

Anchoring Sustainability

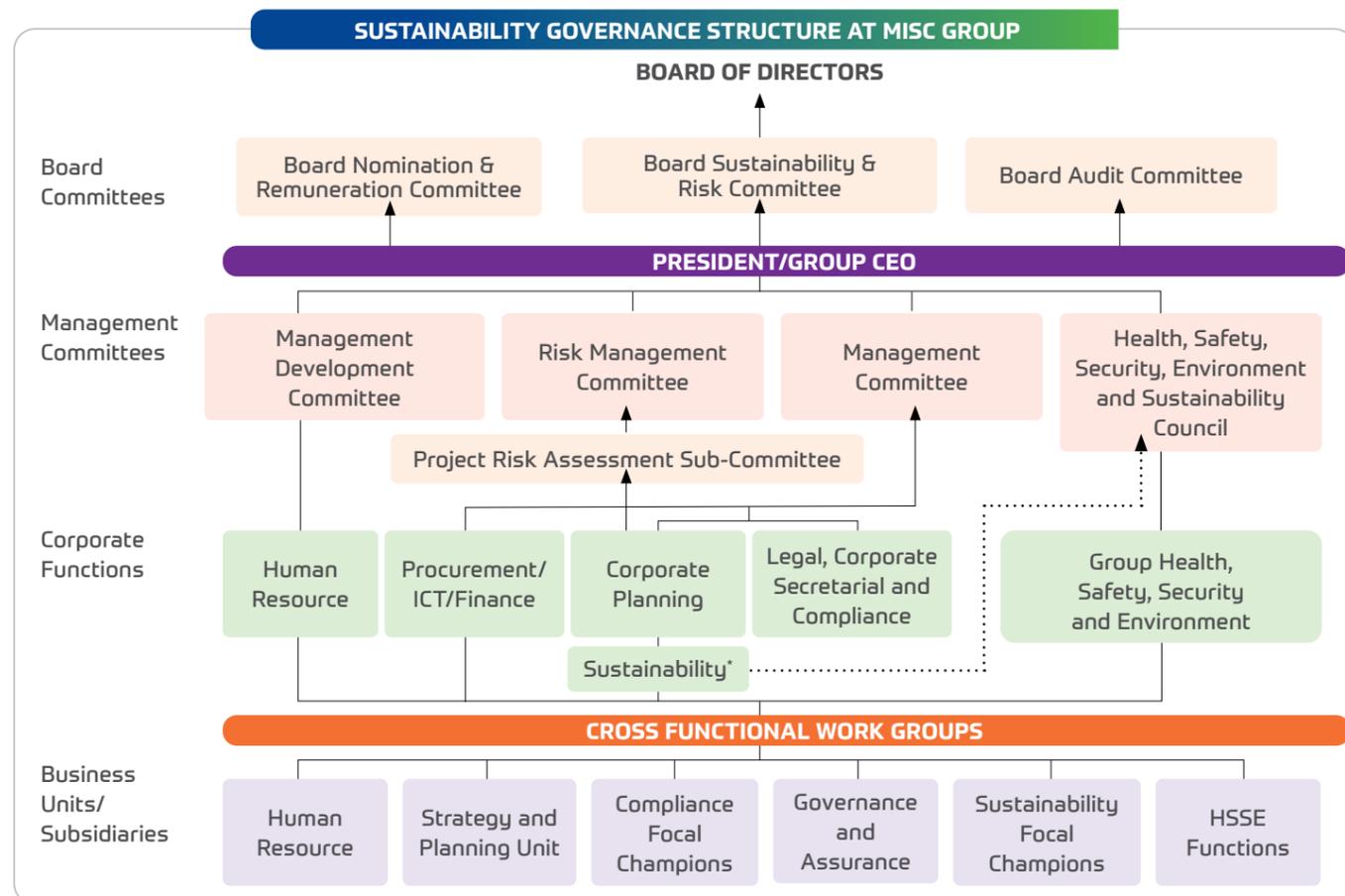
At MISC, sustainability embodies our responsibility towards environmental stewardship and dedication to meeting the needs of society. Guided by MISC’s Sustainability Strategy and our rolling business plan, which is aligned to 11 relevant SDGs, we are constantly refining our strategies with shifting customer requirements, regulatory standards and stakeholder expectations, to achieve our MISC 2050 Vision.

