

**BOARD GOVERNANCE & RISK COMMITTEE
TERMS OF REFERENCE**

Approved by the Board of Directors on 9 July 2024.

1.0	<u>OBJECTIVES</u>
1.1	<p>The Board Governance & Risk Committee (“BGRC”) is established with the objective of supporting the Board of Directors (“Board”) of Velesto Energy Berhad (“VELESTO”) in the following matters:</p> <p>1.1.1 The inculcation of strong integrity culture, the promotion of good ethical practices and the highest standards of governance in VELESTO and its subsidiaries (“VELESTO Group”) and amongst the clients, vendors, suppliers, service providers and other business partners (“Other Stakeholders”);</p> <p>1.1.2 Reviewing, investigating and disposing of complaints received against any member of the Board, senior management, employees of VELESTO Group and its other stakeholders;</p> <p>1.1.3 Setting and overseeing risk management and mitigation plans and internal control framework of VELESTO Group to ascertain its adequacy and effectiveness;</p> <p>1.1.4 Reviewing matters in relation to Health, Safety and Environment; and</p> <p>1.1.5 Oversee Environmental, Social and Governance (“ESG”) related framework, strategies, priorities, targets, policies and practices of VELESTO Group.</p>
2.0	<u>FUNCTIONS AND RESPONSIBILITIES</u>
2.1	The BGRC shall exercise its functions and carry out its duties and responsibilities in accordance with the BGRC Terms of Reference (“ TOR ”).
2.2	<p>The BGRC functions are to review, evaluate and report to the Board on these following matters:</p> <p>2.2.1 <u>Integrity and Governance</u></p> <p>2.2.1.1 To review the Anti-Bribery and Anti-Corruption (“ABAC”) Policy and Whistle-Blowing Policy and recommend for approval of the Board;</p> <p>2.2.1.2 Ensure that VELESTO Group has effective procedures for the purposes of receiving, processing, identifying, investigating, reviewing, evaluating, recommending in response to complaints, reports and/ or recommendations received.</p>

	<p>2.2.1.3 To ensure that VELESTO Group's strategies and approved business plan are aligned to ABAC Policy;</p> <p>2.2.1.4 To monitor the implementation of the Integrity Governance Framework, ABAC Policy and Whistle Blowing Policy related activities;</p> <p>2.2.1.5 To periodically review the Integrity Governance Framework, ABAC Policy and Whistle Blowing Policy in response to organisation changes within VELESTO Group and changes to statutory provisions both domestically and globally applicable to the VELESTO Group;</p> <p>2.2.1.6 To ensure the Integrity, Governance Unit & Compliance ("IGUC") functions are effective and able to function independently;</p> <p>2.2.1.7 To further carry out the following functions:-</p> <ul style="list-style-type: none"> (i) To evaluate and approve the appointment and removal of the Head of IGUC; (ii) To review and approve the scope of work of IGUC; (iii) To evaluate the annual performance of the Head of IGUC; (iv) To review and approve the IGUC Charter, Annual Budget and Annual Activities Plan; (v) To ensure that the person responsible for IGUC has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively; (vi) To ensure that IGUC has sufficient resources and is able to access information to enable it to carry out its role effectively; (vii) To ensure that the personnel assigned to undertake IGUC roles have the necessary competency, experience and resources to carry out the function effectively; (viii) To review the IGUC plan, processes, the results of the assessment reviews, investigation undertaken and whether or not appropriate action is taken on the recommendations. <p>2.2.1.8 To oversee issues of corruption, fraud, malpractice and unethical conduct within VELESTO Group;</p> <p>2.2.1.9 To review the corruption risk management activities and its reports;</p> <p>2.2.1.10 Review information received and exercise reasonable oversight over the implementation of the organisation's anti-bribery management system by senior management and its effectiveness;</p> <p>2.2.1.11 Receive, review and investigate complaints obtained through the whistle-blowing mechanism including disposal of complaints received against any member of the Board,</p>
--	---

