

**BOARD RISK MANAGEMENT COMMITTEE  
TERMS OF REFERENCE**

*Approved by the Board of Directors on 8 December 2021*

**1.0 OBJECTIVES**

1.1 The Board Risk Management Committee ("**BRMC**") of Velesto Energy Berhad ("**Velesto**" or "**Company**") is responsible for reviewing Risk Management and matters pertaining to Health, Safety and Environment in detail with management and shall support the Velesto Board of Directors ("**Board**") in the review, evaluation and recommendation on matters pertaining thereto.

**2.0 SCOPE**

2.1 Velesto BRMC's scope of responsibilities, are as follows:

- (a) Reviewing possible risk factors affecting Velesto and its subsidiaries ("**Velesto Group**") and recommending measures to mitigate such risks; and
- (b) Reviewing matters in relation to Health, Safety and Environment.

**3.0 SIZE AND COMPOSITION**

3.1 The BRMC shall comprise of four (4) Directors, the majority of whom shall be Independent Directors.

3.2 The Chairman shall be elected from amongst the members of the BRMC

In the absence of the Chairman, any Non-Executive Director / member of the BRMC present, may elect someone from amongst themselves to chair the meeting.

3.3 The Company Secretary shall be the secretary to the BRMC.

**4.0 FUNCTIONS**

4.1 The BRMC functions are to review, evaluate and report to the Board on these following matters: -

4.1.1 (a) Risk Management and Internal Control Framework

- (i) To monitor the consistent enforcement of Enterprise Risk Management ("ERM") policy across Velesto Group;
- (ii) To review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators;
- (iii) To provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development;
- (iv) To provide half yearly reports to the Board on ERM;
- (v) The BRMC should determine the company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investment and the company's assets. Internal controls are important for risk management and the Board should be committed to articulating, implementing and reviewing the company's internal control framework;
- (vi) The BRMC should, in its disclosure include a discussion on sustainability strategies, priorities, targets and performance; and how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security were evaluated and the controls in place to mitigate or manage those risks. In addition, it should state if the risk management framework adopted by the company is based on an internationally recognized risk management framework.

BRMC oversees the employees' awareness and understanding of the Company's approach to sustainability, keeping them engaged on sustainability issues and support actions on sustainability for the Group; and

- (vii) The BRMC should also disclose whether it has conducted an annual review and periodic testing of the company's internal control and risk management framework. This should include any insights it has gained from the review and any changes made to its internal control and risk management framework arising from the review. Where information is commercially sensitive and may give rise to competitive risk, disclosure in general terms is acceptable.

(b) Health Safety & Environment ("HSE")

- (i) To monitor the implementation and consistent enforcement of Health, Safety & Environment ("QHSE") policies across the

Velesto Group;

- (ii) To ensure compliance with the Occupational Safety & Health Act 1994 ("OSHA"); and
  - (iii) To provide quarterly reports to the Board on HSE and any additional reports on HSE as may be required by the Board from time to time for specific reasons.
- (c) Sustainability Risks and Opportunities
- (i) Members of BRMC should have sufficient understanding and knowledge of sustainability issues that are relevant to the Group and its business, with capacity and competency to tackle questions and deliberate on sustainability, as well as evaluate the sustainability risks and opportunities to make informed decisions.

## **5.0 MEETINGS, QUORUM AND PROCEDURES**

- 5.1
- (a) The quorum for each meeting shall be at least three (3) members.
  - (b) The BRMC may invite such other senior management of the Company, including but not limited to the President, the Chief Financial Officer and Internal Auditor to attend the meeting, to provide information and clarification required on items on the agenda.
  - (c) The BRMC shall decide on its own administrative procedures to effectively discharge its responsibilities.
  - (d) A meeting of BRMC shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via Company approved mode of communication, which include tele/video conferencing and other online communication mode.
  - (e) The BRMC meeting shall be conducted separately and not be combined with the main board meeting.

## **6.0 FREQUENCY OF THE MEETING**

- 6.1 The BRMC shall meet on a need basis, subject to a minimum of once every quarter.

**7.0**      **REPORTS/MINUTES**

- 7.1      (a) Minutes are kept by the Company Secretary as evidence that the BRMC has discharged its functions.
- (b) The approved minutes of the BRMC meetings are forwarded to the Board members for information and significant issues are to be discussed at Board meetings.
- (c) The approved minutes of the BRMC shall be tabled at the next available Board meeting, for notation.

**8.0**      **CIRCULAR RESOLUTION**

- 8.1      The BRMC may consider and decide on matters by way of circular resolutions in lieu of formally convening a meeting.
- 8.2      A resolution in writing signed or approved by letter, or other written electronic communications by the majority of BRMC members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting.
- 8.3      All such resolutions shall be forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the minutes book and electronic storage. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

**9.0**      **REVIEW OF THE TERMS OF REFERENCE**

- 9.1      The BRMC shall review and assess the adequacy of this Terms of Reference on a periodic basis determined by the BRMC or as and when necessary. Any revision or amendments to the Terms of Reference shall be approved by the Board.