Industry Advisory Panel and spoke at several MPRC events in FY2021.</p>
 <p>Universiti Teknologi Petronas ("UTP")</p>	<p>Velesto is proud to contribute to the academic development of UTP by providing MSc Drilling Engineering students with the opportunity to enrol in VIDA's hands-on courses and professional course. In addition, UTP has appointed Velesto's subject matter experts as visiting lecturers.</p>
 <p>Universiti Malaysia Terengganu ("UMT")</p>	<p>Since 2018, Velesto has been collaborating with UMT on communities investment initiatives and career sharing sessions. In FY2022, Velesto collaborated with UMT's Faculty of Science and Marine Environment and Alunan Coral Project NGO to support the coral reef restoration efforts at Perhentian Island, Terengganu. This conservation effort will be carried out throughout the next few years to observe the restoration process and how it benefits the surrounding area.</p>

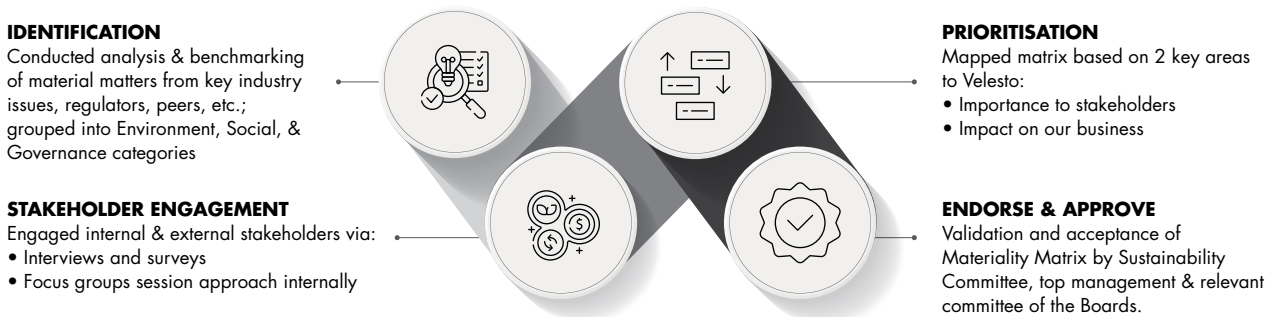
**DETERMINING MATERIALITY**

**Materiality assessments remain an important facet of Veleso's sustainability and risk management strategy, which are crucial for identifying and prioritising the management of ESG topics' inward impact on Veleso's enterprise value creation ability and outward impact on our stakeholders and the environment.**

These assessments ensure that the Group's decision-making process incorporates the needs, concerns and expectations of our stakeholders, the risks and opportunities of our operating environment, and emerging ESG issues to accurately prioritise the matters that are most material to the Group's continued sustainability.

Veleso has in place a four-step materiality process which we use to determine and categorise our Material Matters:

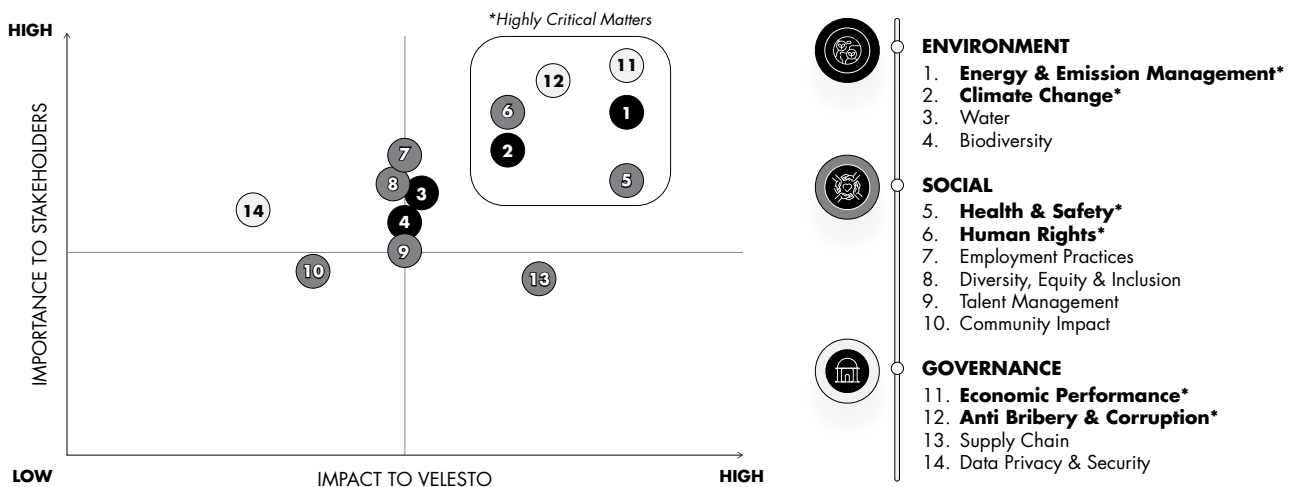
**Our Approach to Materiality**



In 2022, we conducted a desktop review of our material matters in consideration of the revised Environmental, Social, and Governance ("ESG") disclosure guidelines released by Bursa Malaysia in September 2022. Veleso has undertaken the assessment internally, excluding interviews and surveys with external stakeholders, to identify and prioritise the ESG topics deemed most material to the Group, taking into consideration:

1. Our regulatory compliance requirements;
2. The needs and concerns of our stakeholders (including the priorities of our strategic shareholders, i.e. PNB and PETRONAS); and
3. Industry best practices and recommendations from other ESG frameworks.

**FY2022 Materiality Matrix**



These findings form the basis of our disclosures for the SR2022 as we progress towards more robust and balanced ESG disclosures. Our material topics are reviewed annually and validated by various levels of our sustainability governance framework. As a continuous improvement practice and based on feedback, the Group plans to undertake a comprehensive materiality assessment in FY2023.

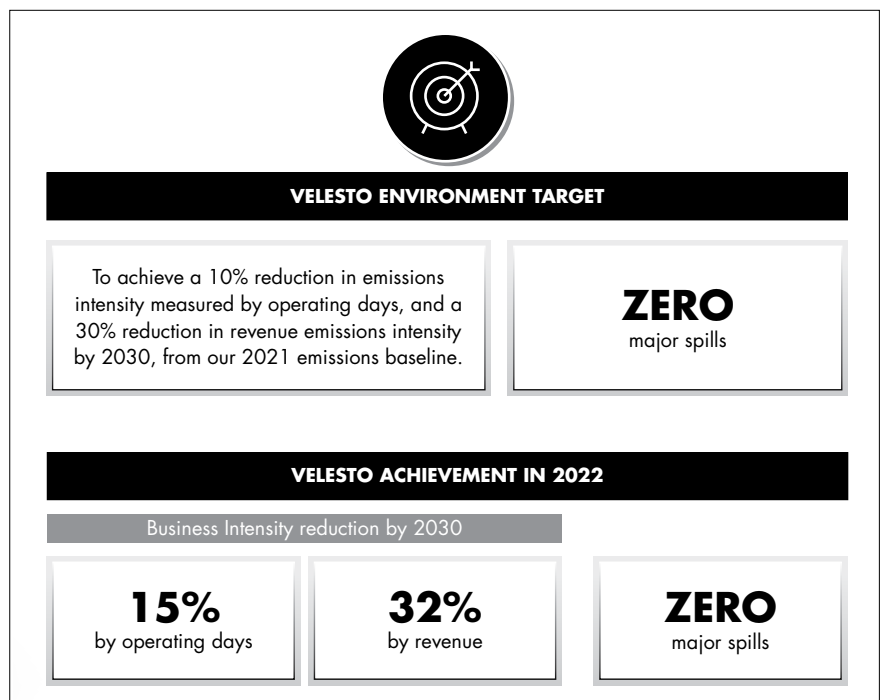


# ENVIRONMENTAL MATTERS

GRI 301, 302, 303, 304, 305, 306



**As a responsible rig operator within the fossil fuel industry, Velesto recognises the impact of our operations on climate change. The Group is of the view that oil and gas development and production will continue to have a role to play in the current energy transmission, and is committed to taking a precautionary approach to lower our emissions, reduce our environmental footprint and minimise any harm that may arise from our business activities.**



In FY2022, the Group stepped up its environmental performance tracking to include additional indicators for monitoring and disclosure in this report, drawing from best practices and recommendations from various reporting and sustainability frameworks such as GRI, FTSE, IIRC, UNSDG, as well as regulatory requirements from Bursa Malaysia, MARPOL and PETRONAS. The SR2022 also marks the first year Velesto is benchmarking its climate-related disclosures to the recommendations of TCFD. In addition, we have also started disclosure of Scope 3 Business Travel (by air) emissions, initially on a one-year basis.


These efforts will go a long way in driving progressive improvements in Velesto's environmental performance to support a climate-resilient business model that is conducive for long-term value creation, particularly in meeting regulatory compliance, maintenance of our asset and site accreditations, deriving cost savings from resource efficiency, and the preservation of our brand reputation and goodwill with our stakeholders.

All of Velesto's subsidiaries have adopted the ISO 14001:2015 certification to demonstrate their commitment to environmental responsibility. The Board and Senior Management of Velesto acknowledges their responsibility in overseeing and managing material environmental topics such as climate change and Greenhouse Gas ("GHG") emissions, energy, water and other resource consumption, waste and effluent management, and biodiversity.



**ENERGY CONSUMPTION AND EMISSIONS**


The principal energy and emissions sources of the Group are from the consumption of fuels and electricity used to power the company's drilling and exploration activities, particularly in the following assets under our control to indicate our boundaries are based on assets under control method.



**DIESEL**

- **Rig Operations**  
NAGA 2, NAGA 3,  
NAGA 4, NAGA 5,  
NAGA 6, NAGA 8
- **Hydraulic Workover Units ("HWUs")**  
GAIT 1, GAIT 2, GAIT 5,  
GAIT 6

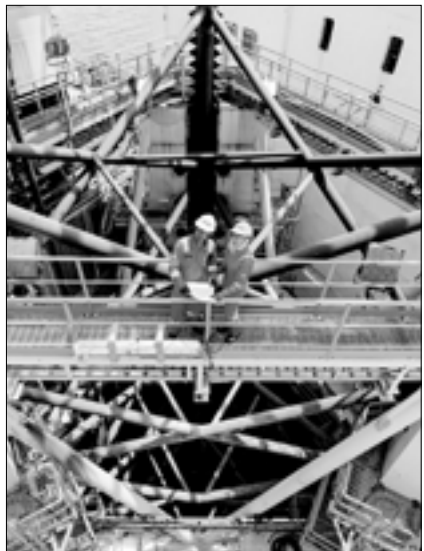
---



**ELECTRICITY**

- Office (KL HQ)
- Warehouse (Kemaman and Labuan)
- Oilfield Services (Tianjin)

The fuel consumed for power generation to support our operations releases harmful GHG and particulates such as carbon dioxide ("CO2"), methane and other emissions into the atmosphere, which traps heat and leads to changes in the global climate.



**CLIMATE CHANGE RESILIENCE**

Velesto is committed to strengthen its resilience against ESG risk including climate change impacts. The Group has put in place various energy and emissions management initiatives to reduce the emissions intensity of our rig operations and mitigate our environmental impacts.

Although the use of oil and gas is a major source of carbon and GHG emissions, the exploration and drilling process itself is not necessarily a high emitter of carbon. Most drilling rig operators, including Velesto, comply with MARPOL standards that mandate efficient production methods and energy usage, no environment spills, environmentally friendly waste disposal and zero contamination of the environment. Beyond compliance with MARPOL standards, Velesto is continuously seeking ways to further reduce its environmental footprint and improve operational efficiency to enhance our resilience to actual and potential impacts of climate change and other ESG matters.

The Group's Board and Senior Management acknowledges ESG risks including climate change and they are being incorporated into our strategic planning for all future capital expenditures, particularly in terms of the Group's investments for new businesses and technological and systems adoption.

**BOARD OVERSIGHT & MANAGEMENT'S ROLE ON BUSINESS RESILIENCE**

The Board and Senior Management of Velesto acknowledge the potential risks of ESG matters including climate change. These risks and opportunities have been integrated into the Group's overall risk management framework, with mitigation measures formulated to address their impacts on Velesto's business.

The Board, through the BRMC, has oversight on these and other risks in the Group's risk management framework, and will continue to closely monitor, assess and manage or mitigate their impacts on the Group's business. The Group's President, as the Chair of the Sustainability Management Committee and a Board member, is responsible for the overall management of Velesto's climate-related and other ESG strategies, and leads the Senior Management in the implementation of the Group's action plans to reduce our energy consumption and GHG emissions, as well as other ESG initiatives.

The Board is satisfied that the Group's business strategies remain robust and resilient in addressing the identified climate-related and other ESG risks in the short and medium term, and continues to plan for the eventualities identified for the longer term horizons. This includes exploring new business opportunities in other segments to ensure Velesto's business resilience to ESG risks including climate-related risk.

**APPROACHES FOR REDUCING CLIMATE IMPACTS**

Velesto is committed to reduce the emissions footprint of our operations and has implemented several measures related to energy management.

**Energy Efficiency and Emissions Reduction**

Velesto’s existing approach involves measuring our Scope 1 and Scope 2 emissions, improving our energy efficiency, and reducing emissions through our existing operations’ technological systems and procedures, such as:

**1. Rig Power Management System (“RPMS”)**

This computer-based Power Management System optimises the diesel engine usage to reduce fuel consumption. Velesto has adopted the RPMS at NAGA 4, 5, and 8. 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. The RPMS can detect when the rig equipment requires a lower power load and with that, automatically shuts/ revs the engine(s) down. This enables more efficient use of energy for drilling activities.

**2. Daily engine generator load**

Manual monitoring of diesel engine usage at our rigs are carried out from town to reduce fuel consumption.

**3. Variable frequency drive**

All of our rigs are built-in with this new technology for energy saving compared to earlier conventional drilling rigs (20/30-year-old rig).

**4. Condition-based monitoring of engines**

This is to improve the engine performance, which in turn, saves fuel.

Velesto has developed an Energy Efficiency target that outlines the company's commitment to improving energy efficiency across its operations. The company is in the process of operationalising emissions reduction initiatives, which includes measures such as increasing energy efficiency and reducing energy consumption, and increasing awareness amongst crew and employees.



**ACTION AND ALLOCATION TO ADDRESS ENVIRONMENTAL CHALLENGE**

As a service provider in the oil and gas industry, Velesto takes all practicable measures to reduce the carbon emissions from the diesel engines used on our rigs, and other environmental impacts of our operations. This commitment aligns with the Paris Agreement and the Kyoto Protocol of the United Nations Framework on Climate Change ("UNFCCC"), which encourage CO2 emissions reduction. As a Non-Annex 1 party, Malaysia has been urged by the UNFCCC to reduce CO2 emissions, and Velesto is committed to play its part to support the achievement of this goal.

Velesto’s primary contribution to carbon emissions is through the consumption of fuel (Scope 1 emissions), particularly diesel, to operate its rigs and HWUs. Electricity sourced from the grid (Scope 2 emissions) is also consumed to power the Oilfield Services (Tianjin) plant, Kemaman and Labuan supply bases and Velesto’s Headquarters in Kuala Lumpur. The Group is in the process of identifying and quantifying the various other indirect sources of emissions from its operations and third-party sources of emission from our supply chain (Scope 3 emissions) with the intention to begin disclosing more aspects of Scope 3 emissions in the future, in addition to FY2022’s disclosure of emissions from Business Travel (by air).

The Group manages our GHG emissions by complying with the GHG Protocol and Annex VI of MARPOL 73/78, focusing on air pollution prevention, controlling greenhouse gas emissions, and improving the quality of fuel oil used by diesel engines.

Some of the key resources that the Group has allocated to drive this agenda include:

- Continuous assessment and capital allocation for acquisition of energy-efficient technologies. This includes investments in energy-efficient lighting and renewable energy sources such as solar panel onshore, and is considering new drilling technologies that can reduce energy consumption and GHG.
- Promoting employee engagement to develop emissions reduction strategies, achieve behavioural changes and increase participation in sustainability initiatives.
- Established partnerships and collaborations with other organisations and stakeholders to drive our environmental sustainability agenda. This includes collaboration with UMT and Alunan Coral Project NGO in coral restoration, and supporting PETRONAS and MPRC to encourage adoption of Sustainability for the oil and gas services and equipment sector.



## ENERGY CONSUMPTION AND EMISSIONS

### ENERGY AND EMISSIONS METRICS

One of the ways Velesto assesses the effectiveness of our climate change mitigation efforts is through the tracking of energy and emissions performance indicators to gauge our performance against the Group's set targets. Indicators used to quantify climate change and other environmental impacts include the volume of energy and water consumed and the volume of emissions, effluent and waste generated, measured in total and in terms of intensity against revenue or manhours worked. Metrics used include Gigajoules ("GJ") and Terajoules ("TJ") for fuel and energy, kWh for electricity, metric tonnes for waste, litres or m3 for water and effluents, and CO<sub>2</sub>e for emissions.

All GHG data and calculations are based on the World Resources Institute's GHG Protocol, Intergovernmental Panel on Climate Change's Emission Factors and ISO 14064-1.

The table below outlines our carbon emissions in FY2022.