Throughout the year, we continued to integrate sustainability-related KPIs across our businesses, continuously monitoring progress and fostering a culture of sustainability. Our ability to adapt has been instrumental in creating value and this will continue to be critical in meeting our Net-Zero target by 2050. Anchored on our rich history and experience in the maritime industry, we remain focused on realising our business and sustainability goals, recognising this dual commitment as integral components in strengthening our resilience.

SUSTAINABILITY GOVERNANCE

Our sustainability journey relies on a robust governance framework, serving as a foundation for the execution of our Sustainability Strategy and Roadmap. This framework is not merely a corporate commitment but a catalyst for cultivating sustainable business practices and upholding high integrity in MISC. It underscores transparency, accountability and ethical conduct across all facets of our operations. By integrating ESG considerations into decision-making processes, our goal is not only to create enduring value for shareholders and stakeholders alike, but also to recognise the far-reaching impact of our decisions today on the future.

The Board of Directors retains its central role as the highest governing body, providing strategic direction and oversight for the Group’s Sustainability Strategy.



* The Sustainability department will be moved under Corporate Planning effective 1 February 2024.

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Roles and Responsibilities:

Board of Directors	<ul style="list-style-type: none"> Sets the strategic vision for sustainability and aligns goals with the company’s mission Oversees sustainability reporting and actively manages ESG risks Advocates sustainability within the organisation and the broader business communities Cultivates a culture that values responsible practices and encourages the pursuit of innovative, sustainable solutions
Board Sustainability & Risk Committee (BSRC)	<ul style="list-style-type: none"> Regularly assesses sustainability performance by rigorously evaluating metrics, targets and key performance indicators for initiative impact Drives accountability and fosters a culture of continuous improvement in sustainability practices by driving compliance with existing regulations and anticipate emerging sustainability regulations Mitigates risks and capitalise on innovation opportunities Approves budgets, investments and resources for implementing sustainable practices across the organisation
Board Audit Committee (BAC)	<ul style="list-style-type: none"> Oversees the internal control framework Reviews Group HSE Audit and Assurance Bi-Annual Reports, focusing on the efficiency and effectiveness of maintaining the Group’s vessels and floating assets Examines reports on key strategic and operational risk issues from quarterly Risk Management Committee meetings, including identifying enterprise-level risk appetite and reviewing mitigation plans
Board Nomination & Remuneration Committee (BNRC)	<ul style="list-style-type: none"> Conducts performance appraisals on the Company and President/Group CEO, covering financial, strategic initiatives, operations, people development and Health, Safety, Security, Environment and Sustainability (HSSES) Provides recommendations to the Board based on performance against the balanced scorecard for approval
Health, Safety, Security, Environment and Sustainability Council (HSSES Council)	<ul style="list-style-type: none"> Oversees all HSSES-related aspects, encompassing group-wide policy, strategy, initiatives, systems, targets, performance and management review Meets on a monthly basis and acts as the primary authority for HSSES matters
Management Development Committee (MDC)	<ul style="list-style-type: none"> Deliberates on talent performance, career development programmes, succession planning, competency assessments and other people development-related issues
Risk Management Committee (RMC)	<ul style="list-style-type: none"> Assesses significant risks and ensures the implementation of appropriate risk management plans Examines adequacy and effectiveness of controls, along with the robustness of mitigation strategies Deliberates on risk-related matters quarterly and presents findings to the Board
Group Health, Safety, Security and Environment (GHSSE)	<ul style="list-style-type: none"> Drives, coordinates and monitors progress on MISC’s sustainability strategic priorities, leveraging cross-functional working groups at the business unit and subsidiary levels Manages external sustainability disclosures and reporting Conducts group-wide sustainability materiality assessments Oversees sustainability-related stakeholder engagements Supports and advises business units and subsidiaries on implementation of sustainability strategies, monitoring performance and disclosures
Sustainability Custodians/Focal Champions	<ul style="list-style-type: none"> Ensures implementation of identified sustainability initiatives

➤ For more information, please refer to the Sustainability Governance section on pages 30 to 32 in MISC’s 2023 Sustainability Report.

