

SECTION 6

BUSINESS & OPERATIONAL REVIEW

90 Heavy Engineering

96 Marine

103 Plant Turnaround & Shutdown
Maintenance



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HEAVY ENGINEERING



Kasawari Gas Development Project

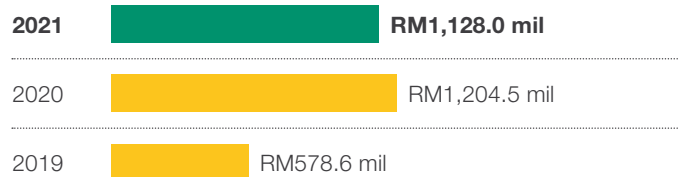
Our heavy engineering solutions, which is one of our core business segments, are where we provide fabrication services for offshore and onshore facilities which include deepwater facilities, fixed platforms, process modules and other services. We also have the capability to execute full range EPCIC services for heavy engineering construction. We have two fully equipped yards in Pasir Gudang, Johor which provide world-class facilities, MMHE West and MMHE East.

To remain a sustainable and relevant business in a rapidly evolving world, we are focused on delivering sustainable solutions with value-added services to our customers and stakeholders. Our Fit-for-Purpose Offshore Platform is one of our unique differentiators in the industry. Built to extract oil and gas resources, it provides a technically sound and economically viable solution in the development of marginal oil and gas fields in Malaysia. By offering low Capital Expenditure (CAPEX), with zero or negligible Operating Expenses (OPEX), this is a commercially viable solution which improves both business and operating efficiency. With our focused contracting strategy and state-of-the-art facilities, we have the capacity to achieve the project completion within a duration of nine months.

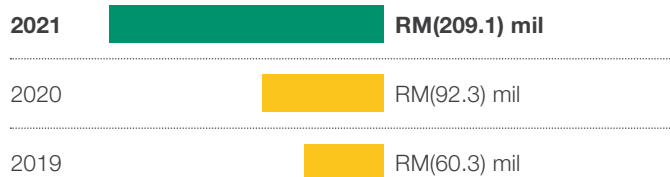
PERFORMANCE HIGHLIGHTS 2021

FINANCIAL PERFORMANCE

REVENUE
RM1,128.0
million



OPERATING PROFIT
RM(209.1)
million



Heavy Engineering

KEY HIGHLIGHTS 2021

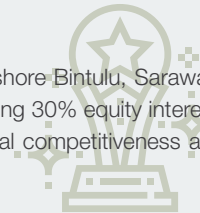
During the year, we delivered on the following key achievements, in line with our three Key Result Areas (KRA).

KRA 1 : Strengthen Core Business

Awarded the Jerun Development Project

In 2021, we were awarded with the EPCIC works for the SK408W Jerun Development Project by SapuraOMV Upstream (Sarawak) Inc. (SapuraOMV). The EPCIC contract comprises of the construction of an approximately 15,000-metric tonne (MT) topside, 10,000 MT jacket and 5,000 MT piles of Central Processing Platform (CPP). It also includes the design engineering of a 30-inch carbon steel pipeline with a length equivalent to 80 kilometres distance from the CPP to the existing E11R-B platform to co-mingle with the existing trunkline to the PETRONAS Malaysia LNG Plant in Bintulu, Sarawak.

Upon completion, the facilities will be installed in the Jerun gas field, which lies in the SK408W Block located offshore Bintulu, Sarawak. SapuraOMV is the Operator of SK408W Block, with Sarawak Shell Berhad and PETRONAS Carigali Sdn Bhd holding 30% equity interest, each. Our award of this significant project is an acknowledgement of our technical competencies and commercial competitiveness and demonstrates our capability in providing integrated and value-added solutions.