Carbon Emissions (TCO <sub>2</sub> e)	Scope 1		Scope 2			Scope 3	Total
	VED	HWUs*	OFS Tianjin	HQ KL	Warehouse	Business Travel (by Air)	
Operating Emissions	40,469	1,851	195	200	57	32,798	88,186
Idle/ Rig preparation	12,616	0					
<b>Total carbon emissions</b>	<b>53,085</b>	<b>1,851</b>	<b>195</b>	<b>200</b>	<b>57</b>	<b>32,798</b>	

Note:

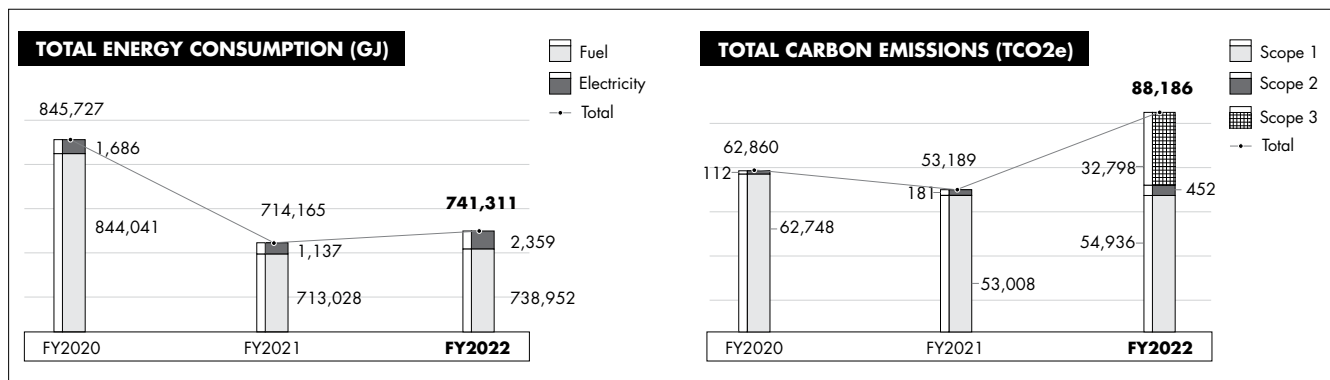
\*Estimate

In addition to the previous years' reporting, the Group has expanded its boundary for reporting to also cover emissions from the newly consolidated Integrated Services division, which includes our HWUs operations for Scope 1 and the Oilfield Services (Tianjin) operations for Scope 2. These were previously excluded as their impact to the Group's overall emissions were low and immaterial.

However, as activities for HWUs restarted in 2022, our data has been incomplete. As such, their carbon emission has been calculated on an estimate basis. As part of our commitment to continuous improvement, Velesto will measure actual emissions for our HWUs operations from 2023 onwards.

Velesto has also started its Scope 3 disclosure in FY2022 amid the new requirements under Bursa Malaysia's enhanced sustainability reporting framework to disclose business travel as one of the common indicators for Scope 3 emission from FY2024's reporting onwards. For SR2022, the Group in good practices disclosed its business travel by air emission as stated in the table above.

More details on the Group's emissions and energy consumption for the past three years is provided below for comparison:





**POLLUTION AND WASTE MANAGEMENT**

Due to the nature of Veleso's operations in and around the marine environment, pollution prevention and responsible waste management is integral to the Group's sustainability agenda. Oil spills and other forms of pollution, such as irresponsible waste disposal and effluent discharge, can have devastating impacts on ocean biodiversity, and can also contaminate water supplies, impacting human health and the livelihoods of coastal communities.

Veleso is committed to safeguarding the integrity of the marine environments where it operates and have established responsible water consumption and management, wastewater and waste management, and environmental spill prevention practices to mitigate and minimise any negative impact on the environment.

There were no major spills in 2022.

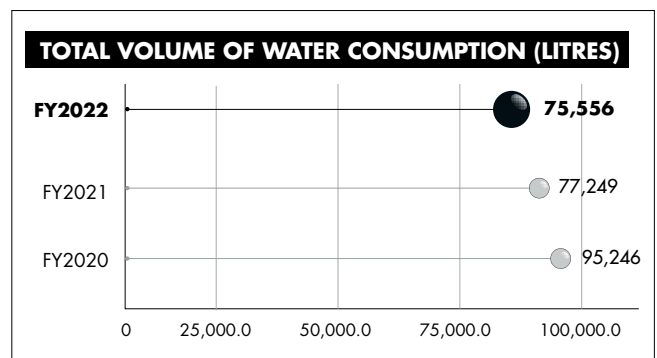
**RESPONSIBLE WATER CONSUMPTION**

Veleso utilises mostly seawater for its rig operations and does not operate in close proximity to fresh water sources or water catchment areas. Furthermore, the abundance of seawater and the location of our rigs far out in the sea means that water is not being sourced from a water stressed location, and coastal communities and fishing villages are not affected by our withdrawal of seawater.

Hence, the Group does not have a material impact on the issue of water security. Nevertheless, Veleso remains committed to managing our water consumption efficiently and responsibly.

Non-potable seawater is mainly used for drilling and cleaning, accounting for 60% to 70% of seawater withdrawn. The remaining seawater is filtered and distilled via reverse osmosis for potable consumption by the crew. In some rigs, rainwater and recycled water sourced onshore are also used. Potable water is also consumed at the Group's onshore operational sites.

The Group's volume of 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. The chart below showcases Veleso's water consumption performance.



In term of emissions intensity, the table below outlines our performance against our 2030 goal.

EMISSIONS INTENSITY LEVELS				
FINANCIAL YEAR	2020	2021	2022	2030 GOAL
Revenue (RM mil)	547	378	581	-
Utilisation (%)	66	48	62	-
Operating Days	1,683	1,110	1,354	-
Carbon Emissions (tCO <sub>2</sub> e)*	62,860	53,189	55,388	-
Carbon emissions intensity (tCO <sub>2</sub> e/ Operating Days)*	37	48	41 (15% Reduction)	43 (10% Reduction from FY2021)
Carbon emissions intensity (tCO <sub>2</sub> e/ Revenue – RM mil)*	115	141	95 (32% Reduction)	99 (30% Reduction from FY2021)

Note:  
\* Excludes Scope 3 Emissions

Energy and emissions performance highlights achieved by the Group in FY2022 are detailed below:

- Diesel consumption increased 3.6%, despite number of operating days increasing by 22%
- Emissions per operating day has decreased by 6% (drilling operating day emissions, not including rig being idle/prep)

The above performances are achieved due to the increase in utilisation, which led to lower number of idle/ prep days and its emissions apportioned to operating days.

Additionally, operational behavioural change aligned to our four Energy Efficiency and Emissions Reduction initiatives mentioned on page 69 also contributed to the improvement in result in FY2022.

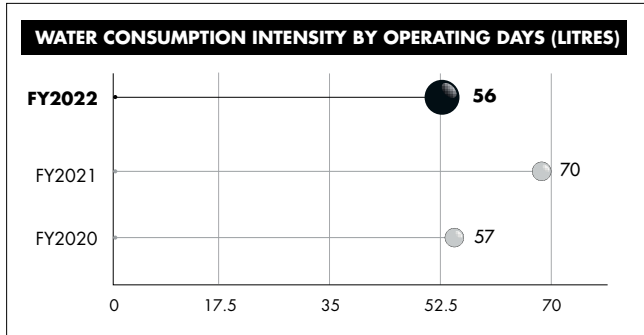
Despite the positive results, we will continue to develop strategies to reduce our emissions intensity per operating day.



**POLLUTION AND WASTE MANAGEMENT**

**WATER EFFICIENCY INITIATIVES**

The use of reverse osmosis to process seawater effectively means that Velesto has a practical water source. However, this process requires energy consumption, leading to increased fuel consumption and emissions. Thus, the company makes an effort to consume water efficiently on all rigs.



**WASTEWATER, EFFLUENTS AND PREVENTION OF ENVIRONMENTAL SPILLS**

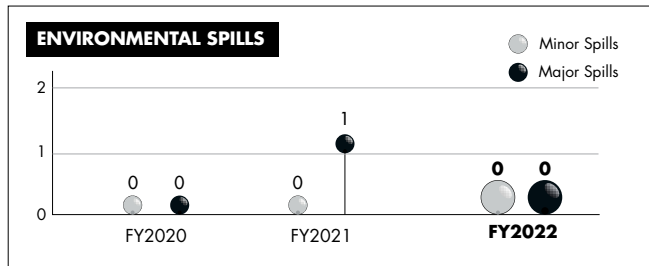
The main water-related risk for Velesto pertains to the disposal of wastewater. Velesto is committed to preventing the accidental spillage of untreated effluents into seawater.

In line with Annex 1 of the International Convention for the Prevention of Pollution for Ships (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. MARPOL 73/78 also requires all rigs to have adequate storage capacity for manure and a dedicated, self-contained Sewage Treatment System. As a result, waste is treated on-board and the treated effluent, considered safe by the Department of Environment (“DOE”), is stored until it has fully decomposed before being discharged into the sea.

In addition, our fleet is certified by regulatory bodies such as the American Bureau of Shipping and Det Norske Veritas (“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.

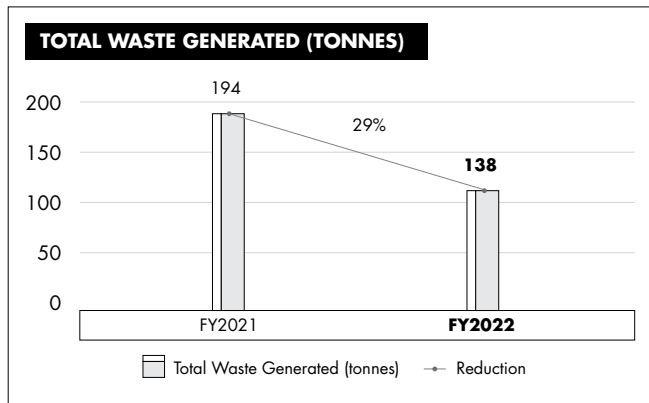
Velesto includes environmental incident monitoring in its monthly HSE performance reporting system and has set an annual target of Zero Major Spills. The company categorises environmental spills into minor and major spills, with minor spills defined as spills involving 800 litres or less. Any spills exceeding that is considered a major spill.

In the year under review, Velesto has continued to comply with all regulatory requirements for effluents and wastewater. There were zero incidents of major environmental spills for Velesto in FY2022. The Group also did not receive any fines, warnings or censures for non-compliance for wastewater discharge.



**WASTE MANAGEMENT**

Velesto's SR2022 waste management disclosures are scoped to our rig operations. Velesto is committed to ensuring that the Group's waste is managed in accordance with stringent processes and procedures that comply with the DOE's regulatory standards and industry best practices, and engages DOE-approved licensed third-party contractors to carry out its waste disposal.



In FY2022, Velesto has continued to record reductions in the total waste produced by its operations.

The Group's offshore drilling platforms adhere to a dedicated waste management plan to ensure all types of waste are disposed of in an environmentally friendly manner in compliance with MARPOL 73/78. Waste produced from oilfield services is disposed of according to the standards set by the DOE’s Environmental, Quality (Schedule Waste) Regulation 2005.

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

Aside from responsible waste management at operational sites, Velesto's waste reduction initiatives include a successful partnership with Kloth Cares, a local NGO that recycles textile waste. The company installed a dedicated recycling bin outside its headquarters in Plaza Sentral to collect unwanted fabric items from the public. Through this initiative, Velesto collected 5,965.8kg of textile waste as of FY2022.







**MARINE BIODIVERSITY**

The Group recognises the importance of preserving biodiversity as it is linked to food security, tourism, traditional livelihoods, and the health of our planet's ecosystems. Velesto is committed to do our part to address biodiversity concerns, focusing on reducing and avoiding any negative impacts on biodiversity that may arise from our business activities.

The Group implements measures to ensure all effluents discharged are within permissible limits and does not harm the physical environment. Our rigs do not operate in biodiversity-sensitive areas to avoid disrupting aquatic habitats, while our JUs are situated away from traditional fishing areas to avoid disturbance to fish populations.

Prior to commencement of new projects, Velesto's clients conduct Environmental Impact Assessments ("EIAs") to determine each site's biodiversity risk. Velesto will then engage with the client to ensure that any proposed project does not take place in or near areas of significant biodiversity value or habitats for rare and endangered species listed on the IUCN Red List. This process is part of our due diligence process for new operational sites.

Seabed survey reports in client's EIAs also play a crucial role in determining the appropriate position of rigs to ensure that our operations do not disrupt existing marine habitats or obstruct the migratory routes of various species. All current and previous projects have been confirmed to not be located at sites deemed to be biodiverse.

**BIODIVERSITY INITIATIVES**

Velesto recognises the influence of its business activities on the preservation of biodiversity and acknowledges the impact of its business operations on the preservation of biodiversity. Consequently, it has focused on its carbon footprint mitigation initiatives as well as accident and pollution prevention to a certain extent, allocating investment into net positive biodiversity impact initiatives.

In FY2022, Velesto collaborated with the Faculty of Science and Marine Environment of UMT and the Alunan Coral Project NGO to support coral reef restoration efforts at Perhentian Island in Terengganu – a popular tourist site famed for its rich marine biodiversity. The pilot initiative seeks to educate the public on the delicate condition of coral reefs, while systematically ensuring marine environment protection and biodiversity conservation through the restoration of coral reefs.

Velesto, being the only oil and gas company at the moment which carries out coral reef restoration project in Perhentian Island, targets to carry out the conservation program for the next few years.

**DECOMMISSIONING COMPLIANCE**

Velesto recognises the significant environmental impact that decommissioning activities can cause, particularly when not managed appropriately. These potential impacts include oil spillages that can pollute marine environments, physical disturbance to the seafloor and the ecosystem in and around the artificial habitat created by the rig, and the possible introduction of invasive, non-native or diseased species at new rig sites if marine organisms are still attached to the rig.

In 2022, Velesto decommissioned a total of 11 wells via plug and abandonment projects at Guntong and Larut fields. The group is committed to perform the plug and abandonment projects safely and in compliance with both local and international regulations. Frequent engagement with regulators, government agencies and industry peers enable the group to stay current on regulatory changes and best practices for proper decommissioning process to reduce biodiversity loss.

Velesto strictly adheres to guidelines set out by relevant authorities and requires contractors to do the same. These guidelines include 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, and DOE Environmental Guidelines for Decommissioning of Oil and Gas Facilities in Malaysia.



# SOCIAL MATTERS

GRI 201, 202, 203, 401, 402, 403, 404, 405, 406, 407, 408, 409, 413

**Velesto's material social topics aims to address the needs, concerns and expectations of our workforce and the local community.**

**Employees, as the human capital of the Group, are critical to Velesto's ability to operate and achieve our organisational goals and aspirations, supporting the Group's value creation through excellent job performance.**

Employees are also a key source of our intellectual capital, contributing to the development and implementation of innovative strategies, processes, and technologies that enhance our competitive edge.

As such, Velesto considers all aspects of talent management, including recruitment, retention, training and development, and remuneration to be critical to maintaining a motivated and satisfied workforce that can drive operational efficiency, productivity, and business development. The Group is committed to protect the rights of our employees and contractors, and is committed to uphold Occupational Safety and Health best practices to ensure their wellbeing.

In addition to its workforce, Velesto recognises its responsibility as a corporate organisation to create positive value for local communities and society as a whole. The company prioritises support for local communities and their development as part of its broader efforts to promote robust social performance and stakeholder value creation.















## LABOUR PRACTICES AND HUMAN RIGHTS

Velesto operates according to the principles of basic human rights and complies with all applicable Malaysian labour laws, including the Malaysian Employment Act 1995, and other laws applicable where it operates. In addition to compliance, Velesto also strives to implement labour best practices across the Group, and has expressed support for the human rights practices and guidelines outlined in the following:

	Universal Declaration of Human Rights ("UDHR")		International Labour Organisation ("ILO")'s Declaration on Fundamental Principles and Rights at Work
	UN Guiding Principles on Business and Human Rights ("UNGPs")		10 Principles of the United Nations Global Compact ("UNGC")

### Other labour practices and commitments adopted by the Group include:

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



These human rights commitments have been incorporated into the Group’s practice and have been clearly communicated to all stakeholders globally including business partners and employees, via Velesto’s employee induction process, availability of our Policy Statement on Human Rights and Labour Standards and CoBE on the company intranet, and our annual Sustainability Reports disclosures.

**PREVENTING AND MITIGATING HUMAN RIGHTS ISSUES**

Consistent with the aforementioned commitments, Velesto has put in place the following policies and procedures to support the achievement of labour rights best practices:

- Fatigue management and flexible working hours for the elimination of excessive work hours
- Commitment to exceed minimum wage requirement
- Policy Statement on Human Rights and Labour Standards
- Policy on Sexual Harassment and manager training through the Anti-sexual Harassment Roadshow
- Policy on Gender Equality
- Policy Statement on Recruitment Management System Procedure (“MSP”) and CoBE for both employees and vendors
- HSE Policy, Stop Work Policy, No Smoking Policy and Substance Misuse Policy to ensure safe worksite practices
- Establishment of Grievance and General Resolution procedures
- Other written policies that address non-discrimination, diversity, and the creation of an equal opportunity workplace

**HUMAN RIGHTS DUE DILIGENCE ON THE SUPPLY CHAIN**

Velesto is against any form of human rights violations, whether directly in our operations, or in our supply chain. The day-to-day responsibilities of prevention and monitoring of the Group’s human rights risks is managed collectively by Velesto’s procurement/ contract and human resources functions.

All workers, including those employed by third-party contractors or sub-contractors must ensure their labour force are treated with dignity and work in safe conditions, and provide written affirmation of their commitment to comply with the laws of Malaysia with regards to matters on human and labour rights, worker welfare, child labour and human trafficking. Failure to do so would lead to serious censures by Velesto including termination of the supplier’s services and reporting said party to the relevant authorities for legal action.

Additionally, Velesto proactively assesses our labour risk issues and human rights impacts on an on-going basis as part of core business processes. The Group is committed to taking the necessary steps to prevent and remedy any suspected or identified instances of exploitation or forced labour.