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ESG RISK MANAGEMENT



Based on our Sustainability Strategy, we employ risk management processes to evaluate and fortify our resilience against the impacts of climate change. This process integrates the identification, assessment and management of climate-related risks within MISC through a comprehensive approach. It systematically identifies risks across the organisation, gathering insights from business units and functions.

Within MISC Group, climate risk evaluation is seamlessly woven into its strategic planning and business processes, aligning with the ERM framework. We ensured a Project Risk Assessment (PRA) is systematically conducted before any new capital-intensive project commences. This meticulous assessment plays a key role in identifying potential risks associated with the project, enabling the implementation of effective controls and measures to mitigate these risks.

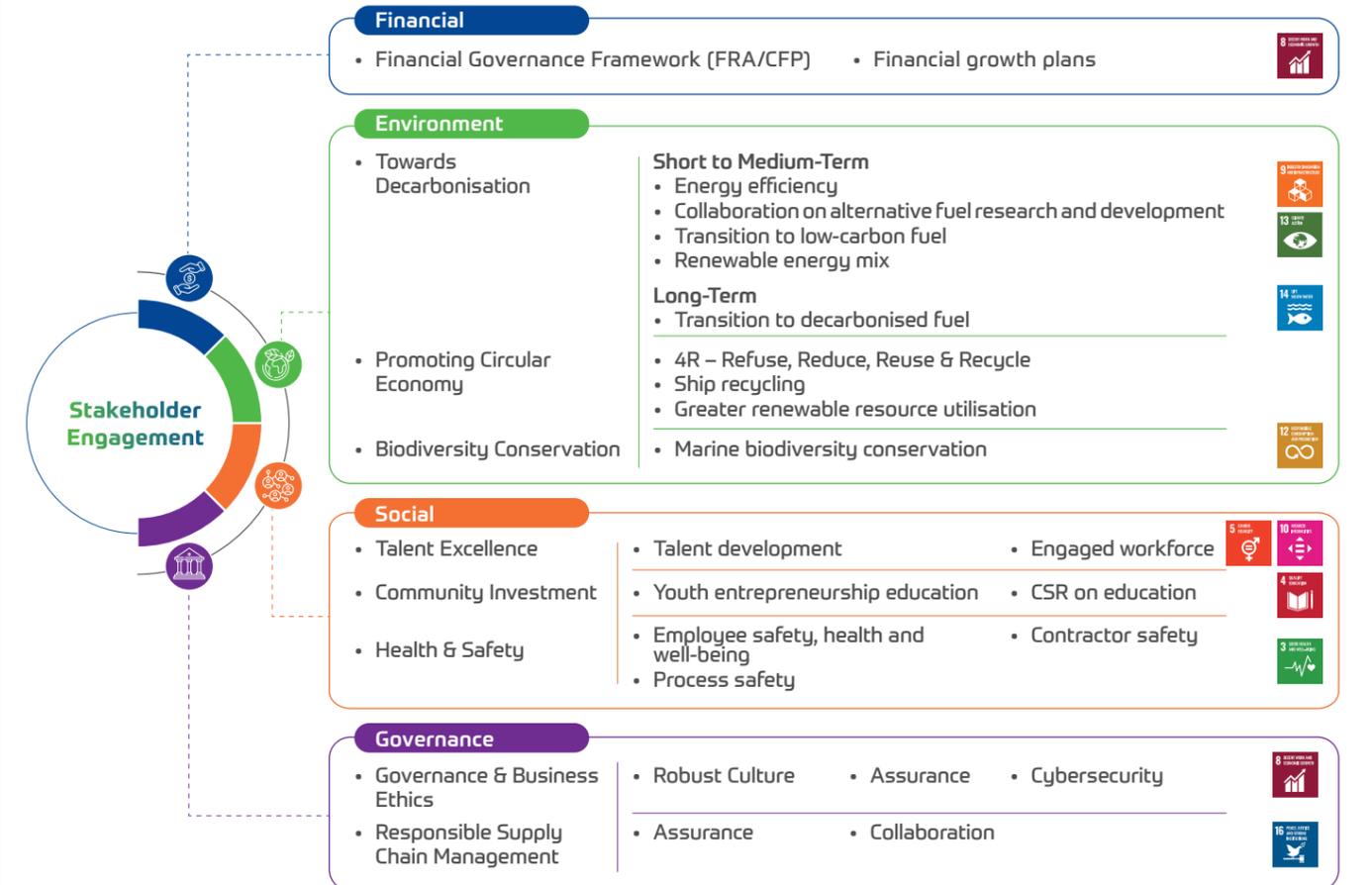


For more information, please refer to MISC's 2023 Climate-Related Financial Disclosures Report and Climate-Related Financial Disclosures section on pages 73 to 81 in MISC's 2023 Sustainability Report.

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SUSTAINABILITY STRATEGY AND ITS KEY PROGRESS IN 2023

MISC's strategy underlines the Group's focus and commitment to sustainability and climate change. We are guided by our Sustainability Strategy, which is aligned with the SDGs. Out of the 17 SDGs, MISC has prioritised 11 SDGs which are relevant to our business operations.



In driving this forward, this strategy was created based on stakeholder feedback on our material matters, in consultation with employees and senior management from across our subsidiaries and business units. This strategy addresses 10 strategic priorities which are grouped into four key pillars – Financial, Environmental, Social and Governance, underpinned by Stakeholder Engagement.

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Key Progress in 2023:

Sustainability Pillar	Achievements	Material Matter	SDGs
Financial	<ul style="list-style-type: none"> Revenue: RM14.3 billion Operating Profit: RM2.9 billion CFO*: RM6.5 billion Received delivery of two LNGCs, <i>Seri Damai</i> and <i>Seri Daya</i> for SRM Delivered two VLCC tankers powered by dual-fuel LNG engines, <i>Eagle Vellore</i> and <i>Eagle Ventura</i> to Shell. A third LNG dual-fuel VLCC was delivered in early 2024. Unveiled the design of a future ready NBFPSO unit which uses the Mega-Module topsides and incorporated sustainable technologies into the design 	Financial Performance	
