

Chairman's Message

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DATUK ABU HURAIRA ABU YAZID
Chairman

Dear Stakeholders,

In 2023, MISC continued to face a vulnerable landscape with a combined threat of geopolitical conflicts, inflation, energy security and climate crisis. Geopolitical tensions disrupted supply chains and escalated costs, compounded by the rapid energy transition and lingering impacts of the pandemic. Despite these challenges, as a leader in the shipping industry, we have demonstrated our ability to adapt and lead with agility and foresight. Our approach during these uncertain times is to remain steadfast in our performance and delivery. We recognise these challenges as opportunities to emerge as an industry leader in a low-carbon economy, while ensuring that we continue to meet current energy demands. By balancing our core energy business with low-carbon ventures, we strive to forge a path towards a more resilient future, benefitting both our business and the communities we serve.

The Dynamic Landscape of 2023

This year, we navigated through a complex landscape shaped by concerns related to climate, conflict, cost and credit – each presenting MISC with unique challenges and opportunities.

The ongoing Russia-Ukraine conflict, in particular, has significantly impacted our operations by disrupting supply chains and increasing costs. Recent tensions in the Middle East which triggered the Red Sea crisis, could potentially escalate to other countries in the region and disrupt international shipping routes. These geopolitical developments are also affecting trade and economic stability. We maintained our steer to meet our stakeholders' commitment with minimal operational disruptions and stability in the face of these global challenges.

Concurrently, the climate urgency was evident in the rapid and extensive energy transition, with the maritime sector evolving in tandem. A notable enhancement this year was the establishment of emissions reduction targets by the International Maritime Organization (IMO), aiming for substantial greenhouse gas (GHG) reductions by 2030 and 2040. The global energy transition also rippled into Malaysia, exemplified by the launch of Malaysia's National Energy Transition Roadmap (NETR). At MISC, we embraced these global and national developments, shaping our GHG emissions reduction target of 50% by 2030 and pursuing Net-Zero emissions by 2050. A major milestone in our decarbonisation journey was the establishment of MISC's Internal Carbon Pricing (ICP) Framework in 2023. Although this was not mandated by regulation, the ICP Framework underscores our proactive approach to sustainability and our ambition to exceed mere compliance.

The economic implications of the operating environment, particularly those associated with the energy transition, require substantial financial commitments to decarbonise the shipping sector. Consistent with the economic and environmental forces shaping the world, MISC will be allocating a portion of our capital expenditure (CAPEX) towards clean energy solutions with the approach of balancing investments in new asset solutions while maintaining our strong credit ratings from S&P and Moody's.

Transitioning to a low-carbon industry requires collaborative efforts to drive sector-wide change. By partnering with like-minded stakeholders including financial institutions who share our aspirations to achieve a lower carbon future, we aim to build a supportive ecosystem that advances environmental objectives while ensuring the economic viability of our operations.

The MISC Group secured a Sustainability-Linked USD527 million Senior Secured Term Loan for six VLECs, marking MISC's first foray into sustainability-linked financing. This 11-year non-recourse loan was recognised as the "Sustainability-Linked Deal of the Year for Asia" by Marine Money.

Delivering Value to our Shareholders with Strong Profit Growth

Our approach to business at MISC is grounded on the principle of creating sustainable value, for our diverse stakeholders. In FY2023, MISC continued to create value for our shareholders.

We recorded a profit before tax of RM2,093.7 million (11.7% year-on-year growth). The Board declared a higher total dividend of 36 sen per share compared to 2022. We distributed a larger dividend equivalent of RM1,606.9 million to share our achievements with our shareholders.

Our Significant Achievements

We successfully delivered two dual-fuel VLCCs in 2023 and another one in early 2024. This marks a significant stride in our journey towards long-term investments in clean energy solutions and MISC's strong commitment towards our decarbonisation journey.

Another significant achievement was the FPSO *Marechal Duque de Caxias* sail away in February 2024 with no critical non-conformances and a safety record of 28 million man-hours with zero lost time injury (LTI).

These accomplishments reflect our capability to continue to execute complex projects and operate effectively towards achieving our strategic business goals.



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Driving a Sustainable Future

Testament to our value creation ability, MISC was honoured to attain the Green Ship status for our two LNGCs, *Seri Daya* and *Seri Damai*, making them the second and third vessels within the Group, following our first dual-fuel VLCC, *Eagle Valence* in 2022.

Our commitment to value creation extends beyond our operational boundaries to include the wider ecosystem of communities. Through strategic community investments such as cadet sponsorships at ALAM and other maritime education scholarships, we are dedicated to nurturing the next generation of maritime professionals. As the industry undergoes transformation, it is essential to equip a skilled workforce capable of embracing emerging challenges. In 2023, we invested RM29.6 million in cadet sponsorships for current and new students at ALAM, totalling 829 cadets. This reaffirms our commitment to cultivating the future leaders of the maritime sector.

Strong Governance & Leadership

In 2023, MISC's Board of Directors (Board) adopted a balanced and dynamic approach, building upon insights from the 2022 Board Effectiveness Evaluation (BEE). The Board rigorously challenged existing business models, assessed the future prospects of underperforming assets and actively looked at new opportunities amid the global energy transition and decarbonisation efforts.

Building on this foundation, MISC's leadership emphasised the importance of adaptability and future-proofing, particularly in response to emerging trends such as climate change and digital transformation. The Board Nomination & Remuneration Committee (BNRC) facilitated ongoing training programmes and conducted an annual skill matrix analysis to ensure our leadership team remained versatile, knowledgeable and diverse. Collaborating with external niche-industry leaders enables us to integrate specialised knowledge in areas such as cybersecurity and digital transformation into our strategy.



Moving Forward

With the development of unconventional energy sources, we see structural changes to the maritime industry scene globally. In response to these multifaceted challenges, MISC is strategically balancing our conventional business with aggressive decarbonisation efforts across our business segments. Apart from partnering with like-minded stakeholders, MISC will pursue selective investments with a balanced approach to optimise the returns of our portfolio while staying aligned with the evolving energy market.

Our efforts will be supported by the enhancement of our organisational culture and behaviour and the adoption of a broader international mindset while we continue to invest in the reskilling and upskilling of our workforce to meet the challenges of tomorrow.

Acknowledgement & Appreciation

On behalf of the Board of MISC, I would like to express our sincere appreciation to everyone who has supported us through the dynamic challenges and opportunities in 2023.

We acknowledge the valuable services of Datuk Nasarudin Md Idris and Dato' Rozalila Abdul Rahman, who retired on 1 September 2023, as well as Dato' Ab. Halim Mohyiddin and Dato' Sekhar Krishnan, who retired on 15 January 2024. Our past Independent Non-Executive Directors have made lasting contributions to our company and we are grateful for their dedication and guidance.

To our stakeholders – our dedicated employees, loyal customers, supportive vendors, committed shareholders and all partners who have stood by us – your continued trust and support have been fundamental to our progress. The path to sustainability is not a solitary pursuit but a collaborative effort, requiring the collective strength and commitment of all our stakeholders. With your continued partnership, we are confident that the years to come will be marked by growth, innovation and shared success.

Once again, thank you for your steadfast support and trust. Together, we forge ahead, committed to creating a sustainable legacy that will resonate for generations to come.

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