In FY2022, Velesto successfully maintained its track record of having no reported incidents of labour standards non-compliance or human rights violations, or for any instances of child labour, human trafficking, or forced or compulsory labour throughout the fiscal year. There have been no human rights breaches involving the rights of indigenous people at any point in Velesto’s history.

**GRIEVANCE MECHANISM**

Safe channels are provided for employees and stakeholders to raise misconducts, grievances or express their concerns on regulatory or policy non-compliance, harassment and human rights exploitation incidences and other issues anonymously and without fear of reprisal. This can be done through reports directly to employees’ managers, human resource representatives, or through the confidential whistleblowing channel available to internal and external stakeholders. Velesto is committed to investigate all grievances and concerns raised in a timely manner, and commits to remedy affected parties where it has been identified that the organisation has caused or contributed to negative impacts.

**MINIMUM NOTICE PERIOD**

Velesto aims to minimise the impact of major operational changes to employees by providing a minimum notice period for changes in terms of duties or work location. The specific notice period varies depending on the nature and extent of the change, while changes to employee benefits or employment conditions are communicated one month prior to implementation. The Group is committed to providing sufficient time for employees to seek clarification about the change and to express any concerns or grievances to their immediate supervisor or Group Human Resources.

In FY2022, no complaints were received regarding operational changes.





**TALENT RETENTION AND DEVELOPMENT**

At Veleso, we recognise that retaining and developing top talent across all levels of the organisation is crucial to ensure our continued success. The Group’s talent management strategy focuses on providing ongoing learning and development opportunities, clear career paths, competitive compensation and benefits, and a supportive and inclusive work environment. We believe that by investing in our employees, we can foster a culture of excellence and innovation that drives our business forward.

**BOARD OVERSIGHT AND SENIOR MANAGEMENT’S ROLE ON TALENT MANAGEMENT**

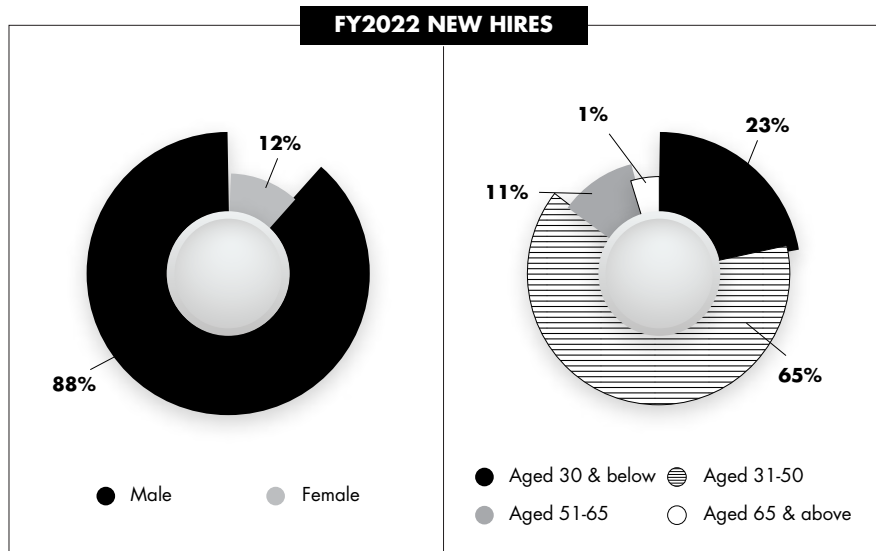
The Board of Directors plays a crucial role in overseeing our talent retention and development initiatives. They are responsible for ensuring that our human resources policies and practices are aligned with our business strategy and values, and that we are attracting, retaining, and developing the right talent to achieve our goals, and providing them with the tools and resources they need to succeed. The Board also monitors key performance indicators related to employee engagement, retention, and development, and provides guidance and support to the executive team to ensure that our talent strategy remains effective and up-to-date.

The Veleso Talent Council ("VTC") was established in FY2021 to support these efforts. The VTC comprises members of Senior Management, and provides strategic management on this matter. The VTC has been working closely with Group Human Resources to establish broad goals and strategies for talent management, and is driving the effort to address talent gaps and challenges within the Group to support the achievement of Veleso's business objectives. The effectiveness of the Group’s overall talent management approach is measured against employee and business productivity through monthly reports on employment data pertaining to hiring, attrition, training and diversity indicators.

**TALENT RECRUITMENT STRATEGIES**

At Veleso, we are committed to promoting equal opportunity, diversity, and merit in all aspects of our talent management process, including recruitment. The Group does not discriminate on the basis of race or ethnicity, gender, age, marital status, sexual orientation, disability, political affiliation, membership in associations or unions, or other socio-demographic factors. While locals are given priority, foreigners are also welcome to apply for all advertised vacancies.

To ensure a wide pool of candidates, Veleso's recruitment strategy includes budget allocation for advertisement placements on a variety of channels, which is utilised for most vacant positions. Successful hires are provided with a contract that clearly stipulates their roles, responsibilities, and remuneration. This helps to ensure that both parties have a shared understanding of expectations and obligations, and that employees are fairly compensated for their work.



**ONBOARDING FOR NEW HIRES**

New hires undergo an induction or onboarding process to familiarise them with their rights and entitlements as provided for in the laws of the country, and the various policies of the Group including matters of human rights and corruption, as well as the Group's expectations on ethical conduct and behaviour aligned with good governance practices. The induction process also serves to help new hires familiarise with organisational processes, available channels of engagement, and other areas to provide them with as much support and assistance as possible to help them adjust with their new work environment and Veleso's organisational culture.

This includes programs on HSE Induction, Core Values and Core Competencies, Management Development, Risk Management, as well as familiarisation with any mandatory industry or government requirements, and other critical programs developed from time to time as deemed necessary by the company. Employees are expected to attend these programs as nominated, with the company onboarding and HSE induction programs being compulsory for any new hires.



**COMMITMENT TO DIVERSITY AND EQUAL OPPORTUNITY**

Velesto's commitment to promoting diversity, equal opportunity, and merit is central to our organisational culture and our ongoing success.

The Group's workforce comprises individuals from diverse backgrounds, reflecting a multi-ethnic and multi-national composition. This diversity brings a broad range of professional expertise, experience, and capabilities to the Group, enabling us to cultivate a high-performance culture based on meritorious performance. Diversity also supports innovative thinking and creativity, contributing diverse perspectives to strengthen the Group's understanding of socio-economic dynamics and improve business decision-making.

Hence, the Group actively supports diversity as far as practicable, and has put in place measures to ensure the creation of an inclusive workplace. Velesto strictly forbids any discrimination based on race, gender, religious background, or any other socio-cultural and demographic factors. All employees and candidates for employment, promotion and development are judged on merit, including their qualifications, experience, and professional contributions and results achieved. The only exception is our Group-wide preference for hiring local talents, provided they match the required job scope.

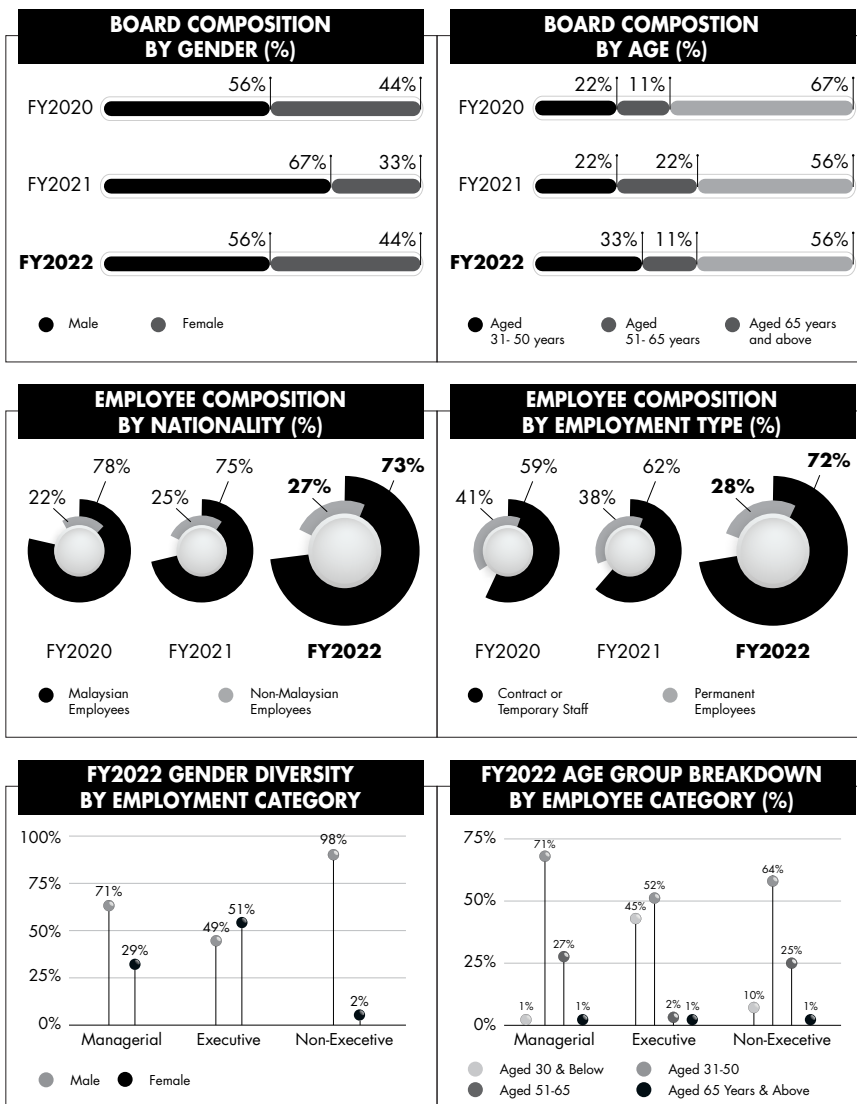
**EMPOWERING THE UNDERREPRESENTED**

Although Velesto's talent management approach is primarily based on merit, the Group recognises the need and is actively seeking ways to empower underrepresented, underprivileged, or vulnerable groups. These groups include minorities, persons with disabilities, asylum seekers and refugees, long-term unemployed individuals, and those who are socioeconomically disadvantaged.

To that end, Velesto has embarked on a special recruitment drive which prioritises the hiring of suitable candidates within the B40 Income Group to fill up available vacancies. Velesto has also added a new diversity indicator to track the composition of staff with disabilities in the Group.

**INCLUSIVE CULTURE SUPPORTING DIVERSITY AND EQUALITY**

Velesto fosters an organisational culture that welcomes the different beliefs, values, culture, attitudes, priorities of our employees, taking into consideration the way these factors influence employees' experience and behaviour in the workplace to support the purposes of our businesses, as well as employee recruitment and retention. Employees are encouraged to practice their respective cultures and religions without fear of discrimination or harassment, and integrates gender considerations in every aspect of the organisation. We approach organisational culture through our periodic employee engagement activities to identify and cultivate shared values and mutual respect to create a positive and respectful workplace culture that values equality and diversity.





### TALENT RETENTION AND DEVELOPMENT

#### SUPPORTING GENDER EQUALITY

Velesto and its subsidiaries are dedicated to achieving gender equality by promoting and protecting the rights of all employees, regardless of gender. This is achieved by providing both men and women with equal opportunities to apply for any available job position or training opportunities, and providing appropriate recognition, remuneration and rewards that commensurate with their contributions.

This commitment has been embedded in all aspects of the Group's HR practices including hiring, training, pay and promotion, which are carried out based solely on merit, without gender-based discrimination. The Group has also established a Gender Equality Policy which outlines Velesto's commitment to provide equal opportunities for male and female employees to access employment-related benefits and participate and contribute at all levels of the company. The company aims to overcome gender-based barriers, including biases and stereotypes, and ensure that all employees understand the policy objectives.

We do not set targets for gender diversity, instead preferring to focus on ensuring a fair talent recruitment process that enables qualified candidates to have an equal opportunity to apply for jobs. At the senior management levels, women make up 36% of our workforce, and we are proud to have four women directors, 44% at the Board level, exceeding the Bursa Malaysia target of 30% women directorship on public listed companies by 2020. We remain committed to promoting diversity and equal opportunity in all aspects of our talent management process, and managers are educated on the importance of this matter to the success of the Group.

Despite the oil and gas industry traditionally having fewer female employees, Velesto remains committed to creating an equal opportunity environment and providing support to women interested in pursuing jobs in the industry, particularly technical, offshore, or field-related roles.

As a result of its efforts, the company has successfully developed several talented women in recent years. Additionally, a significant portion of the workforce in office-related jobs comprises women.

#### SUPPORTING GENDER DIVERSITY VIA PARTICIPATION IN THE 30% CLUB

Velesto supports the promotion of gender diversity in leadership positions through its participation in the Malaysian Chapter of the 30% Club. This special interest group was established to advocate for greater diversity, equity, and inclusion ("DEI"), with a specific focus on increasing the representation of women in the Boards and Senior Management of publicly listed companies.

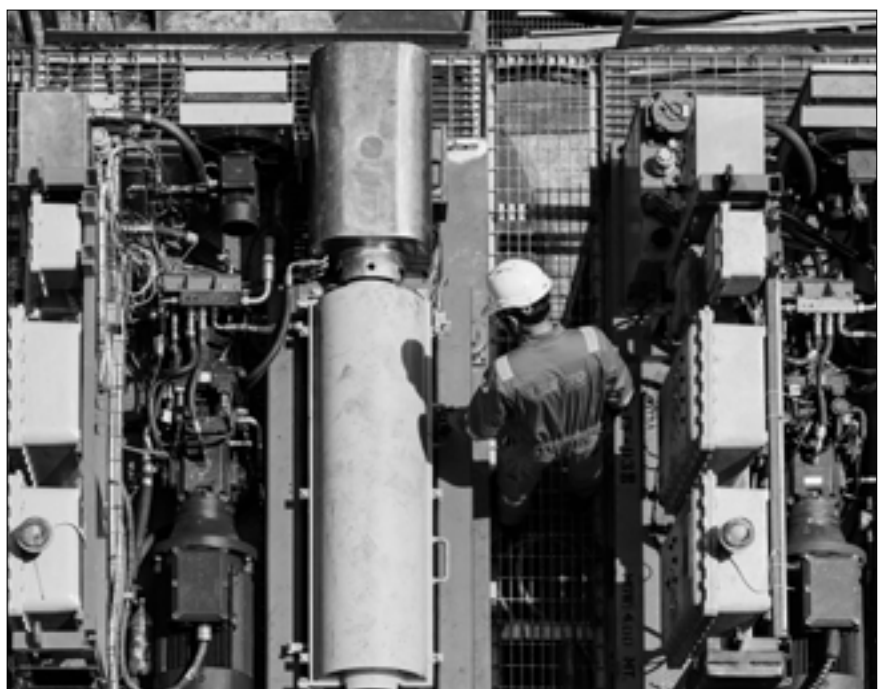
The Group's Management is as a vocal proponent of the DEI agenda, and has participated in a wide range of 30% Club initiatives, demonstrating Velesto's commitment to promoting greater participation of women in the highest levels of Corporate Malaysia and the oil and gas sector. In FY2022, the Chief Financial Officer participated in the Mentee Program designed to develop future leaders.

#### DEVELOPING NEXT-GEN LEADERS THROUGH SUCCESSION PLANNING

Velesto has made significant progress in talent management and succession planning since the launch of its Talent Management Program in FY2020.

The High Potentials ("HiPots") program was launched virtually under the theme of HiPOTs ARISE in December 2021 with initiatives launched to empower this pool of talent. In total, 33 HiPots have been identified as high-calibre talents with the potential for fast-tracked career progression within the organisation, consisting of 19 Senior Leaders and 14 Future Leaders being groomed for critical positions across the Group.

Senior Leaders are being developed for succession planning of 64 critical positions, with career development plans ("CDP"s) already drawn up for each HiPot in FY2021. Meanwhile, the mySTAR program has been implemented to develop potential junior employees into Future Leaders, preparing them to assume higher leadership roles as Senior Leaders progress up the organisational hierarchy.



**TRAINING AND DEVELOPMENT**

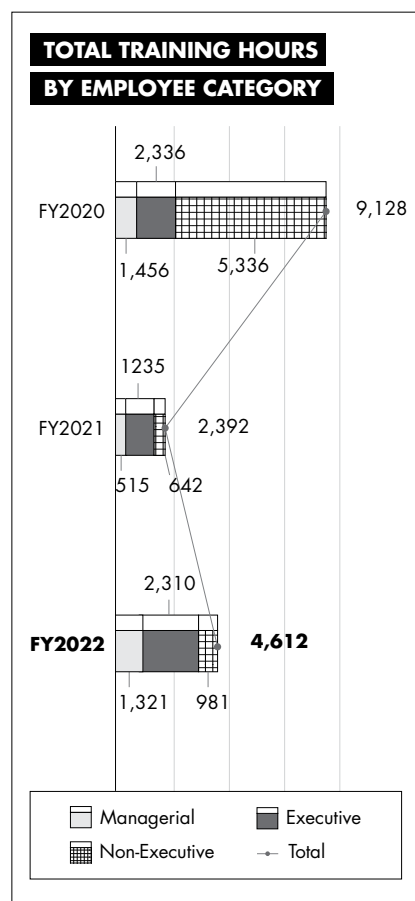
Velesto places great emphasis on training and development as it recognises that equipping staff with the necessary knowledge and skills is vital to achieving operational excellence and productivity.

The company has made substantial investments in employee training, with most courses and programs delivered online through electronic communication mediums. Velesto covers all job-related training costs for employees through its contribution to the Human Resources Development Fund ("HRDF").