Environment	<p>Towards Decarbonisation</p> <ul style="list-style-type: none"> Facilitated workshops and a panel discussion among the Castor Initiative members to discuss current regulations and guidelines, challenges and detailed concepts of the ammonia storage and fuel pre-treatment systems Achieved 24% reduction in our fleet average GHG intensity compared with 2008 Recorded 7.10 million tonnes in total GHG emissions <p>Promoting Circular Economy</p> <ul style="list-style-type: none"> Conducted four Ship Recycling Yard audits in Turkey Recycled almost 100% of hazardous waste generated from shore operations <p>Biodiversity Conservation</p> <ul style="list-style-type: none"> Surveyed 36 coral reef sites Rehabilitated three coral sites 77% turtle nest hatching success rate Conserved 1,916 turtle nests since 2020 Collected 10,011 kg of trash since 2020 	Climate Change Energy Management Ocean Health Waste Management	
Social	<p>Health and Safety</p> <ul style="list-style-type: none"> Attained a score of 4.16 in the MISC HSSE Culture Maturity Survey Achieved 28 million man-hours without LT1 for the MERO 3 Project 102,342 UCAs raised <p>Talent Excellence</p> <ul style="list-style-type: none"> Achieved 81% in PETRONAS Organisational Cultural Survey Recorded 92.6% high-performing talent retention Invested RM33.1 million in training and development programmes for seafarers Promoted two female officers to captains Accepted the first two female pilots and introduced the first female OVID Inspector <p>Community Investment</p> <ul style="list-style-type: none"> Provided cadet sponsorship for 829 students at ALAM with an investment of RM29.6 million Awarded maritime scholarships to nine new students in collaboration with Texas A&M Foundation, MaritimeONE and Newcastle University 	Health and Safety Security Talent Development and Retention Diversity and Inclusion Community Investment	
Governance	<p>Values, Assurance and Business Ethics</p> <ul style="list-style-type: none"> 40% female Board members Attained ISO 37001: 2016 Anti-Bribery Management System (ABMS) certification for ALAM Trained 2,801 employees in human rights matters Recorded zero major cybersecurity incidents and data breaches <p>Responsible Supply Chain</p> <ul style="list-style-type: none"> Rolled out the Sustainable Procurement Statement Completed supply chain ESG self-assessment for 55% of critical suppliers 	Values, Governance and Business Ethics Talent Development and Retention Digitalisation Cybersecurity Sustainable Supply Chain	