	<p>its employees and other stakeholders;</p> <p>2.2.1.12 Designate an Investigating Officer ("IO") to investigate any complaints received through the whistle-blowing mechanism;</p> <p>2.2.1.13 To authorize the IO or VELESTO's senior management to lodge reports with the relevant authorities on any employee or director of VELESTO if necessary;</p> <p>2.2.1.14 Ensuring adequate and appropriate resources are made available for the effective operation of the anti-bribery management system and whistle-blowing mechanism;</p> <p>2.2.1.15 Reviewing and approving IGUC's bi-annual report on implementation of its core functions prior submitting to the Agency's Integrity Management Division (Bahagian Pengurusan Integriti Agensi or BPIA) of MACC;</p> <p>2.2.1.16 Reviewing and approving compliance activities of VELESTO Group;</p> <p>2.2.1.17 Where required/requested for the IO to provide periodic reports to the Board; and</p> <p>2.2.1.18 Carry out such other functions as defined by the BGRC.</p>
	<p>2.2.2 <u>Risk Management and Internal Control Framework</u></p> <p>2.2.2.1 To monitor the consistent enforcement of Enterprise Risk Management ("ERM") policy across Velesto Group;</p> <p>2.2.2.2 To review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators;</p> <p>2.2.2.3 To provide guidance and advice on appropriateness of risk treatment options selected and risk action plans development;</p> <p>2.2.2.4 To provide half yearly reports to the Board on ERM;</p> <p>2.2.2.5 The BGRC should determine the company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard the VELESTO Group. Internal controls are important for risk management and the Board should be committed to articulating, implementing and reviewing the internal control framework;</p> <p>2.2.2.6 The BGRC 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</p>

	<p>framework adopted by the VELESTO Group is based on an internationally recognized risk management framework. BGRC oversees the employees' awareness and understanding of the Group's approach to sustainability, keeping them engaged on sustainability issues and support actions on sustainability for the Group; and</p> <p>2.2.2.7 The BGRC should also disclose whether it has conducted an annual review and periodic testing of the Group'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.</p> <p>2.2.2.8 BGRC together with the Board Audit Committee to jointly review and recommend for the Board's approval the annual Statement of Risk and Internal Control ("SORMIC") for inclusion in VELESTO's Annual Report.</p>
	<p>2.2.3 <u>Health Safety & Environment ("HSE")</u></p> <p>2.2.3.1 To monitor the implementation and consistent enforcement of Quality, Health Safety & Environment ("QHSE") policies across the VELESTO Group;</p> <p>2.2.3.2 To ensure compliance with the Occupational Safety & Health Act 1994 ("OSHA") and any revisions thereto; and</p> <p>2.2.3.3 To provide quarterly reports to the Board on QHSE and any additional reports on QHSE as may be required by the Board from time to time.</p>
	<p>2.2.4 <u>Sustainability Risks and Opportunities</u></p> <p>Members of BGRC 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.</p>
	<p>2.2.5 <u>Other Functions</u></p> <p>The Committee shall undertake any such other functions as may be determined by the Board from time to time.</p>
2.3	<p><u>Authority of BGRC (Integrity, Whistleblowing & Compliance)</u></p> <p>2.3.1 The BGRC shall have authority to attend or do the following:</p> <p>2.3.1.1 Carry out its duties and responsibilities as guided by the Integrity Governance Framework, ABAC Policy, Whistle Blowing Policy and other related policies and procedures of VELESTO;</p>