Training and development programs are tailored to address the competency gaps and unique needs of each individual. Competency gaps are assessed during the annual appraisal process, and a comprehensive personal development plan is developed for each employee in collaboration with Human Resources, the individual employee, and their superiors. Training Key Performance Indicators ("KPIs") are then established for the employee to meet before their next appraisal. All employees receive annual appraisals.

Velesto covers the cost of professional courses, seminars, and training programs for its employees in most instances, providing fully sponsored participation. The following provides a comprehensive view of Velesto's employee training activities carried out in FY2022.

<ul style="list-style-type: none"> <li>Kecerdasan Emosi &amp; Kemahiran Komunikasi</li> <li>2022 Marim International Conference: Adaptive Risk Management Building Resilience In Disruptive Times</li> <li>Behaviour- Based Training</li> <li>Bursa Anti-bribery Training Virtual</li> <li>Bursa Malaysia Mandatory Accreditation Program ("MAP")</li> <li>Business Writing Skills</li> <li>Certified Integrity Officer Program For GIC: Module 1,2,3,4</li> <li>CFO Conference 2022</li> <li>CFO Innovation Malaysia Forum 2022</li> <li>Classroom/ Workshop Drilling For Non-driller</li> <li>Complimentary Webinar - Implementing Mandatory Vaccination Policies: Enforceable Or A Shot In The Dark?</li> <li>Drilling For Non-drillers</li> <li>Effective Managerial Skills Training</li> <li>EY - Get Ready For The 2022 Form EA</li> <li>How Does Coca-Cola Save Time On Employee Requests?</li> <li>How To Request For Contract Review</li> <li>HR Rewards Strategy</li> <li>HRDC Workshop</li> <li>IMS Awareness Training (VTS)</li> <li>Integrated Management System (MS) Process Internal Auditor</li> <li>Internal SME Training: Kecerdasan Emosi &amp; Kemahiran Komunikasi</li> <li>International Directors Summit (ICDM)</li> <li>Kube V3 On Premise Workshop &amp; Kube 365 Cloud Introduction</li> </ul>	<ul style="list-style-type: none"> <li>Legal Aspects Of Contract Management (Drilling)</li> <li>MBRS For Preparers - Financial Statements</li> <li>MIA International Accountant Conference</li> <li>MIA Webinar Series : Mastering The Principles Of Deferred Taxation – From Fundamental To Complex Transactions And Events</li> <li>Microsoft PowerPoint 2019 (Intermediate &amp; Advanced)</li> <li>Microsoft Excel 2019 (Intermediate &amp; Advanced)</li> <li>MSOSH National Seminar</li> <li>MyWiE Program</li> <li>Pengurusan Masa Training (Offshore Crew &amp; Base)</li> <li>Project Management Fundamentals</li> <li>Reviewing Your HR Policies &amp; Procedures (In Compliance With Malaysia's Amended Employment Act And Laws)</li> <li>Seminar Pengoperasian Perkastaman Pangkalan Bekalan Petroleum Kemaman: Advance Course (Issues &amp; Updates)</li> <li>SSM National Conference 2022</li> <li>Supervisory Development Program</li> <li>Sustainability And Its Impact On Organisations: What Directors Need To Know</li> <li>Technical Report Preparation Workshop For EIMAS CEPWAM Competency Certificate 2022</li> <li>Webinar Series : Financial Knowledge And Skill For Non-financial Personnel</li> </ul>
--	--



**EVALUATING TRAINING EFFECTIVENESS**

Velesto evaluates the effectiveness of every training program through the distribution of Training Evaluation Forms to participants at the end of the training sessions. These forms assess various aspects of the training, including employee satisfaction, learning objectives and outcomes achieved, and the ability to apply the acquired knowledge and skills to their job. By evaluating the effectiveness of its training programs, Velesto can identify areas for improvement and ensure that its training programs are meeting the needs of its employees.



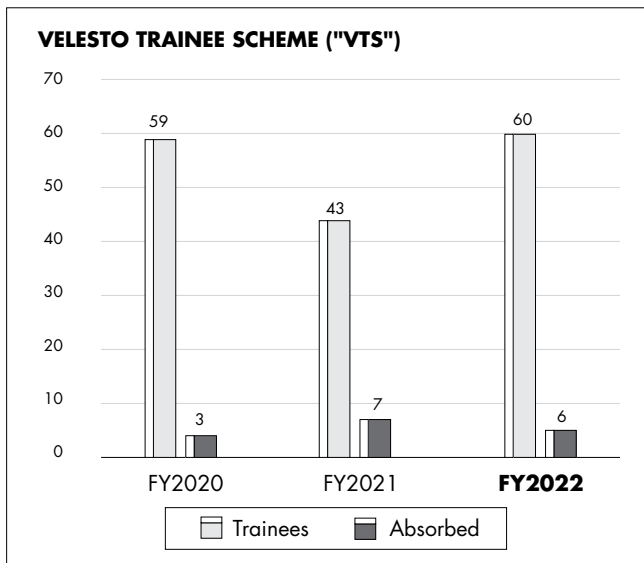


**TALENT RETENTION AND DEVELOPMENT**

**YOUTH EMPLOYMENT, INTERNSHIP AND APPRENTICESHIP**

Velesto has taken significant steps to enhance youth employability by continuing the 12-month contract basis of employment under the Velesto Trainee Scheme ("VTS") and internship programs, which aim to provide on-the-job learning opportunities for selected graduates. The scheme is especially beneficial for unemployed youths, particularly local undergraduates, as it provides them with first-hand exposure to work in their chosen fields of study, thereby improving their employment prospects in the future while supporting the government's initiative to enhance the employability of unemployed graduates in Malaysia. Moreover, VTS participants who exhibit good aptitude and potential are offered full-time employment opportunities with Velesto.

Velesto's VTS also serves as one of the company's Communities Investment initiatives, demonstrating its commitment to promoting youth employment and supporting the local community. The Group is committed to improving the socio-economic factors of Malaysia through its Velesto Vision 2030 initiative, which focuses on four pillars, including Sarawak, where the company has recruited VTS participants to support business functions and create more job opportunities for B40 Malaysians in the region.



As at FY2022, the VTS program has allocated 60 placements for young undergraduates and unemployed Malaysians, with 6 of them being absorbed during the year itself

**OFFSHORE DEVELOPMENT PROGRAMS**

Velesto Energy Berhad has launched an Offshore Development Program that includes the Velesto Drilling Engineer ("VDE") and Velesto Electronic Engineer ("VEE") programs. These initiatives aim to develop local talent in the oil and gas industry, with a particular focus on producing young graduates who are highly skilled and technically proficient in oil and gas activities. The programs provide participants with hands-on experience, equipping them with the necessary skills and knowledge to succeed in the industry.

**IMPACT OF VELESTO'S TRAINING PROGRAMS**

Overall, Velesto's training programmes have had a positive impact on its employees and have contributed to sustainable development, responsible waste management, and promoting gender equality in line with our ESG and human rights commitments as outlined below.

**In 2020**, the company's "Agility: Developing a Resilient Workforce" training programme encouraged short-cycle iterations, leading teams to focus on critical activities, streamline processes, and eliminate unnecessary tasks. Velesto's "Certified Environmental Professional in Scheduled Waste Management ("CEPSWAM")" training programme, the only one of its kind in Malaysia, equipped competent persons to manage scheduled waste in compliance with legal requirements through a hands-on approach to support environmental stewardship and sustainable development.

**In 2021**, Velesto's "Women's Empowerment Principles Activator Awareness Session" focused on empowering and promoting the autonomy of women, which is crucial for promoting gender equality and human rights, particularly in developing the next generation of female leaders.

**In 2022**, the company's "Sustainability and its Impact on Organisations: What Directors Need to Know" training programme emphasised the importance of developing a strategic plan that addresses market opportunities and material risks to improve long-term value. The programme aimed to equip directors with the necessary skills to oversee the implementation of such plans effectively.





**COMPETITIVE REMUNERATIONS AND BENEFITS**

Velesto upholds the principle of providing equal pay for equal work in compliance with applicable local laws. The company determines remuneration, including bonuses and salary increments, based on merit, which is evaluated through employee work performance in achieving personal, group, and company Key Performance Indicators (“KPIs”), as well as seniority or tenure. Employee skills and professional qualifications are also considered when determining remuneration.

The company is continuously benchmarking and reviewing the competitiveness of its remunerations and benefits vis-à-vis our peers and subject to affordability. During the year, we have made certain adjustments to the payscale of our crew and employees and we will continue to do so periodically.

By adhering to the principle of equal pay for equal work and taking various factors into account when determining remuneration, Velesto aims to create a fair and competitive compensation structure that values employee contributions and encourages continued professional development.

Velesto provides a range of benefits to its full-time employees, including both mandatory benefits as stipulated in Malaysia’s Employment Act 1955 and additional benefits provided at the company’s discretion to ensure our employee remunerations remain competitive to attract and retain the best talents.

<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 Program</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>
---	---

Please refer to the ESG Performance Data table at the end of this report for more details on the remunerations and benefits provided to employees in FY2022.

**PERFORMANCE APPRAISALS**

Velesto conducts formal appraisals for all employees, which are essential for identifying individual training requirements and determining annual compensation packages, including staff bonuses. The company’s performance-driven approach to appraisals is designed to be a constructive, two-way process that allows employees to provide their own perspectives on their performance. Employees have the right to accept or reject their appraisal, and those who disagree with their appraisal review scores can raise their grievances with HR through a formal employee grievance mechanism system.

**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.

We aspire to exceed the minimum wage requirement. We have started to do so by raising the wages for fresh-graduates and entry-level employees from 2023 onwards.

**PARENTAL LEAVE ENTITLEMENT**

Velesto provides parental leave to its employees, with female employees entitled to paid maternity leave of 60 consecutive days for each confinement period, and male employees granted paternity leave of four days. In 2023 onwards, we will also comply with the new regulations to increase parental leave entitlement to 98 days and 7 days respectively for new mothers and fathers.

**EMPLOYEE COMMUNICATION AND ENGAGEMENT**

Velesto places a high value on transparent and timely communication with all staff, which is facilitated through a range of physical and virtual communication channels. These channels enable the dissemination of information and allow management to gauge employee sentiments and satisfaction.

As part of its employee engagement strategy, Velesto conducts an Employee Engagement Survey biennially, with a score of 79% recorded in FY2021. In FY2022, the company addressed a range of issues highlighted during the previous employee engagement survey.



**TALENT RETENTION AND DEVELOPMENT**

**ENGAGEMENT SESSION WITH SENIOR MANAGEMENT**

Velesto recognises the importance of Management engagement with its employees. One of the key channels for communication with Senior Management is our quarterly town hall meetings, which are attended by all employees.

**ADOPTING DIGITAL TOOLS TO ENHANCE EMPLOYEE ENGAGEMENT**


Velesto is committed to enhancing employee engagement through the adoption of digitalisation, as demonstrated by its ongoing efforts to promote digital adaptation among employees. One of these efforts is the digital magazine Velesto Inspires Me ("VIME"), a one-stop digital platform that aims to promote human development through various engagement activities focused on topics of interest, such as self-management, culture and sustainability, new hires, employee engagement, upskilling, and special moments.





**SHOWING APPRECIATION FOR VELESTO'S EMPLOYEES**


Velesto values and recognises the contributions of its employees, and regularly implements initiatives to show appreciation and support for their well-being. Here are some recent examples of the company's efforts.




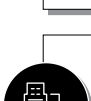
- 

Velesto conducted a Staff Flood Donation Drive and made a donation to support employees affected by floods in December 2022.
- 

The Human Rights and Labour Standard Policy was published in NEST on 6 December 2022.
- 

HR organised a small high tea to celebrate 23 recipients of the 2022 Long Service Awards ("LSA") on 19 December 2022.
- 

Payment for ERP tokens was released on 30 December 2022.
- 

A performance incentive for BOKOR (NAGA 6) was given by PCSB on 30 December 2022, and a token of appreciation was given to the selected employees involved in the campaign.
- 

The hybrid working arrangement has had a positive impact on employees, with remote working increasing adaptation to digital and remote working culture without risking productivity.



## FY2022 Employee Engagement Events



### myHEALTHCARE Program

Velesto sponsored Executive Medical Examination ("EME") 2022 health screenings for eligible executive employees as a standard precaution to support the detection of any medical conditions early and improve employees' health.

### Virtual QHSE Week 2022

Velesto Energy Berhad conducted a Virtual QHSE Week in 2022 to enhance the health, safety, environmental, and quality culture among its employees. The week-long event provided a platform for employees to participate in various interactive activities and virtual segments, including webinars, quizzes, and games, aimed at promoting awareness and compliance with the company's QHSE policies and procedures. The Virtual QHSE Week also served as a forum for employees to share their QHSE-related experiences and best practices, reinforcing Velesto's commitment to maintaining a safe and sustainable work environment.

### Career Fairs

In FY2022, Velesto held several career fairs to attract and recruit talented individuals who were seeking a challenging and rewarding career in the oil and gas industry.

These career fairs provided an opportunity for job seekers to learn more about Velesto's operations, work culture, and career prospects. They also enabled Velesto to showcase the various career paths available within the company. The career fairs were well received by participants, with many expressing interest in pursuing career opportunities with Velesto.

### Blood Donation Drive

Velesto organised a successful blood donation drive in 2022 as part of the Group's corporate social responsibility initiatives. The event was held in collaboration with the National Blood Centre of Malaysia and aimed to raise awareness of the importance of blood donation. Many Velesto employees and their families participated in the event, which helped to contribute to the national blood bank and save lives in need.

### Basic Occupational First Aid ("BOFA"), CPR & AED Training

Velesto places high importance on the health and safety of its employees. As part of its commitment to providing a safe work environment, the company organised a Basic Occupational First Aid ("BOFA"), CPR & AED training in 2022.

The training program aimed to equip employees with essential first aid skills to respond to medical emergencies in the workplace. It also covered CPR and AED training to ensure that employees are prepared to respond effectively in the event of a cardiac emergency.



**OCCUPATIONAL SAFETY AND HEALTH**

In Veleso, maintaining an excellent Occupational Safety and Health ("OSH") track record is crucial for the Group's license to operate, particularly as a service provider in the oil and gas sector where an impeccable OSH track record is a prerequisite to bid for jobs.

Aside from job prospects, OSH incident could also significantly disrupt business operations, impact revenues and require rectification costs. Strong OSH management system can reduce compliance costs and mitigate risks, translating into higher productivity, increased employee morale, stronger brand reputation, enhanced competitiveness in contract bidding, faster project completion, and reduced equipment replacement costs.

More importantly, any injury or fatality resulting from poor OSH practices would be a tragedy that affects the well-being of our employees, their families and also society. Veleso believes that everyone has the right to work in a safe and secure environment, and we are committed to providing a safe and conducive workplace for employees to produce their best quality work and go home to their families and loved ones without any injury.

**MANAGEMENT'S APPROACH TO OSH**

Veleso utilises globally recognised best practices such as ISO 9001:2015, ISO 14001:2015, ISO /TS29001:2020, and ISO 45001:2018 (migrated from OHSAS 18001:2007) as the foundation for its QHSE management approach. The Group has created a comprehensive OSH Policy that meets current regulatory requirements and aims to achieve operational excellence in OSH and the safest possible working conditions for employees and workers. The OSH policy applies to all of the Group's business activities and premises, all employees and stakeholder including third-party contractors, and is in compliance with Malaysia's Occupational Safety and Health Act 1994.

To further enhance its OSH management approach, Veleso has implemented a Group-wide Integrated Management System ("IMS"), which encompasses risk management, emergency preparedness, process safety and environmental performance as part of the Group's structured approach to OSH.



**BOARD AND SENIOR MANAGEMENT'S OVERSIGHT ON OSH**

Veleso has established a dedicated OSH Committee that comprises management and employee representatives to ensure effective oversight. Veleso's President, is the primary champion for Health, Safety and Environment ("HSE"). He chairs the OSH Committee and is supported by the Board as well as Senior Management.

The Board and the BRMC discuss Quality, Health, Safety and Environment ("QHSE") matters during full Board and quarterly meetings, respectively. The Quality Department manages the Quality performance, while the HSE Division and HSE Committee monitor and enhance the overall HSE performance for all business operations.

Veleso's HSE Division conducts monthly HSE Operations Meetings to update and monitor any HSE issues. The meeting is chaired by the Chief Operating Officer and attended by the respective Rig Managers, HSE Head, and HSE Manager to discuss and highlight any HSE incidents and lessons learned.

The Sustainability governance structure also plays a significant role in driving oversight and bringing key risks and trends to the Board's attention.

**EMPLOYEE REPRESENTATION ON HSE COMMITTEE**

The HSE Committee meets quarterly and comprises representatives from Management and employees, both from the Operations and Corporate Divisions.

Veleso ensures that its employees have a direct role in determining their work conditions by maintaining formal joint management and employee health and safety committees. This approach enables employees who work in frontline operations and are more exposed to QHSE risks to actively participate and share their feedback, concerns, and suggestions with management. This two-way engagement allows employees to take responsibility for their working environment, guided by established systems, processes, and procedures.

The committees are empowered to implement necessary QHSE measures to ensure a safe working environment. In addition, Veleso conducts monthly HSE Operations Meetings to address prevailing HSE issues promptly and facilitate immediate rectification.

Veleso retained 100% employee representation on its HSE Committee in FY2022.



**MAINTAINING ASSET INTEGRITY**

Velesto ensures asset integrity through regular maintenance based on industry recommended practices such as API and OEM references. The system undergoes periodic reviews by independent consultants and clients to ensure its continued effectiveness.