KEY INFO OF SK408W JERUN DEVELOPMENT PROJECT

TOPSIDE
 ≈ **15,000** MT

JACKET
 ≈ **10,000** MT

PILES
 ≈ **5,000** MT

PIPELINE TO E11R-B
 (Host Tie-in Platform)
30 inches X **80** kilometres

Total weight of the whole CPP is equivalent to the approximate zero-fuel weight of



77
 Airbus A380

Heavy Engineering

MAINTAINED PROGRESS ON CURRENT PROJECTS

We focused on the execution and safe delivery of ongoing projects along with implementation of key initiatives to manage and optimise operating costs. Ongoing projects in 2021 in the Heavy Engineering Segment included EPCIC works for the Kasawari Gas Development Project and EPCIC of the BEDP-A and BEDP-B WHP for Bekok Oil Project.

CONTINUED TO OBTAIN NEW PROJECTS

We boosted our order book with the award of EPCIC works for the SK408W Jerun Development Project by SapuraOMV. Both the Jerun Development Project and the Kasawari Gas Development Project will sustain MHB's recurring cash flow until 2024.

EXECUTED STRATEGIC PLANS TO EXPAND OUR MARKETS

With the aim of expanding our footprint in the Middle East region, we have identified and assessed potential partnerships with local Saudi Arabian companies for Aramco's Long-Term Agreement (LTA) contracts. We have continued to tender bids on projects which will sustain our business in the longer term. During the year, we were qualified by Qatar North Oil Company (NOC) to support DSME for the fabrication of Gallaf CPP Jacket, Piles and Bridge.

STRENGTHENED OUR BUSINESS PROPOSITION WITH PARTNERSHIPS

In 2021, we signed a Memorandum of Understanding (MoU) with KBR covering collaborations on offshore wind, onshore modular plant and offshore projects for the APAC region. Leveraging on this MoU will contribute towards our strategic plans to strengthen our core business and expand into new business areas.

KRA 2 : Develop New Business



Continued to strengthen our Offshore Windfarm venture

Our foray into the windfarm sector plays to our competitive strengths in terms of yard capacity and know-how. Offshore windfarms require the fabrication of steel structures such as transition pieces, jackets and monopiles which range between 30 to 100 numbers for a single project. Having one of the largest fabrication yards in Southeast Asia with a fabrication area of around 2,000,000 m² and an annual production capacity of 129,700 MT, MMHE possesses the space and workforce capacity required to cater to such mass production and fabrication needs.

During the year, we bore fruit from the collaborative agreement we entered

into with Smulders Projects Belgium NV (Smulders) in 2019 to fabricate and assemble works in Asia for offshore windfarm projects. We were awarded a service contract by Smulders Project Taiwan Limited to supply manpower for the Greater Changhua Windfarm Project in Taiwan. Our provision of technical expertise to a Taiwanese fabricator in the execution of the windfarm project has enabled us to gain further insights into the Taiwanese windfarm market and its requirements. Together with Smulders, we have submitted bids for windfarm projects and have pre-qualified to participate in various bids in Japan and Korea within this market.



Build on our modular structure capabilities

Towards building our capabilities and increasing our chances of winning project awards for modular structure projects, in 2021, we obtained the Canadian Standard Association (CSA) Standard W47.1 "Certification of Companies for Fusion Welding of Steel" by the Canadian Welding Bureau (CWB). We are the first Malaysian company to obtain the certification and this move has enabled us to assure our potential and existing

customers that we meet the international Canadian standard and are capable of manufacturing and welding steel structure products for onshore and offshore facilities construction for the Canadian market. Adding to that, our MoU with KBR puts us in a good place to venture into this area. We are consistently pre-qualified for international modular structure projects in USA, Canada, United Arab Emirates and Europe.

Heavy Engineering

KRA 3 : Enhance Capability



Increased our fabrication efficiency

We have invested in new technology for our welding machines and other related equipment for in-house tubular fabrication, which has increased our efficiency.



Expanding our facilities to meet greater demand

In line with our venture into offshore windfarms, we conducted and completed a feasibility study to invest in a new blasting and painting workshop.