* This refers to the adjusted CFO which excludes the payment for costs relating to turnkey activities for MERO 3 Project and the one-off FSU prepayments in 2023.

➔ For more information, please refer to Our Sustainability Voyages on pages 22 to 27 in MISC's 2023 Sustainability Report

CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Over the past year, we have successfully accomplished and made significant contributions towards the our 11 prioritised SDGs.

Prioritised SDGs	Achievements and Contributions
	<ul style="list-style-type: none"> Achieved 4.16 for the MISC HSSE culture maturity survey Recorded 0.09 and 0.31 in Lost Time Injury Frequency (LTIF) and Total Recordable Case Frequency (TRCF), respectively Recorded 0.15 and 0.46 for LTIF and TRCF for contractor safety performance, respectively 1,442 employees participated in Health Passport programmes
	<ul style="list-style-type: none"> Provided RM29.6 million in cadet sponsorship for 829 students 136 companies, out of which 44 were critical suppliers attended annual CoBE training for third-parties
	<ul style="list-style-type: none"> Employed 72 females across our fleet Accepted the first two female pilots and introduced the first female OVID Inspector
	<ul style="list-style-type: none"> Structured sustainability-linked loan with KPIs aligned with GHG and governance KPIs Provided over 10,000 job opportunities to individuals from over 40 nationalities Recorded zero non-compliances related to economic sanctions, data privacy and customer data privacy
	<ul style="list-style-type: none"> As part of our transition plan to Net-Zero emissions, we initiated research on 77 technological solutions for our petroleum and gas fleet by Marine Services, where out of the 35 technologies under review, 12 are novel or new Achieved recycling rate of 99.9% for hazardous waste and non-hazardous waste stood at 3% 100% of wooden pallets generated by AET Offshore operations are reused or recycled
	<ul style="list-style-type: none"> 6,672 shore employees attended training programmes
	<ul style="list-style-type: none"> Installed SOL-X system on 72% of vessels to reduce paper consumption and increased the effectiveness of our permit-to-work tracking and disclosure
	<ul style="list-style-type: none"> Replaced 85.6% conventional lights on MHB's premises with LED lights Installed 260 solar panels at MHB's Centre of Excellence, with an estimated annual generation of 141.5 MWh of clean energy Conducted comprehensive materiality assessment for scope 3 emissions
	<ul style="list-style-type: none"> 90 employees participated in four separate Employee Participation Programmes (EPP) under the Heart of The Ocean Programme Engaged with 13 island families for community host assessment Six reef rehab structures deployed 140 participated in the MHB River Rehabilitation Programme, collecting 2,271 waste items
	<ul style="list-style-type: none"> Identified 229 potential bribery and corruption risks: <ul style="list-style-type: none"> - Developed 16 bribery and corruption risk clusters - Established 76 mitigation measures 100% of MISC Berhad's employees completed Annual Conflict Of Interest disclosure
	<ul style="list-style-type: none"> Rolled out ESG Self-Assessment Framework to 55% critical suppliers Held two sustainability sharing sessions with institutional shareholders and analysts