The company places immense emphasis on enhancing its asset management guidelines, asset-tagging systems, and the planning of Special Periodical Survey Projects. Velesto also prioritises educating its staff on the critical role of asset management in preventing major OSH incidents.

**IMS INTERNAL AUDIT & INTERNAL AUDITOR TRAINING**

Velesto conducts an annual internal audit of its facilities in accordance with IMS requirements. In FY2022, audits were carried out at the following locations:

DATE	ASSET / OPERATIONAL SITE
17 - 18 February	Rig NAGA 6
21 - 25 February	Rig NAGA 4
23 - 24 March	KSB
31 - 31 March	ASB
25 July - 16 September	KL Office
28 September - 2 October	Rig NAGA 8

To ensure the quality of these audits, Velesto regularly sends staff for training. The training sessions were designed to provide a thorough understanding of IMS standards and their application during the audit process.

**IDENTIFICATION OF RISKS AND RELATED ACTION PLANS**

Velesto maintains a vigilant approach in identifying potential QHSE risks across all its worksites and value chain. This includes occupational activities that are susceptible to high incidence or risk of QHSE incidents. The assessments not only consider the impact on productivity and work operations but also the health and safety of employees, and cover a range of potential risks, such as exposure to chemical health risks, noise pollution, near miss incidents, potential hazards, and more. Once identified, appropriate action plans are developed and implemented to mitigate and prevent potential incidents from occurring.

OSH risk assessments are carried out on all potential new projects and operations prior to commencement, and is reassessed on existing operations as and when necessary, for example, in the event of weather changes, process changes, or incident identification or report.

**HAZARD IDENTIFICATION, RISK ASSESSMENT AND RISK CONTROL**

Velesto considers Hazard Identification, Risk Assessment and Risk Control ("HIRARC") as a critical component of its commitment to maintaining excellent OSH performance. The HIRARC system allows for the identification, analysis, and mitigation of hazards and risks through the implementation of suitable control measures. In FY2022 the HSE Committee discussed and addressed the following significant HSE issues.

- Emphasised on the importance of identifying the root cause of incidences, even for minor incidents, as it could lead to a major incident.
- Reinforced the message that learning from HSE incidences is very crucial to avoid a repeat in the future.
- Reminder for everyone to stay alert and vigilant as the numbers of activities increase and most of the rigs are currently operating.
- Importance of making the crew feel comfortable to stop the work at any point if they feel the situation is unsafe and to raise any concern on any safety-related issues.

**STOP WORK POLICY**

Velesto has put in place a Stop Work Policy to empower employees to prioritise safe work practices. The procedure outlines when and how an employee can halt work in the face of a potentially unsafe situation, allowing them to take charge of their personal safety and that of the work environment. This also enables a prompt response to prevent escalation of potentially catastrophic OSH incidents.

A total of 20,515 Time Out For Safety ("TOFS") stop-work orders were issued in FY2022.

**HSE INCIDENT INVESTIGATION**

Velesto follows a strict protocol of reporting HSE incidents to Management within 24 hours. A Root Cause Analysis is immediately initiated to identify the underlying factors contributing to the incident. All incidents, no matter how minor or non-disruptive to business operations, are thoroughly investigated and reported to the respective authorities.

The investigation is conducted in accordance with the Velesto Investigation Management System Procedure, utilising incident investigation software such as Tripod Beta and Systematic Cost Analysis Technique. These tools enable the investigation team to rigorously track down the causation path, identify weak points in current safety measures, develop barrier-based improvement plans and provide immediate visibility of the incidents.

To prevent a reoccurrence, key insights from the incident are shared with all relevant teams and employees through a lesson learned approach. All root causes are logged into Velesto's Incident Management database for review and action tracking.





**OCCUPATIONAL SAFETY AND HEALTH**

**EMERGENCY RESPONSE & CRISIS PREPAREDNESS**

The Group has established an Emergency Control Centre (“ECC”) at its Plaza Sentral location and regularly conducts mock simulations to ensure preparedness for any major business disruptions.

Other emergency measures include the development of an Emergency Response Plan (“ERP”) for all Veleso facilities, the establishment of an Emergency Response Team (“ERT”) to swiftly mitigate emergencies, weekly emergency drills on rigs, and annual fire drills on other facilities.

<b>HSE PERFORMANCE</b>			
<b>Years</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Total manhours worked (Average overall total number of days worked by workers)</b>	2,308,792	1,839,629	2,002,687
<b>Fatalities</b>	0	0	0
<b>No. of work-related fatalities (as per Bursa's requirement)</b>	0	0	0
<b>No. of recordable work-related injuries</b>	0	2	1
<b>Total no. of lost days</b>	0	7	7
<b>No. of LTIs</b>	0	1	1
<b>*Unsafe Act Unsafe Condition ("UAUC")</b>	49,047	44,953	40,773
<b>Occupational diseases rate</b>	0.00	0.00	0.00
<b>**Absenteeism rate - days</b>	0.00%	0.05%	0.05%
<b>**Absenteeism rate - headcount</b>	0.00%	0.10%	0.10%
<b>Injury Rate (including fatalities)</b>	0.00	1.09	0.50
<b>Rate of high-consequence work-related injuries</b>	0.00	0.00	0.00
<b>Lost Day Rate</b>	0.00	1.92%	1.92%
<b>Fatality Rate</b>	0.00	0.00	0.00
<b>Lost Time Incident Rate ("LTI") (as per Bursa's requirement)</b>	0.00	0.54	0.50

The following discloses Veleso’s key HSE performance achievements against our set annual targets.

<b>HSE PERFORMANCE BY COMPANY AND CONTRACTOR</b>										
	<b>FAT</b>	<b>LTIF</b>	<b>TRCF</b>	<b>LTI</b>	<b>MTC</b>	<b>RWC</b>	<b>FAC</b>	<b>ENV</b>	<b>PS</b>	<b>NM</b>
<b>Veleso</b>										
2020	0	0.00	0.00	0	0	0	2	0	0	14
2021	0	0.54	1.09	1	0	1	3	1	0	4
2022	0	0.00	0.00	0	0	0	3	0	0	26
<b>Contractor</b>										
2020	0	0.00	0.00	0	0	0	0	0	0	0
2021	0	0.00	0.00	0	0	0	1	0	1	1
2022	0	0.50	0.50	1	0	0	0	0	0	0

<b>FAT</b>	Fatalities	<b>TRCF</b>	Total Recordable Case Frequency	<b>MTC</b>	Medical Treatment Case	<b>FAC</b>	First Aid Case	<b>PS</b>	Process Safety
<b>LTIF</b>	Lost Time Injury Frequency	<b>LTI</b>	Lost Time Injury	<b>RWC</b>	Restricted Work Case	<b>ENV</b>	Environment	<b>NM</b>	Near Miss

<b>Annual HSE Target</b>	<b>FY2022 Performance</b>	
<b>Zero fatalities</b>	Zero fatalities	Achieved
<b>Zero LTI</b>	1 LTI	Not Achieved
<b>TRCF below 1.0 TRCF rate</b>	TRCF rate 0.51	Achieved

These data have been verified by DNV-GL during both the surveillance audit and recertification audit, and by Veleso’s respective clients, MSOSH, DOSH, KKM and the DOE where applicable.



For HSE incidents reported in FY2022, there was an upward trend of Near Miss cases followed by Property Damage Incidents. Despite recording zero LTI of our employees, we acknowledged 1 LTI of our contractor within our operations. Investigation revealed that the significant immediate direct causes of the accident were due to failure to identify hazards and assess risks, contributed by a lack of knowledge and inadequate leadership and supervision. In response to this accident, control measures have been implemented to provide regular refresher and awareness training to offshore crew on hazard identification and risk assessment, and by emphasising Behavioural In Focus ("BIF") to improve hazard identification and risk assessment processes. A total of 9 lessons learnt have been issued to the fleet including the clients and service partners.

The Group has also made significant progress on the implementation of identified HSE improvement plans and initiatives, as outlined below:

No	Element	Progress (as at FY2022)
1	<b>Promote Healthy, Injury Free and Environment Friendly Workplace</b>	100%
2	<b>Visibility and leadership amongst top management</b>	100%
3	<b>Addressing prevailing HSE issues within operations</b>	100%
4	<b>Compliance Assessment</b>	100%
5	<b>Incident Prevention</b>	100%
6	<b>HSE Management System Review</b> - IMS Certification External Audit completed in December 2022	100%
7	<b>HSE Communication</b> - QHSE & Operations Excellence Conference	100%
8	<b>Emergency Preparedness and Crisis Management</b> - Emergency drill by rig	100%

### HSE COMMUNICATION AND ENGAGEMENT ACTIVITIES

Velesto continuously reinforces the importance of maintaining high levels of HSE through various communication channels and staff engagement activities. HSE is regularly included on the agenda of official communication engagements such as town hall meetings and newsletters. The following lists the HSE campaigns carried out by the Group in FY2022.

#### HSE campaigns:

- Virtual QHSE Week 2022
- Virtual Management HSE Engagement 2022
- Quarterly HSE Campaign
- Mental Health Campaign
- Monsoon Campaign 2022
- Behavioural In Focus ("BIF") Campaign
- Virtual QHSE Advisor & Medic Engagement

### HSE ALERT

To communicate and implement the lessons learned, Velesto has an ongoing initiative called HSE Alert. In FY2022, 17 HSE Alerts were registered in the Velesto Safety and Maintenance Action Tracking ("SMAT") System. Once received, the OIM/Rig Superintendent/Project Manager or their representative ensures that the HSE Alert is distributed to all line supervisors for discussion 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. The HSE Alert is retained on the HSE bulletin board for a minimum of two months and compiled at the worksite by the HSE Advisor. To ensure clear communications to our diverse workforce on site, HSE Alerts are translated into multiple languages.

### EMPLOYEE SAFETY TRAINING

In FY2022, Velesto provided a range of OSH training to employees, covering various topics such:

- Authorised Entrant & Standby Person For Confined Space ("AESP")
- Bosiet With CA-EBS
- Lifting & Rigging Training
- Lifting And Rigging
- Loss Prevention System With SSHE Induction
- OSH Train The Trainer Competency-Based Program
- Training Ert And Floor Warden For Block 1A1B With Bomba
- Scheduled Waste Training for Base
- Lifting and Rigging Training for Base

### MANAGEMENT HSE VISITS



Velesto remains committed to conducting HSE visits as a crucial aspect of its management approach to OSH. These visits are conducted by both the President and Senior Management, with the aim of reinforcing their understanding of on-ground HSE matters and demonstrating their concern for the safety and well-being of all employees, including those working offshore, to foster a strong safety culture and boost employee morale.

In 2022, a total of 47 Management HSE Visits were conducted of which were 13 President's HSE visits and 34 visits by other management.



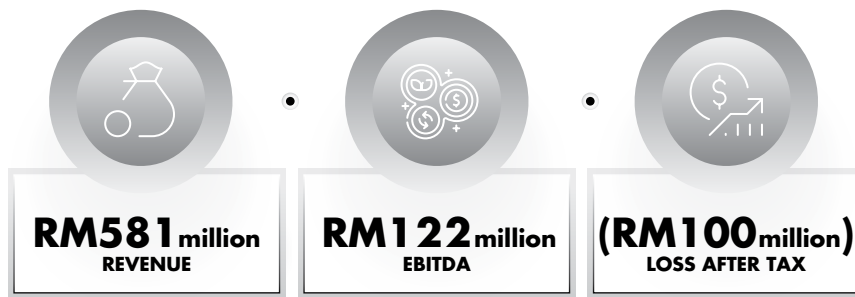
## LOCAL COMMUNITY IMPACT

As a socially responsible organisation, Velesto is committed to making a positive impact on the local communities where we operate, helping to foster socio-economic growth directly through our business activities, and by giving back to the community through targeted community-needs-focused corporate social responsibility programs.

The Group is dedicated to the proactive creation of socio-economic development opportunities for the local community and promoting education as a means of fostering a thriving and prosperous community.

### ECONOMIC VALUE DISTRIBUTION

#### FY2022 ECONOMIC VALUE GENERATED



As a public listed company, Velesto acknowledges its responsibility to generate business profits and deliver sustainable returns for its shareholders. This is balanced also by our commitment to creating shared value for all stakeholders, including the communities where we operate.

Velesto strives to distribute the economic value generated by its business in an equitable manner to its stakeholders and the community. This includes providing employment opportunities for locals, paying taxes and royalties to local governments, supporting local suppliers, and investing in local communities through various corporate social responsibility initiatives and community development programs. At the same time, Velesto is also mindful of our fiduciary responsibility on loan repayments and delivering returns on shareholders' equity, while retaining sufficient funds to sustain and grow the business in the long term.

Despite continued operational challenges, Velesto has continued to generate and distribute a wide range of economic values for its stakeholders as disclosed below:

Economic Value Distributed (RM mil)	FY2021	FY2022
Total monetary value/ spend on procurement	315	593
Total payout to employees in salaries and benefits	117	142
Taxes paid to government	20	15
Repayments to financiers/ banks	547	78
Dividend returns to shareholders	0	0

Note: Community contributions are excluded as Velesto sustains socio-economic growth primarily through job creation, local enterprise value creation, and industry-related training. The social value impact of our Community Investments are disclosed on pages 89 to 90.

### INDIRECT ECONOMIC DEVELOPMENT

Velesto is dedicated to the proactive creation of economic development opportunities for the local community and promoting education as a means of fostering a thriving and prosperous community. Velesto's business operations in East and West Malaysia have recorded a significant socioeconomic impact on local communities.

The Group's operations have facilitated the development of local businesses and employment opportunities, both directly and indirectly, in all the locations where it operates. This is achieved through prioritisation of the Group's procurement from local contractors and vendors, which includes procurement of goods and services such as transportation, accommodation, logistics, and food and beverage, among others. In addition, Velesto is involved in the growth of the local infrastructure, exemplified by the creation of the Velesto-INSTEP Drilling Academy ("VIDA").

Velesto is dedicated to continuing its investment in the development of the local community holistically to support a thriving society.

### PRIORITISING LOCAL PROCUREMENT

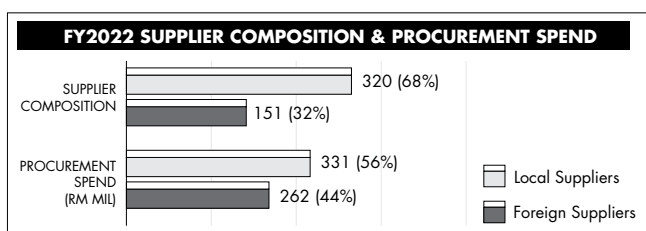
Velesto places a strong emphasis on local procurement, giving preference to local suppliers for goods and services unless there are no local options available, or if the price point, functionality and quality does not meet the Group's requirements.

The Group adopts a Local First policy for all purchases wherever possible. Local procurement has many benefits, including a reduced environmental impact due to less transportation, job creation for the local community, development of local entrepreneurs, and knowledge and skills transfer.

The policy is implemented in accordance to Velesto's supply chain management process. More details on our governance practices for supply chain can be found on page 95.







**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.

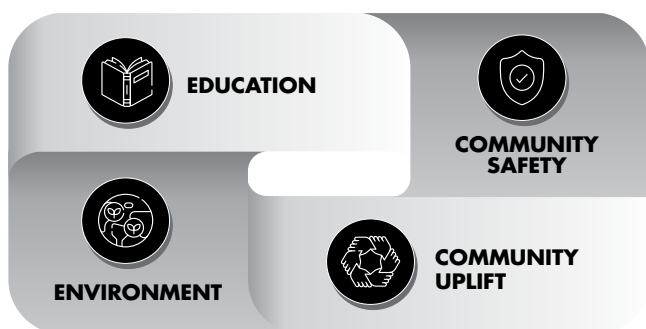
**LONG-TERMSUPPLIER PARTNERSHIP**

Focus on establishing long-term partnerships results in cost and operational efficiencies and provides assurance to suppliers.

Velesto is committed to supporting local supply chains and is an anchor partner of the PETRONAS Vendor Development Program ("VDPx"), with a focus on developing local suppliers in areas such as Topside Medic Support Services, Logistics & Forwarding Services, Offshore Catering Services, and Offshore Manpower Services based on its business requirements.

**Community Investment**

Velesto upholds its commitment to invest in local community through various community investment initiatives which focus on the key pillars of:



Throughout FY2022, Velesto organised several CSR activities and engagement programs under our SMART's Cool Program and Community Outreach program. Employees were encouraged to participate and volunteer their time and expertise to support these social initiatives. The Group keeps track of employee volunteerism time spent as a key measure of employee and community engagement.

**SMART's Cool Program**

• **Education Quality Program**

Over the next few years, the program intends to enhance the standard of education in Miri, Sarawak by implementing two initiatives in partnership with the Miri State Education Department. The focus of these initiatives is to enhance teaching techniques and provide training to teachers, enabling them to acquire the necessary skills to become proficient educators.

Principals, teachers, and certain schools were selected based on predetermined criteria as the intended beneficiaries of these initiatives. Data analysis will be used to track progress and ensure improvement in education quality. The ultimate outcome of the programme is to cultivate skilled and professional teachers while also making a positive contribution to the advancement of quality human capital in Sarawak.

Programme 1: "Sesi Motivasi dan Perkongsian Amalan Terbaik Sekolah Menengah Pengetua PPD" is a forum for sharing of best practices aimed at producing high passing rates for SPM students at the Higher Secondary Level through a best practice sharing forum.

Programme 2: "Program Peningkatan Profesionalisme Pendidikan Guru DLP Sekolah Rendah Daerah Miri 2022" seeks to enhance the proficiency of Maths and Science teachers in Miri and improve their confidence in using English to teach these subjects under the Dual Language Program ("DLP"). The program is tailored towards enhancing their expertise in these areas, recognising that a significant proportion of them are non-specialists in these subjects.