	<p>2.3.1.2 Seek, obtain and access any information it requires from any employee and director of VELESTO in order to perform its duties;</p> <p>2.3.1.3 Obtain external legal or, professional advice on any matter within its TOR;</p> <p>2.3.1.4 Call any employee or director to be questioned at a meeting of the BGRC as and when required; and</p> <p>2.3.1.5 Lodge reports on its own or to authorise the IO or senior management of VELESTO to lodge reports with the relevant authorities.</p> <p>2.3.2 The BGRC shall act and dispose of the investigation relating to complaints against any member of the Board of VELESTO, employees of VELESTO and its other stakeholders with the exception if the matters involve the Chairman of the Board or the President of VELESTO.</p>
3.0	<u>SIZE AND COMPOSITION</u>
3.1	<p>The composition of the Committee shall be as follows:</p> <p>3.1.1 The BGRC shall comprise of minimum of three (3) Directors. All of them must be Non-executive Directors, with the majority of whom shall be Independent Non-Executive Directors.</p> <p>3.1.2 The Chairman of the Committee shall be elected from amongst members of the BGRC.</p> <p>3.1.3 The Chairman of the Board should not be a member or Chairman of the Committee.</p>
3.2	<p>The Company Secretary shall be the secretary to the BGRC except for the Committee meetings on whistleblowing matters, which shall be managed by the Head of IGUC, who would be the secretary for BGRC on whistleblowing, integrity and compliance matters related to IGU functions.</p>
4.0	<u>MEETINGS, QUORUM AND PROCEDURES</u>
4.1	<p><u>Frequency</u> BGRC meets on quarterly basis to carry out its functions or such number of meetings as may be called at any time as and when necessary.</p>
4.2	<p><u>Quorum</u> The quorum for each meeting shall be at least three (3) members.</p>
4.3	<p><u>Meeting Mode</u></p> <p>4.3.1 A meeting of BGRC may be conducted in physical mode, tele/video conferencing and/or other online communication mode.</p> <p>4.3.2 The BGRC may invite such other senior management of the Company, including but not limited to the President, the Chief</p>

	<p>Financial Officer and Internal Auditor to attend the meeting, to provide information and clarification required on items on the agenda.</p> <p>4.3.3 The BGRC shall decide on its own administrative procedures to effectively discharge its responsibilities.</p> <p>4.3.4 The BGRC meeting shall be conducted separately and not be combined with the main board meeting.</p>
4.4	<p><u>Voting</u> All resolutions of the BGRC shall be adopted by a simple majority vote. In case of a tie, the Chairman shall have a casting vote.</p>
4.5	<p><u>Meeting Minutes</u> 4.5.1 Minutes are kept by the Secretary as evidence that the BGRC has discharged its functions.</p> <p>4.5.2 The approved minutes of the BGRC Meetings are forwarded to the Board members for information and significant issues are to be discussed at Board Meetings.</p> <p>4.5.3 The approved minutes of the BGRC shall be tabled at the next available Board Meeting, for notation.</p>
4.6	<p><u>Circular Resolution</u> 4.6.1 The BGRC may consider and decide on matters by way of circular resolutions in lieu of formally convening a meeting.</p> <p>4.6.2 A resolution in writing signed, approved by written notification, or other written electronic communications by the majority of BGRC members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting.</p> <p>4.6.3 All such resolutions shall be emailed, forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the minutes book and/or electronic storage. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.</p>
4.7	<p>4.7.1 <u>Procedure Related to Whistleblowing</u> 4.7.1.1 All complaints shall be directed to the Head of IGU. Complaints can be made via VELESTO's SharePoint @ NEST, website, direct email i.e. whistleblower@velesto.com, telephone or any electronic media, or face-to-face meeting.</p> <p>For a complaint involving the Head of IGU, the complaint shall be directed to the Chairman of the BGRC.</p> <p>4.7.1.2 A register of all complaints received shall be submitted to the BGRC on regular basis.</p>

	<p>4.7.1.3 All complaints must be either in writing duly signed (unsigned will be considered) by the whistleblower or verbally in person by the whistle-blower or in any electronic media. Where a verbal complaint is received, it shall be reduced in writing and recorded accordingly.</p> <p>4.7.1.4 The procedures on disclosure of any wrongdoing by a whistle-blower are stipulated in Whistle Blowing Procedure.</p> <p>4.7.2 <u>Other functions (IO)</u></p> <p>4.7.2.1 The IO shall maintain a record of proceedings for each and every complaint and investigation carried out.</p> <p>4.7.2.2 The IO shall prepare a report on the outcome of any investigation made in all cases, to each member of the BGRC for deliberation and decision.</p>
5.0	<u>REVIEW OF BGRC</u>
	<p>The Board must review the term of office and performance of the BGRC to determine whether the BGRC members have carried out their duties in accordance with their terms of reference.</p>
6.0	<u>THE TERMS OF REFERENCE</u>
	<p>The review and assessment of the adequacy of this TOR may be instructed by the Board on a periodic basis or as and when necessary. Any revision or amendments to the TOR shall be approved by the Board.</p>