➔ For more information, please refer to MISC's 2023 Sustainability Report

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MEMBERSHIPS AND ASSOCIATIONS

As a leading provider of international energy-related maritime solutions and services, MISC Group is at the forefront of shaping the future of the industry. We actively participate in pivotal industry discussions, leveraging our expertise and experience to contribute innovative solutions alongside other industry leaders. Our commitment extends to fostering a deeper understanding and implementation of sustainable practices through active engagement with a diverse range of stakeholders. We are members of industry associations where we play a proactive role in various industry forums, conferences, events and partnerships.

Climate-Related Trade Associations and Principle/Charter

Principles/Charters	Description	Our Position
Call to Action	A multi-stakeholder task force by the Getting to Zero Coalition, comprising members from the entire maritime ecosystem.	Signatory to the Call to Action for shipping decarbonisation.
Carbon Disclosure Project (CDP)	A not-for-profit organisation that oversees the global disclosure system used by investors, businesses, cities, states and regions to effectively manage their environmental impacts.	Disclose our carbon management strategies, policies and procedures to CDP on an annual basis.
Getting to Zero Coalition	A partnership between the Global Maritime Forum (GMF), Friends of Ocean Action and the World Economic Forum in developing zero-emission vessels by 2030 and furthering international shipping's decarbonisation in line with the IMO's aspirations.	Collaborate with maritime partners to jointly develop an ammonia-fuelled tanker that supports the shipping industry's drive for a decarbonised future.

Other Trade Associations and Memberships

Membership	Description	Our Position
Maritime Anti-Corruption Network (MACN)	A global business network that advocates a corruption-free maritime industry, promoting fair trade for greater societal good.	Align our contributions to MACN with the SDGs, particularly Goal 16 (Peace, Justice and Strong Institutions) and 17 (Partnership for Goals).

➔ For more information, please refer to the List of Associations and Principles on page 55 in MISC's 2023 Sustainability Report.

CLIMATE-RELATED FINANCIAL DISCLOSURES

MISC's climate-related financial disclosures aim to describe the impact of climate change on our operations, outlining the strategy for mitigation and resilience.

Section	Description	Reference
Governance	<ul style="list-style-type: none"> Established an effective governance structure, led by the Board and supporting committees, to provide oversight, evaluate and manage climate-related matters and their associated risks and opportunities Disclosed the frequency of Board meetings per year to discuss and deliberate on sustainability and climate-related issues 	Sustainability Report (please refer to page 73)
Strategy	<ul style="list-style-type: none"> Ensured alignment with IMO's decarbonisation goals, targeting a 50% reduction in GHG intensity by 2030 and Net-Zero GHG emissions by 2050. This commitment extends across our value chain Established approach involving short to medium-term growth through our business plans, prioritising business demands and actively addressing climate change risks Identified Time Horizons: <ul style="list-style-type: none"> Established short, medium and long-term time horizons, aligned with regular business planning cycles, with asset lifespan and business impact evaluation taken into consideration Ensured short planning cycles mirrored industry changes, enabling prompt adaptation to evolving needs Disclosed strategic plans to manage climate-related risks and opportunities 	Sustainability Report (please refer to pages 74 to 79)
Risk Management	<ul style="list-style-type: none"> Identified nine significant climate-related physical and transition risks and opportunities based on driving forces Categorised climate-related risks and opportunities systematically, emphasising those with high importance based on their impact, significance and stakeholder interest Material risks and opportunities identified will be integrated into our strategic priorities within our business plan 	Sustainability Report (please refer to page 80)
Metrics and Targets	<ul style="list-style-type: none"> Identified performance indicators and benchmarks to manage climate-related risks and opportunities: <ul style="list-style-type: none"> Medium-term target: 50% reduction in GHG intensity (for shipping operations) by 2030 Long-term target: Net-Zero GHG emissions by 2050 	Sustainability Report (please refer to page 81)

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