The program was conducted from August to October 2020 with 89 teachers from Miri participating. Its efficacy will be assessed by examining the Math and Science test results of the students taught by these teachers.

• **Science and Safety Awareness Program**

Velesto collaborated with PPD Miri and Science Bridge Academy to organise a Science and Safety Awareness Program for primary students at SK Tudan Jaya in Miri.

The program includes various interactive activities such as experiments and demonstrations to engage students in learning science concepts in a fun and safe environment. It also featured a session on the creation of safety helmets to promote safety awareness.

Well-received by students, teachers and parents, the program is expected to have a positive impact on students' interest in Science, Technology, Engineering, and Mathematics ("STEM") education.



**LOCAL COMMUNITY IMPACT**

**Community Outreach Program**

• **Striking a Balance in Education for All**

This Community Outreach program aims to strike a balance in having equality and equity in education, with a focus on reducing inequalities. Currently at its initial phase, the program targets schools under the category of Less Student School (Sekolah Kurang Murid) to assist them in achieving equal access towards quality education.

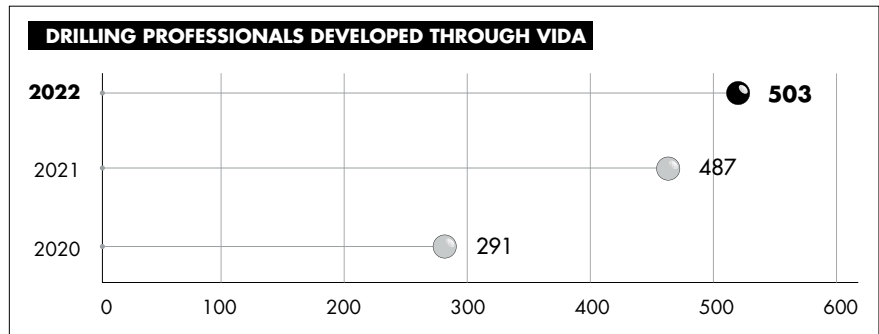
During the visit to two Less Student Schools located in remote areas in Miri, Sarawak, Velesto gained a better understanding of the challenges that this type of school faces. Among the challenges that hinder access to quality education include lack of proper infrastructure, poor road access, inadequate instructional supplies i.e. media centre, and no or poor internet access. We intend to ensure that these students are provided quality education and equitable support to achieve success, leaving no one behind.

In FY2022, Velesto also organised Coral Planting project in Perhentian Island, Terengganu. Please see page 73 for more details on that program.

**VELESTO-INSTEP DRILLING ACADEMY (“VIDA”)**



Velesto also contributes to the development of local infrastructure, as evidenced by the establishment of the Velesto-Instep Drilling Academy (“VIDA”), which has been running for 8 years. The company’s support of VIDA has enabled the development of qualified drilling professionals for the oil and gas industry, both local and foreign.



Students enrolled in the UTP MSc Drilling Engineering program can participate in courses and workshops conducted by VIDA, including the IWCF Well Control Level 4 Combined Subsea & Surface course, and the Well Construction with Land Rig Hands-On Practice, providing them a leg up in the drilling services employment opportunities to support their socio-economic mobility. VIDA also conducted Well Construction with Land Rig Hands-On Practice Workshop at Institut Teknologi Petroleum PETRONAS, Terengganu.

VIDA is a successful industry-led initiative, addressing the sustainability of talent development for the oil and gas drilling sector while contributing to the national goal of developing a highly-skilled talent pool. VIDA has started to use internal SME from the Group to deliver training at Velesto Drilling Academy and assist Velesto Drilling to close any technical gaps.

**VIDA Accreditation Highlights**

- VDA Approved IWCF Training Provider.
- VDA Approved IADC Training Provider.
- VDA Approved HRDcorp Training Provider and majority of the training programmes are HRDcorp claimable.

**Primary Training**

- Accredited (IWCF & IADC) Training – Professional Certification
- Technical Oil and Gas Training

**Additional Training**

- Competency (VDA also acts as coordinator to source for training providers to meet Group staff competencies and ensure that the training programs are completed within schedule)



**503**  
**DRILLING**  
**PROFESSIONALS**  
Trained through VIDA  
in FY2022



# GOVERNANCE MATTERS

GRI 204, 205, 206, 308, 414, 415, 418

**Good governance is essential to Veleso as it ensures the Group operates with integrity, ethical behaviour, and accountability. This is vital in maintaining the trust of our stakeholders, including clients, investors, and employees.**

At Veleso, we are committed to upholding the highest standards of corporate conduct, including anti-corruption and regulatory compliance. Our approach to risk management is guided by a strong risk and internal control framework and policies that provide clear guidance on how we identify, assess, and manage risks.

We also recognise the importance of supply chain management, which is integral to our operations, and strive to work with suppliers who share our commitment to ethical conduct and responsible business practices.

By adhering to these principles, Veleso can continue to build a culture of good governance that supports sustainable growth and strengthens our position as a leading player in the oil and gas industry.



## CORPORATE GOVERNANCE & ANTI-CORRUPTION

Corporate governance and anti-corruption policies are crucial components for ensuring the long-term success and sustainability of any organisation. At Veleso, we recognise the importance of maintaining high standards of ethical conduct and transparency in all our business dealings. The Group believes that a strong corporate governance framework, combined with effective anti-corruption measures, not only helps to ensure compliance with applicable laws and regulations, but also fosters a culture of integrity and accountability across the organisation to support the creation of long-term value for all our stakeholders.

### REINFORCING ETHICAL CONDUCT AND CORPORATE INTEGRITY

The Group has implemented a Code of Business Conduct and Ethics ("CoBE") that guides the behavior and practices of all employees, directors, and stakeholders. The CoBE promotes a culture of integrity, accountability, transparency, and professionalism across the organisation, with a particular emphasis on matters such as conflicts of interest, sexual harassment, and racial discrimination. The CoBE is reviewed and updated periodically to ensure their continued effectiveness.

Through induction sessions, periodic refresher programs, and mandatory declarations of understanding, Veleso ensures that all employees are aware of and committed to the CoBE and the company's broader approach to good governance. Third party vendors and our supply chain partners are also required to acknowledge their understanding and adherence to the Group's CoBE.

These efforts have resulted in a strong track record of compliance and ethical conduct, with no cases of non-compliance or unethical behavior reported in FY2022 through the Group's internal channels.

### ZERO TOLERANCE STANCE TO BRIBERY AND CORRUPTION

Veleso maintains a strict zero tolerance stance towards all forms of bribery and corruption across all aspects of its business operations. The Group's Anti-Bribery and Corruption Policy ("ABC Policy"), developed in accordance with Section 17A of the MACC Act, reflects this uncompromising approach and can be found on the company's website.

The policy prohibits corrupt acts within the organisation as well as in dealings with external parties, including the Board, Management or staff. It covers a wide range of behaviors that constitute bribery and corruption, such as unofficial payments, gifts, entertainment, political contributions and donations, gratifications, and charitable support.

The policy outlines the punitive actions that will be taken against anyone found to be engaged in corrupt acts, which includes fines, suspensions, dismissal, and reporting to enforcement authorities for appropriate action.



## CORPORATE GOVERNANCE & ANTI-CORRUPTION

### SAFEGUARDS TO DRIVE STRONG ANTI-CORRUPTION STANCE

Velesto has put in place several measures to prevent corrupt practices within the organisation and in its dealings with the supply chain, in support of the Group's Anti-Bribery and Corruption Policy ("ABC Policy").

#### INTERNAL AUDIT

- Internal Audit conducts regular or periodic reviews on Division/Department to ensure the effectiveness of its internal controls and processes in mitigating corruption risks

#### INTEGRITY GOVERNANCE UNIT & COMPLIANCE

- Assesses organisational Corruption Risks via Corruption Risk Management
- Promotes Integrity and inculcates anti-corruption practices
- Manages the Whistle Blowing Channel
- Established ABC Policy and Corporate Gifts, Gifts, Entertainment and Hospitality Procedure

#### SUPPLY CHAIN

- Established policy and procedures on procurement and subcontract processes
- Due diligence activities were conducted on selection and appointment of vendors
- Strict tender processes, such as multiple quotations and proposals, and evaluation criteria
- Closely monitoring existing process management and suppliers relationships
- Firmly establishing expectations with suppliers via Suppliers CoBE and Vendor Integrity Pledge ("VIP") available on Velesto's website
- Identification of high-risk supplier via the new Supplier Registration Request Form ("SREF")



### BOARD OVERSIGHT ON ANTI-CORRUPTION AND WHISTLEBLOWING

Velesto's Board and Senior Management lead by example in promoting ethical behaviour and good corporate conduct. To ensure that the organisation remains vigilant and proactive in these matters, the Board through BWBC oversees the whistleblowing mechanism and the Integrity Governance Unit & Compliance ("IGUC"), which regularly reports on matters related to anti-corruption, bribery, and ethical behaviour. Additionally, the Board reviews the ABC Policy periodically to ensure that it is up-to-date with evolving regulatory requirements.

The Board and Senior Management are actively involved in various internal communication initiatives and programs. Furthermore, the Board is responsible for reviewing and deliberating on whistleblowing reports, which are managed by the dedicated Board Whistle-Blowing Committee ("BWBC") to ensure that they are thoroughly investigated and addressed.

### INDEPENDENT INTEGRITY GOVERNANCE UNIT & COMPLIANCE

In 2020, Velesto created an independent Integrity Governance Unit & Compliance ("IGUC") that directly reports to both the BWBC and the Malaysian Anti-Corruption Commission ("MACC") in the event of any possible or actual incidents of corruption or other forms of corporate misconduct. The IGUC is administratively accountable to the President's Office.



**ANTI-CORRUPTION COMMUNICATION PROGRAMS AND ACTIVITIES**

Velesto has been consistently communicating the message of zero tolerance towards corruption and bribery through various channels such as electronic mediums, virtual townhalls, newsletters, and more. The reinforcement of iLEAP core values and the promotion of a culture of integrity and ethical behaviour are also emphasised in these communication efforts.

The Group, in supporting its commitment towards Anti-Bribery & Corruption has organized activities and programs throughout FY2022 as follows:

ACTIVITIES	REMARKS
<b>Completion of IGUC Documentation including Framework, Policies and Procedures</b>	<ul style="list-style-type: none"> <li>The following documents were established/ revised in year 2022:                             <ul style="list-style-type: none"> <li>Board Whistle-Blowing Committee Term Of Reference (Revised)</li> </ul> </li> </ul>
<b>Anti-Bribery &amp; Corruption Training 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 January 2022 – 31 December 2022</li> <li>Participants were at headquarter, supply bases and rigs</li> <li>As at December 2022, 85% of Velesto’s staff have attended the trainings</li> </ul>
<b>Anti-Bribery &amp; Corruption Training for External Stakeholders</b>	<ul style="list-style-type: none"> <li>A number of sessions of virtual and physical Anti-Bribery &amp; Corruption trainings were conducted in year 2022</li> <li>As at December 2022, 20% of Velesto Approved Vendors List attended the trainings</li> </ul>
<b>Corruption Risk Management (“CRM”)</b>	<ul style="list-style-type: none"> <li>Corruption Risk Assessment was performed on a quarterly basis</li> </ul>
<b>Velesto Energy Berhad Anti-Corruption Plan (“VACP”) 2023 -2027</b>	<ul style="list-style-type: none"> <li>The VACP was presented and approved by the BOARD on 8 September 2022.</li> </ul>
<b>National Integrity Day 2022 Talk</b>	<ul style="list-style-type: none"> <li>Topic: Bribery : The Effect and Its Consequences</li> <li>Invited speaker: Tuan Hasraff Hashim from MACC</li> <li>The event was conducted on 29 November 2022 at Malakoff Auditorium</li> </ul>
<b>IGUC e-Newsletter</b>	<ul style="list-style-type: none"> <li>The IGUC e-Newsletter is to facilitate employees to learn and understand the importance of practicing high integrity and compliance culture.</li> <li>The e-Newsletters were disseminated to all employees.                             <ul style="list-style-type: none"> <li>1<sup>st</sup> edition on 14 March 2022</li> <li>2<sup>nd</sup> edition on 29 June 2022</li> <li>3<sup>rd</sup> edition on 30 September 2022</li> <li>4<sup>th</sup> edition on 15 December 2022</li> </ul> </li> </ul>
<b>Reporting to Board Whistle- Blowing Committee (“BWBC”) (biannually)</b>	<ul style="list-style-type: none"> <li>IGUC reporting to BWBC were conducted as follows:                             <ul style="list-style-type: none"> <li>1 - 2022 – 18 February 2022</li> <li>2 - 2022 – 19 May 2022</li> <li>3 - 2022 – 24 November 2022</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 dates:                             <ul style="list-style-type: none"> <li>January – June 2022: 27 July 2022</li> <li>July – December 2022: 26 January 2023</li> </ul> </li> </ul>

**ASSESSMENT OF CORRUPTION RISKS WITHIN OUR OPERATIONS**

Velesto conducts quarterly assessments to identify corruption risks within specific departments or units of the organisation. These assessments utilise an approved risk rating matrix that considers the likelihood and impact of risk to determine varying levels of risk, including extreme, high, medium, and low.

The results of these assessment are reviewed by Integrity Governance Unit & Compliance ("IGUC") on a quarterly basis and presented to the Board Whistle-Blowing Committee ("BWBC"). Any identified risks or potential risks are closely monitored and reviewed by the IGUC through the implementation of Risk Action Plans ("RAPs"). These assessments and their findings reflect Velesto's commitment to maintaining a corruption-free workplace.

In FY2022, 100% of the organisation has been assessed for corruption-related risks. Areas of the Group’s operations at the highest risk of corruption were identified in terms of the risk of collusion with third parties through the receiving and giving of bribes that may affect the impartiality of the tender process. Risk action plans have also been developed to address these risks.





**WHISTLEBLOWING MECHANISM**

Velesto has implemented a dedicated whistleblowers mechanism in compliance with Section 7(1)(c) of the Whistleblowers Protection Act 2010 since 2020. The mechanism provides immunity to the whistleblower from any form of punitive action, intimidation or reprisal, regardless of whether the allegations are substantiated or unfounded, as long as the report was made in good faith. The identity of the whistleblower is kept confidential to avoid any concerns of recrimination or reprisals.

Reports can be submitted directly to the Head of IGUC and will be investigated by the IGUC upon verification and notification to BWBC. If the reports are found to be true, appropriate actions will be taken against the offending party, including warnings, dismissals, contract termination, or reporting to enforcement authorities such as MACC or the police.



**VELESTO WHISTLEBLOWING PROCESS**

- 1 Whistleblower**  
Makes the disclosure (report) via one of the whistleblowing channels
- 2 IGUC**  
Evaluates the disclosure and notifies BWBC
- 3 BWBC**  
Deliberates on the disclosure and decides the next course of action
- 4 Investigation Team**  
Conducts investigation and issues report
- 5 BWBC**  
Deliberates on the investigation report and decides the next course of action
- 6 IGUC/HR**  
Disciplinary proceedings/ lodge official report to authority
- 7 IGUC**  
Notifies the outcome of the investigation to the whistleblower

**POLITICAL VIEWS AND CONTRIBUTIONS**

Velesto adheres to an apolitical stance and does not align with or endorse any political parties or organisations. The Group has a clear policy against making donations to political parties.

Velesto may participate in events organised by the government or its agencies as part of charitable or nation-building efforts.

**CASCADING ANTI-CORRUPTION COMMITMENTS TO OUR SUPPLY CHAIN**

Velesto actively promotes anti-corruption efforts by providing dedicated briefing sessions to its suppliers. One of the initiatives spearheaded by the Group Procurement and the IGUC is the Velesto ABC Online Training for External Parties. The program is designed to combat corruption and to support the T.R.U.S.T principles (Guidelines on Adequate Procedures).

In addition, Velesto has conducted the following anti-corruption training sessions for vendors in FY2022:

- 4 sessions of Anti-Bribery & Corruption Awareness Trainings at Kemaman Supply Base ("KSB") on 2 and 13 October 2022, with a total of 28 vendors in attendance
- 4 sessions of Anti-Bribery & Corruption Awareness Trainings at Asian Supply Base ("ASB") on 2 and 3 November 2022, with participation from 21 vendors





**SUPPLY CHAIN MANAGEMENT**

Velesto follows a transparent process for procurement, allowing all qualified vendors to participate in bidding for contracts. Contracts are awarded based solely on merit, with the best value proposition being the determining factor, considering various aspects such as cost, quality, track record in OSH, regulatory compliance, and other relevant factors.

Velesto aims to extend its sustainability goals and values to its supply chain in order to have a greater impact on the environment and society. To be eligible for contract bidding with Velesto, suppliers must adhere to certain general principles, which include:

**RESPECT FOR LAWS AND HUMAN RIGHTS**

- Suppliers must abide by all laws.
- Suppliers resorting to forced or child/ underage labour, intimidation or harassment, threats or coercion will be disqualified and prohibited from future procurement processes.

**RESPECT FOR FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING**

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

**RESPECT FOR DIVERSITY**

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

**RESPECT FOR HEALTH AND SAFETY**

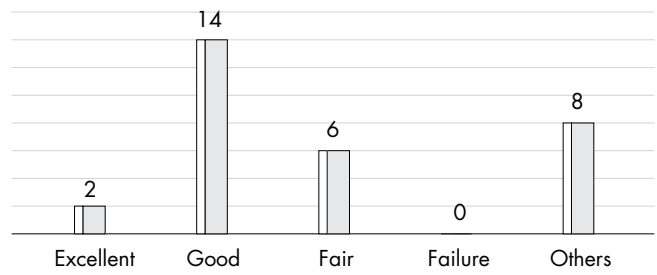
- Employees are to be at all times provided with safe working conditions and conditions that do not impact their health. Where the job or work area presents health and safety risks, workers must be at all times, provided with the necessary training, equipment and safeguards.
- Suppliers must strive for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

**RESPECT FOR THE ENVIRONMENT**

- Be committed to protecting the environment and prevent pollution.

Assessment of vendors is a critical part of Velesto's sustainability approach. The evaluation process involves assessing vendors' sustainability policies related to all types of corruption, occupational health and safety, human rights, environmental performance, and labour rights. Additionally, in 2022, a total of 30 companies were identified to undergo the Critical Supplier Audit exercise.

**CRITICAL SUPPLIERS AUDIT PERFORMANCE FOR YEAR 2022**



RATING	AUDIT SCORE
<b>A Excellent</b>	≥ 90%
<b>B Good</b>	70% - 89%
<b>C Fair</b>	50% - 69%
<b>D Failure</b>	≤ 49%
<b>Others</b>	Incomplete documents submission during audit

All tender and contract documents, as well as vendor registration documents, contain clauses that require vendors to comply with Velesto's CoBE, ABC Policy, and other policies for good environmental and social performance. Non-compliance can result in termination of services or reporting to the authorities. Suppliers who fall below the desired quality scores are given ample time to rectify any weaknesses, failing which they will be removed from the vendor procurement list.

In FY2022, there were no termination of suppliers reported for non-compliance.





“  
**Veleso is also  
COMMITTED  
TO FAIR  
COMPETITION  
AND DOES  
NOT ENGAGE  
in any anti-competitive  
behaviour or abuse  
its market position for  
undue advantage**”



## REGULATORY COMPLIANCE

Veleso recognises the importance of regulatory compliance to the sustainability of its operations as its license to operate may be impacted by various compliance issues, including corruption, pollution, modern slavery, data privacy, and more.

This includes the timely publication of the Group's financial performance on an annual and quarterly basis, corporate announcements and governance-related disclosures on its website to meet Veleso's listing requirements.

Veleso is also committed to fair competition and does not engage in any anti-competitive behaviour or abuse its market position for undue advantage. The Group strictly prohibits any form of collusion or anti-competitive actions such as price-fixing, coordinating bids, and creating market restrictions.

The Group's closely monitor changes in the regulatory landscape as part of its ESG Risk Management and Internal Control to ensure continuous compliance with all applicable laws and industry regulations (*refer to Statement on Risk Management and Internal Control page 138*).

For more details of Veleso's performance in regulatory compliance, please refer to ESG Performance Data Table on Risk Management & Regulatory Compliance page 98.



## CUSTOMER DATA PRIVACY AND PROTECTION

Veleso subscribes to the Personal Data Protection Act ("PDPA") and is committed to keeping all pertinent data safe. In this extend, Veleso has appointed data protection officer from IGUC to implement good practices for handling personal data.

Beyond adhering to the PDPA, Veleso also adopts a wide range of ICT based systems to ensure safe storage of data. This includes firewalls and other protection mechanisms. Data integrity and confidentiality is prioritised. Access to data is also carefully guarded with restricted levels of access. Transfer of files are always encrypted to ensure safety.

In FY2022, there were zero cases of data breach.





# ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2020	FY2021	FY2022
<b>Energy</b>				
Total Fuel consumption (diesel, petrol, etc.)	GJ	844,041	713,028	738,952
Total Electricity consumption	GJ	1,686	1,137	2,359
Total Energy consumption	GJ	845,727	714,165	741,311
<b>GHG Emissions</b>				
Total Scope 1 Emission (from fuel)	tonnes of CO <sub>2</sub> e	62,748	53,008	54,936
Total Scope 2 Emissions (from electricity)	tonnes of CO <sub>2</sub> e	112	181	452
Scope 3 Emissions for business travel	tonnes of CO <sub>2</sub> e			32,798
Total Scope 1 & 2 Emissions Intensity/ Operating Days	Ratio	37	48	41
Total Scope 1 & 2 Emissions Intensity/ Revenue	Ratio	115	141	95
Variance of Scope 1 & 2 Emissions Intensity/ Operating Days (Compared to previous year)	%			-15
Variance of Scope 1 & 2 Emissions Intensity/ Revenue (RM mil) (Compared to previous year)	%			-32
<b>Air Quality</b>				
CO Emissions	CO <sub>2</sub> e	62,543	52,835	52,911
NO <sub>x</sub> Emissions	CO <sub>2</sub> e	134.20	113.37	113.53
NH <sub>4</sub> Emissions	CO <sub>2</sub> e	70.90	59.89	59.89
<b>Water Consumption</b>				
Total Volume of Water Use	litres	95,246.00	77,249.00	75,556.40
Water intensity/ Operating Days	Ratio	56.59	69.59	55.8
Water intensity/ Revenue (RM mil)	Ratio	174.12	204.36	130.05
<b>Waste and Effluent</b>				
Total Waste Generated	tonnes		193.7	137.78
No. of Minor Environmental Spills	Number	0	0	0
No. of Major Environmental Spills	Number	0	1	0
<b>Biodiversity</b>				
Number of Biodiversity Assessments undertaken on new sites	Number	Based on EIA assessment by client		
Number of Biodiversity Audits undertaken on existing sites	Number	Based on EIA assessment by client		
Number of Operations within or adjacent to sites deemed rich in biodiversity (Based on RAMSAR, IUCN, etc.)	Number	0	0	0
Number of Trees Planted (Tree Planting program)	Number	0	0	0
Number of Tree Tagging Activities	Number	0	0	0



## ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2020	FY2021	FY2022
<b>Biodiversity</b>				
Budget spent on Biodiversity and conservation efforts/ programs/ initiatives	RM			45,000
<b>Risk Management &amp; Regulatory Compliance</b>				
Incident of Environmental Regulatory Non-Compliance <sup>1</sup>	Y/N			No
Incident of Social Regulatory Non-Compliance <sup>1</sup>	Y/N			No
Incident of Corporate/ Governance Non-Compliance <sup>1</sup>	Y/N			Yes
Total Incident of Corporate/ Governance Non-Compliance <sup>1</sup>	Number			5
Total Monetary Value of paid fines for Corporate/ Governance Non-Compliance <sup>1</sup>	RM '000			24
<b>Anti-Corruption</b>				
Number of employees who have received training on anti-corruption by employee category:				
- Managerial Staff	Number	13	19	13
- Executives	Number	35	43	39
- Non - Executives	Number	133	174	132
- Total	Number	181	236	184
Number of training hours relating to anti-corruption				
- Managerial Staff	Hours	26	38	26
- Executives	Hours	70	86	78
- Non - Executives	Hours	266	348	264
- Total	Number	362	472	368
Percentage of Business Partners that the organisation's Anti-corruption Policies and Procedures have been communicated to	%		13	20
Percentage of Operations Assessed for Corruption-related Risks	%	100	100	100
Confirmed Incidents of Corruption	Number	0	0	0
- Cost of Fines, Penalties or Settlements in relation to Corruption	RM	0	0	0
Total Number of Confirmed Incidents in which Employees were Dismissed or Disciplined for Corruption	Number	0	0	0
Public Legal Cases regarding Corruption brought against the Organisation or its Employees during the reporting period and the Outcomes of such cases	Number	0	0	0
Public Legal Cases regarding Corruption brought against the Organisation or its Employees during the reporting period and the Outcomes of such cases	Number	0	0	0



DISCLOSURES	UNIT OF MEASUREMENT	FY2020	FY2021	FY2022
<b>Data Privacy and Security</b>				
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
<b>Supply Chain Management</b>				
Total Procurement Spend	RM mil	174.19	315.57	593.27
Total Procurement Spend on Local Suppliers	RM mil	83.04	190.65	331.02
Total Procurement Spend on Foreign Suppliers	RM mil	53.91	124.92	262.25
Proportion of Spending on Local Suppliers	%	48	60	56
Total Number of Registered Active Vendors	Number	385	420	471
Number of Registered Local Vendors	Number	268	300	320
Number of Registered Foreign Vendors	Number	117	120	151
Percentage of Registered Local Vendors	%	70	71	68
Number of Suppliers Screened / Audited for Good ESG Performance	Number	0	0	0
Number of Suppliers Removed from Procurement List or Cautioned for Poor ESG Performance	Number	0	0	0
Percentage of Suppliers Endorsed Anti-bribery and Anti-corruption Policies	%			99
<b>Corporate Governance</b>				
Number of Board of Directors	Number	9	9	9
Number and Percentage of Independent Directors	Number (%)	5 (56%)	5 (56%)	5 (56%)
Number and Percentage of Women on the Board	Number (%)	4 (44%)	3 (33%)	4 (44%)
AGM Notice Filing Date	DD-MM-YYYY	28-05-2021	29-04-2022	28-04-2023
AGM Date	DD-MM-YYYY	28-06-2021	28-06-2022	29-05-2023
Number of Days Between the Date of Notice and Date of Meeting	Number	More than 28 days	More than 28 days	More than 28 days
Male Directors	Number (%)	5 (56%)	6 (67%)	5 (56%)
Female Directors	Number (%)	4 (44%)	3 (33%)	4 (44%)
Directors Aged 30 and below	%	0	0	0
Directors Aged 31-50	%	22	22	33
Directors Aged 51-65	%	11	22	11
Directors Aged 65 Years and Above	%	67	56	56
Malay Directors	%	89	89	67
Chinese Directors	%	11	11	22

## ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2020	FY2021	FY2022
<b>Corporate Governance</b>				
Indian Directors	%	0	0	11
Directors of Other Ethnicities	%	0	0	0
Malaysian Directors	%	100	100	100
Non - Malaysian Directors	%	0	0	0
Number/ percentage of Directors with disabilities	Number / %	0	0	0
<b>Workforce Diversity</b>				
Total Workforce	Number	632	624	722
Malaysian Employees	%	78	75	73
Non - Malaysian Employees	%	22	25	27
Permanent Employees	%	41	38	28
Employees that are Contractors or Temporary Staff	%	59	62	72
Male Managerial Staff	%	59	55	71
Female Managerial Staff	%	41	45	29
Male Executive Employees	%	66	62	49
Female Executive Employees	%	34	38	51
Male Non-Executive Employees	%	98	97	98
Female Non-Executive Employee	%	2	3	2
Managerial Staff Aged 30 and below	%	2	6	1
Managerial Staff Aged 31-50	%	77	76	71
Managerial Staff Aged 51-65	%	21	18	27
Managerial Staff Aged 65 Years and Above	%	0	0	1
Executive Employees Aged 30 and below	%	74	72	45
Executive Employees Aged 31-50	%	25	26	52
Executive Employees Aged 51-65	%	1	1	2
Executive Employees Aged 65 Years and Above	%	0	1	1
Non-Executives Aged 30 and below	%	9	8	10
Non-Executives Aged 31-50	%	64	66	64
Non-Executives Aged 51-65	%	26	25	25
Non-Executives Aged 65 Years and Above	%	1	1	1
Malay Managerial Staff	%	67	69	64
Chinese Managerial Staff	%	15	11	18



DISCLOSURES	UNIT OF MEASUREMENT	FY2020	FY2021	FY2022
<b>Workforce Diversity</b>				
Indian Managerial Staff	%	8	6	9
Managerial Staff of Other Ethnicities	%	10	13	10
Malay Executive Staff	%	91	90	86
Chinese Executive Staff	%	3	1	5
Indian Executive Staff	%	1	3	3
Executive Staff of Other Ethnicities	%	5	7	7
Malay Non-Executive Staff	%	38	33	35
Chinese Non-Executive Staff	%	4	3	9
Indian Non-Executive Staff	%	5	4	6
Non-Executive Staff of Other Ethnicities	%	52	59	50
Number/ percentage of Disabled Managerial Staff	Number/ %	0	0	0
Number/ percentage of Disabled Executive Staff	Number/ %	0	0	0
Number/ percentage of Disabled Non-executive Staff	Number/ %	0	0	0
Total Number/ percentage of Staff with Disabilities	Number/ %	0	0	0
<b>Hiring and Attrition</b>				
Total New Hires	Number	80	104	216
New Hires (Male)	%	83	68	85
New Hires (Female)	%	18	32	15
New Hires aged 30 and below	%	19	25	23
New Hires Aged 31-50	%	54	63	66
New Hires Aged 51-65	%	28	11	11
New Hires Aged 65 and above	%	0	1	0
New Hires with Disabilities, or from Underprivileged Groups	%	0	0	0
<b>Staff Training</b>				
Total Training Spend as a company	RM '000	206	46	250
Total Training Hours as a company	Number	2176	378	824
Total Training Hours for Managerial Staff	Number	1456	514.5	1321
Total Training Hours for Executive Staff	Number	2336	1235	2310
Total Training Hours for Non-Executive Staff	Number	5336	642	981
Average Training Hours Per Employee (Management Staff)	Number	12.88	4.67	9.57
Average Training Hours Per Employee (Executives)	Number	11.92	5.97	11.27



## ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2020	FY2021	FY2022
<b>Staff Training</b>				
Average Training Hours Per Employee (Non-Executives)	Number	18.15	3.36	7.32
Total Male Employees Attended Training	Number	516	271	264
Total Female Employees Attended Training	Number	193	316	287
Average Training Hours Per Employee (Male)	hrs	16.14	6.16	9.19
Average Training Hours Per Employee (Female)	hrs	10.84	4.60	9.46
<b>Employee Benefits and Remuneration</b>				
Percentage of Staff Receiving a Performance Appraisal	%	87.9	74.1	68.13
Total payments made to Employees in terms of Salaries, Bonuses and Benefits	RM mil	118	117	142
Statutory Payments made for Employees' Retirement Benefits ("EPF")	RM mil	7	7	7
Payments to SOCSO for Employees' Medical Insurance	RM mil	0.37	0.32	0.41
No. of Employees Entitled for Maternity and Paternity Leave	Number	54	67	95
No. of Employees Who Took Paternity Leave	Number	0	0	0
No. of Employees Who Took Maternity Leave	Number	0	2	5
Male Employees Return to Work Rates (return to work after parental leave period)	%	100	100	100
Female Employees Return to Work Rates (return to work after parental leave period)	%	100	100	100
Male Employees Retention Rates (remain with the organisation for 12 months or more post parental leave)	%			100
Female Employees Retention Rates (remain with the organisation for 12 months or more post parental leave)	%			100
<b>Employee Engagement</b>				
Employee Satisfaction Level	%	78	79	ESS done biennially
<b>Community Engagement</b>				
Total Amount Invested in the Community where the target Beneficiaries are External to the Listed Issuer	RM '000			95
Total Number of Beneficiaries of the Investment in Communities	Number			4 secondary schools, 3 primary schools, 89 teachers
Number of Community Engagement Activities	Number			4
Total Number of Employee Volunteer Hours	Manhours			60



DISCLOSURES	UNIT OF MEASUREMENT	FY2020	FY2021	FY2022
<b>HSE Performance</b>				
Total Manhours Worked	Hours	2,308,792	1,839,629	2,002,687
Number of Work-related Fatalities	Number	0	0	0
Employees	Number	0	0	0
Contractors	Number	0	0	0
Fatality Rate	Rate	0	0	0
No. of Recordable Work-related Injuries	Number	0	2	1
Injury Rate (including fatalities)	Rate	0.00	1.09	0.50
Total No. of Lost Days	Number	0	7	7
Lost Day Rate	%	0.00	1.92	1.92
No. of LTIs	Number	0	1	1
No. of Unsafe Act Unsafe Condition ("UAUC")	Number	49,047	44,953	40,773
Rate of High-consequence Work-related Injuries	Rate	0.00	0.00	0.00
Lost Time Incident Rate	Rate	0.00	0.54	0.50
Occupational Diseases Rate	Rate	0	0	0
Absenteeism Rate - Days	Rate	0.00	0.05	0.05
Absenteeism Rate - Headcount	Rate	0.00	0.10	0.10

<sup>1</sup> Non-compliance resulting in paid fines or penalty

*Data unavailable or undisclosed in the previous year or incompatible with reporting format*



# SR2022 CONTENT INDEX

## BURSA SR GUIDE 2022 DISCLOSURE INDEX

### COMMON INDICATORS

No.	Common Sustainability Matters	Code	Indicators	Location / Explanation
1.	Anti-corruption	C1 (a)	Percentage of employees who have received training on anticorruption by employee category	Page 98
		C1 (b)	Percentage of operations assessed for corruption-related risks	
		C1 (c)	Confirmed incidents of corruption and action taken	
2.	Community/ Society	C2 (a)	Total amount invested in the community where the target beneficiaries are external to the listed issuer	Page 102
		C2 (b)	Total number of beneficiaries of the investment in communities	
3.	Diversity	C3 (a)	Percentage of employees by gender and age group, for each employee category	Page 99-101
		C3 (b)	Percentage of directors by gender and age group	
4.	Energy management	C4 (a)	Total energy consumption	Page 70; Page 97
5.	Health and safety	C5 (a)	Number of work-related fatalities	Page 86; Page 103
		C5 (b)	Lost time incident rate	
		C5 (c)	Number of employees trained on health and safety standards	
6.	Labour practices and standards	C6(a)	Total hours of training by employee category	Page 101-102
		C6 (b)	Percentage of employees that are contractors or temporary staff	Page 100
		C6 (c)	Total number of employee turnover by employee category	Page 101
		C6 (d)	Number of substantiated complaints concerning human rights violations	N/A
7.	Supply chain management	C7 (a)	Proportion of spending on local suppliers	Page 99
8.	Data privacy and security	C8 (a)	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 99
9.	Water	C9 (a)	Total volume of water used	Page 71-72; Page 97
10.	Waste management	C10 (a)	Total waste generated, and a breakdown of the following: (i) total waste diverted from disposal (ii) total waste directed to disposal	Page 72; Page 97
11.	Emissions management	C11 (a)	Scope 1 emissions in tonnes of CO <sub>2</sub> e	Page 70-71; Page 97
		C11 (b)	Scope 2 emissions in tonnes of CO <sub>2</sub> e	
		C11 (c)	Scope 3 emissions in tonnes of CO <sub>2</sub> e (at least for the categories of business travel and employee commuting)	

### SECTOR-SPECIFIC INDICATORS: ENERGY

Sector-Specific Matters	Code	Indicators	Location / Explanation
Biodiversity	S1 (a)	Percentage of existing operations or projects assessed for biodiversity risks	Page 97
	S1 (b)	Size and location of all habitat areas protected or restored	
	S1 (c)	Total number of International Union for Conservation of Nature ("IUCN") Red List of Threatened Species and national conservation list species with habitats in areas affected by the operations of the company	
Emissions - Air Quality/Pollution	S4 (a)	Amount of air emissions of pollutants and particulate matter	Page 97
Materials	S5 (a)	Total weight or volume of materials that are used to produce and package products and services	N/A
Effluents	S8 (a)	Total volume of water (effluent) discharge over the reporting period	Page 97-98





TCFD 2021 DISCLOSURE INDEX

TCFD Recommendations	Recommended Disclosures	Location / Explanation
<p><b>Governance</b> Disclose the governance around climate-related risks and opportunities.</p>	<p>a) Board Oversight b) Management's Role</p>	<p>Veleso's Board of Directors ultimate responsibility for all ESG matters, including climate-related directives. A sustainability governance structure comprising the Board Risk Management Committee ("BRMC"), the Sustainability Management Committee ("SMC") and the Sustainability Working Group ("SWG") was established to support the Board in its oversight responsibility.</p> <p>Veleso's President is tasked with the strategic management of ESG and climate change matters, and the operationalisation of the Group's sustainability strategy as the chair of the Sustainability Management Committee ("SMC"). The SMC is composed of the Senior Management of Veleso, who assist the Board in the implementation of ESG initiatives. Their role involves translating Board directives into practical applications within business units and divisions, and evaluating the effectiveness of these initiatives at the operational level by comparing them against measurable indicators. This information will then be sent to the Board through the BRMC for their review and further deliberation.</p> <p>See Sustainability Governance Structure section on page 58-59, and Board Oversight &amp; Management's Role on Climate Change Adaptation on page 68 for more information.</p>
<p><b>Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material</p>	<p>a) Risks and Opportunities b) Impact on Organisation c) Resilience of Strategy</p>	<p>As a responsible rig operator within the fossil fuel industry, Veleso recognises the impact of our operations on climate change, as well as its risks and opportunities to our long-term sustainability during the current energy transition. As such, the Group has progressively put in place various environmental performance initiatives to support a climate-resilient business model that is conducive for long-term value creation, particularly in meeting regulatory compliance, maintenance of our asset and site accreditations, deriving cost savings from resource efficiency, and the preservation of our brand reputation and goodwill with our stakeholders.</p> <p>More information can be found in the Environmental Matters section of this report on page 67-73, and on page 42 on Addressing Weather Conditions and the Effects of Climate Change.</p> <p>The Group's Board and Senior Management takes into consideration the various climate change risks and opportunities, incorporating it in our strategic planning for all future CAPEX, particularly in terms of the Group's investments for new businesses and technological and systems adoption.</p> <p>Our Climate Change Mitigation, Adaptation and Resilience strategy, Approaches for Reducing Climate Impacts, and the Action and Allocation to Address Climate Change are detailed on page 68-69 in the Energy Consumption and Emissions section of this report. The resilience of Veleso's business model in Addressing Weather Conditions and the Effects of Climate Change can be found on page 42.</p>

TCFD Recommendations	Recommended Disclosures	Location / Explanation
<p><b>Risk Management</b> Disclose how the organisation identifies, assesses, and manages climate-related risks</p>	<p>a) Risk ID and Assessment Processes</p> <hr/> <p>b) Risk Management Processes</p> <hr/> <p>c) Integration into Overall Risk Management</p>	<p>ESG risks including climate and other environmental risks are systematically identified through the Group's Enterprise Risk Management framework for effective management. The assessment of these risks is further augmented by the Group's robust stakeholder engagement and materiality assessment processes outlined on page 62-66 of this report. The findings of these processes are presented to the BRMC for further management and incorporation into the Group's overall risk management.</p> <p>Additional information on how Velesto embeds ESG Considerations into Risk Management and the Group's Risk Mitigation and Strategies can be found on page 60-61 and page 47 respectively. The Group's overall risk management process is detailed within the Statement on Risk Management and Internal Control on page 138-145.</p>
<p><b>Metrics and Targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</p>	<p>a) Climate-Related Metrics</p> <hr/> <p>b) Scope 1, 2, 3 GHG Emissions</p> <hr/> <p>c) Climate-Related Targets</p>	<p>Velesto benchmarks the effectiveness of our climate-related risks management through performance tracking of our energy consumption metric as well as the amount of CO2 generated by its business. Scope One energy consumption (i.e fuel such as diesel, and petrol) is measured in litres while Scope Two energy consumption (i.e electricity from the national grid) is measured using kWh. These are then converted to GJ and tCO2e to derive the Group's total energy consumption and GHG emissions for disclosure. Our emissions figure is then compared against the Group's revenue in RM Million and the number of operating days to tabulate the annual emissions intensity and determine the effectiveness of our energy efficiency measures.</p> <p>Starting FY2022, Velesto has begun tracking Scope 3 emissions for business travel by air and will progressively include additional Scope 3 indicators to better track and manage the Group's emissions. Additional environmental performance metrics tracked include air quality emissions in CO2e, water consumption in litres, waste generated in tonnes, and the number of environmental spills as well as its volume in litres.</p> <p>Please refer to the Environmental Matters section on page 67-73 and the ESG Performance Data table on page 97-103 for more information.</p> <p>In FY2022, Velesto recorded the following in terms of emissions:</p> <p>Scope 1 Emissions: 54,936 tCO2e                  Scope 2 Emissions: 452 tCO2e                  Scope 3 Emissions: 32,798 tCO2e</p> <p>Total Scope 1 &amp; 2 Emissions Intensity / Operating Days: 41 tCO2e (15% reduction from FY2021)                  Total Scope 1 &amp; 2 Emissions Intensity / Revenue: 95 tCO2e (32% reduction from FY2021)</p> <p>Refer to page 97 for our 3-year emissions performance data.</p> <p>Velesto is committed to achieve a 10% reduction in emissions intensity measured by operating days, and a 30% reduction in revenue emissions intensity by 2030, from our 2021 emissions baseline. The Group also aims to achieve Zero major spills annually.</p>



## FTSE 2017 DISCLOSURE INDEX

PILLAR	CODE	THEME	DISCLOSURE
<b>Environmental</b>	EBD	Biodiversity	Marine Biodiversity on Page 73; Biodiversity Performance Data on Page 97-98.
	ECC	Climate Change	Environmental Matters on Page 67; Energy Consumption and Emissions on Page 68-71; GHG Emissions Performance Data on Page 97.
	EPR	Pollution & Resources	Pollution and Waste Management on Page 71-72; Air Quality, Waste and Effluent; Risk Management & Regulatory Compliance Performance Data on Page 97-98.
	ESC	Supply Chain (Environment)	Supply Chain Management on Page 95; Risk Management & Regulatory Compliance, Page 98 ; Supply Chain Management Performance Data on Page 98-99.
	EWT	Water Use	Pollution and Waste Management on Page 71-72; Water Consumption Performance Data on Page 97.
<b>Social</b>	SCR	Customer Responsibility	N/A
	SHS	Health & Safety	Occupational Safety and Health on Page 84-87; HSE Performance Data on Page 103
	SHR	Human Rights & Community	Labour Practices and Human Rights on Page 74-75; Talent Retention and Development on Page 76-83; Local Community Impact on Page 88-90; Corporate Governance & Anti-Corruption on Page 91-94; Community Engagement Performance Data on Page 102.
	SLS	Labour Standards	Labour Practices and Human Rights on Page 74-75; Talent Retention and Development on Page 76-83; Corporate Governance & Anti-Corruption on Page 91-94; Workforce Diversity, Hiring and Attrition, Staff Training, Employee Benefits and Remuneration and Employee Engagement Performance Data on Page 100-102.
	SSC	Supply Chain (Social)	Labour Practices and Human Rights on Page 74-75; Talent Retention and Development on Page 76-83; Supply Chain Management on Page 95; Risk Management & Regulatory Compliance and Supply Chain Management Performance Data on Page 98-99.
<b>Governance</b>	GAC	Anti-Corruption	Corporate Governance & Anti-Corruption on Page 91-94; Anti-Corruption Performance Data on Page 98.
	GCG	Corporate Governance	Sustainability Governance at Velesto on Page 58-61; Governance Body Composition Performance Data on Page 99-100; Corporate Governance Overview Statement on Page 122-137.
	GRM	Risk Management	Embedding ESG Considerations into Risk Management on Page 60-61; Regulatory Compliance on Page 96; Risk Management & Regulatory Compliance Performance Data on Page 98; Statement on Risk Management & Internal Control on Page 138-145.
	GTX	Tax Transparency	N/A

## GRI STANDARDS 2021 CONTENT INDEX

GRI STANDARD	CODE	DISCLOSURE	LOCATION	PAGE
<b>GRI 2: General Disclosures 2021</b>	2-1	Organisational details	Corporate Information	10
	2-2	Entities included in the organisation's sustainability reporting	Corporate Structure Scope, Boundary and Exclusions	11 51
	2-3	Reporting period, frequency and contact point	About This Report	51-52
	2-4	Restatements of information	N/A	
	2-5	External assurance	Data Quality and Assurance	52
	2-6	Activities, value chain and other business relationships	Our Value Chain	34-35
	2-7	Employees	Workforce Diversity Data	100
	2-8	Workers who are not employees	Workforce Diversity Data	100
	2-9	Governance structure and composition	Corporate Governance Overview Statement	122-137
	2-10	Nomination and selection of the highest governance body		
	2-11	Chair of the highest governance body		
	2-12	Role of the highest governance body in overseeing the management of impacts		
	2-13	Delegation of responsibility for managing impacts		
	2-14	Role of the highest governance body in sustainability reporting	Sustainability Governance at Veleso Governing Sustainability	58-61 133
	2-15	Conflicts of interest	Assessment of Independence Additional Compliance Information Statistics on Shareholding	128 151 223-225
	2-16	Communication of critical concerns	FY2022 Materiality Matrix	66
	2-17	Collective knowledge of the highest governance body	Board Skills Matrix Identification of Risk and Related Action Plans HSE Alert Veleso Group Top Risks Overview	129 85 87 141
	2-18	Evaluation of the performance of the highest governance body	Board Effectiveness Evaluation	130
	2-19	Remuneration policies	Remuneration Policy and Procedures & TOR BNRC at <a href="http://www.veleso.com">www.veleso.com</a>	
	2-20	Process to determine remuneration		
	2-21	Annual total compensation ratio	Directors' Benefits	154
	2-22	Statement on sustainable development strategy	SS2022 Message from the Group President	54-55
	2-23	Policy commitments	Diverse Policies for Good Governance	61
	2-24	Embedding policy commitments		
	2-25	Processes to remediate negative impacts	Grievance Mechanism Hazard Identification, Risk Assessment and Risk Control	75 85
	2-26	Mechanisms for seeking advice and raising concerns	Feedback Channel	52
	2-27	Compliance with laws and regulations	Regulatory Compliance	96
	2-28	Membership associations	Industry Association Membership and External Initiatives	65



GRI STANDARD	CODE	DISCLOSURE	LOCATION	PAGE
<b>GRI 2: General Disclosures 2021 (cont'd.)</b>	2-29	Approach to stakeholder engagement	Stakeholder Engagement	62-64
	2-30	Collective bargaining agreements	Labour Practices and Human Rights Supply Chain Management	74 95
<b>GRI 3: Material Topics 2021</b>	3-1	Process to determine material topics	Determining Materiality	66
	3-2	List of material topics		
	3-3	Management of material topics	Management of all material topics are provided in the respective topical disclosures within this report.	
<b>GRI 201: Economic Performance 2016</b>	201-1	Direct economic value generated and distributed	Local Community Impact	88
	201-2	Financial implications and other risks and opportunities due to climate change	Addressing Weather Conditions and the Effects of Climate Change Energy Consumption and Emissions	42 68-71
	201-3	Defined benefit plan obligations and other retirement plans	Competitive Remuneration and Benefits	81
	201-4	Financial assistance received from government	N/A	
<b>GRI 202: Market Presence 2016</b>	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Not disclosed	
	202-2	Proportion of senior management hired from the local community	Our Leaders	116-121
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1	Infrastructure investments and services supported	Local Community Impact	88
	203-2	Significant indirect economic impacts		
<b>GRI 204: Procurement Practices 2016</b>	204-1	Proportion of spending on local suppliers	Prioritising Local Procurement Supply Chain Management Data	88-89 99
<b>GRI 205: Anti-corruption 2016</b>	205-1	Operations assessed for risks related to corruption	Corporate Governance & Anti-Corruption	91-94
	205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption Performance Data	98
	205-3	Confirmed incidents of corruption and actions taken		
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organisation	Energy Consumption and Emissions	68-71
	302-2	Energy consumption outside of the organisation		
	302-3	Energy intensity	Energy and GHG Emissions Data	97
	302-4	Reduction of energy consumption		
	302-5	Reductions in energy requirements of products and services		
<b>GRI 303: Water and Effluents 2018</b>	303-1	Interactions with water as a shared resource	Pollution and Waste Management	71-72
	303-2	Management of water discharge-related impacts		
	303-3	Water withdrawal	Water Consumption and Waste and Effluent Data	97
	303-4	Water discharge		
	303-5	Water consumption		
<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	Marine Biodiversity Biodiversity Data	78 97-98
	304-2	Significant impacts of activities, products and services on biodiversity		

## SR2022 CONTENT INDEX

GRI STANDARD	CODE	DISCLOSURE	LOCATION	PAGE
<b>GRI 305: Emissions 2016</b>	305-1	Direct (Scope 1) GHG emissions	Energy Consumption and Emissions	68-71
	305-2	Energy indirect (Scope 2) GHG emissions		
	305-3	Other indirect (Scope 3) GHG emissions		
	305-4	GHG emissions intensity		
	305-5	Reduction of GHG emissions		
	305-6	Emissions had increased in FY2022, year-on-year.	Energy, GHG Emissions and Air Quality Data	97
	305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions		
<b>GRI 306: Waste 2020</b>	306-1	Waste generation and significant waste-related impacts	Pollution and Waste Management	71-72
	306-2	Management of significant waste-related impacts		
	306-3	Waste generated	Waste and Effluent Data	97
	306-4	Waste diverted from disposal		
	306-5	Waste directed to disposal		
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1	New suppliers that were screened using environmental criteria	Supply Chain Management	95
	308-2	Negative environmental impacts in the supply chain and actions taken		
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	Talent Retention and Development Hiring and Attrition and Employee Benefits and Remuneration Data	76-83
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		101-102
	401-3	Parental leave		
<b>GRI 402: Labor/ Management Relations 2016</b>	402-1	Minimum notice periods regarding operational changes	Minimum Notice Period	75
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1	Occupational health and safety management system	Occupational Safety and Health HSE Performance Data	84-87 103
	403-2	Hazard identification, risk assessment, and incident investigation		
	403-3	Occupational health services		
	403-4	Worker participation, consultation, and communication on occupational health and safety		
	403-5	Worker training on occupational health and safety		
	403-6	Promotion of worker health		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
	403-8	Workers covered by an occupational health and safety management system		
	403-9	Work-related injuries		
	403-10	Work-related ill health		
<b>GRI 404: Training and Education 2016</b>	404-1	Average hours of training per year per employee	Talent Retention and Development	76-83
	404-2	Programs for upgrading employee skills and transition assistance programs		
	404-3	Percentage of employees receiving regular performance and career development reviews	Staff Training Data	101-102
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	Diversity of governance bodies and employees	Commitment to Diversity and Equal Opportunity Governance Body Composition and Workforce Diversity Data	77-78
	405-2	Ratio of basic salary and remuneration of women to men		99-101



GRI STANDARD	CODE	DISCLOSURE	LOCATION	PAGE
<b>GRI 406: Non-discrimination 2016</b>	406-1	Incidents of discrimination and corrective actions taken	Labour Practices and Human Rights	74-75
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Labour Practices and Human Rights	74-75
<b>GRI 408: Child Labor 2016</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	Labour Practices and Human Rights	74-75
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Labour Practices and Human Rights	74-75
<b>GRI 413: Local Communities 2016</b>	413-1	Operations with local community engagement, impact assessments, and development programs	Local Community Impact	88
	413-2	Operations with significant actual and potential negative impacts on local communities	Community Engagement Data	102
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1	New suppliers that were screened using social criteria	Labour Practices and Human Rights	74-75
	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management Data	99
<b>GRI 415: Public Policy 2016</b>	415-1	Political contributions	Political Views and Contributions	94
<b>GRI 418: Customer Privacy 2016</b>	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Data Privacy and Protection	96
			Data Privacy and Security Data	99

## **VELESTO ENERGY BERHAD**

(Registration No. 200901035667 (878786-H))

Level 18, Block 3A, Plaza Sentral,  
Jalan Stesen Sentral 5,  
50470 Kuala Lumpur

T +603 2096 8788

F +603 2096 8733