Laid the foundations to develop full EPCIC scope of works capability

In 2021, we established our core team for front-end engineering verification, transportation and installation (T&I) and hook-up and commissioning (HUC) to support our bidding process and manage project execution for these three scopes, in line with our ambition to take on full EPCIC scope of works in the near future.

RISKS & OPPORTUNITIES

Challenges / Risks	Mitigation Strategies	Results
Inability to secure international projects	<ul style="list-style-type: none"> → Establish strategic partnerships to enhance capability as an EPCIC contractor → Set up representative office to reinforce footing in the international market 	<ul style="list-style-type: none"> → Signed MoU with technology partner → Set up an international office
Inability to resolve project complications	<ul style="list-style-type: none"> → Conducted close engagements with customers to resolve any complications arising from project execution 	<ul style="list-style-type: none"> → Negotiation still in progress

FUTURE PLANS

Bearing in mind market uncertainties, our future focus in 2022 are as follows:

Developing strategic partnerships

We will focus on developing strategic partnerships to expand our presence in international markets.

Continue to explore bids as an EPC subcontractor

We will maintain our efforts to bid for EPC scope of works as a subcontractor and where possible, to explore partnerships with the aim of being recognised as the main EPCIC contractor.

Continue to enhance our capabilities

We plan to develop our international sourcing know-how by identifying and recruiting talents with the right network, experience and knowledge that will augment our current capabilities and capacities.

Enhance and mobilise our critical core team

Having laid the foundations to develop full EPCIC scope of works capability in 2021, we will follow through with this initiative in the year ahead and focus our energy to further build our expertise in this area.

Focus on developing T&I execution and partnership strategy

In line with managing projects for T&I execution, we will focus on executing our action plan in this area by developing a core team, as well as putting into motion the partnership strategy we have developed.

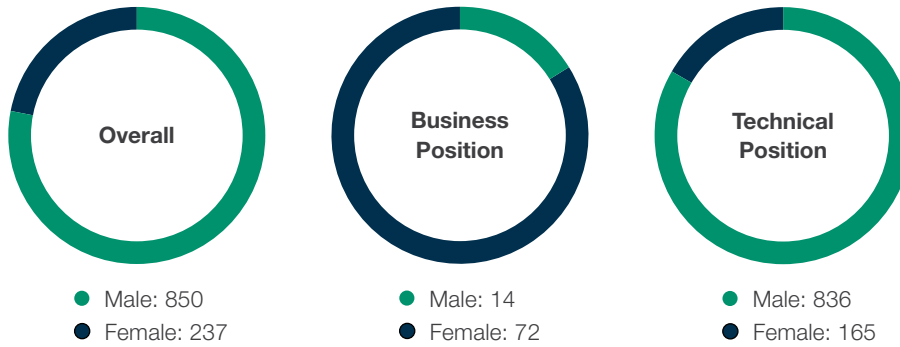
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Heavy Engineering

Increase internal and in-house capabilities

A key area of focus for the year ahead is to expand our in-house capabilities for engineering and hook-up services to reinforce our reputation as an EPCIC contractor.

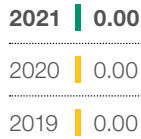
HUMAN CAPITAL



	Operations	Business	Total
Training Man-days	24,379	2,600	26,979
Training Man-days	3,482.71	371.43	3,854.14

HSE PERFORMANCE

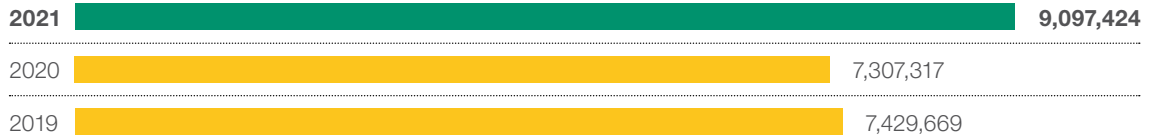
LTIF
0.00



FATALITY
0



TOTAL
MAN-DAYS
9,097,424



Heavy Engineering

PROJECT HIGHLIGHTS 2021

Successfully sailed away projects and structures

During the year, we conducted the successful sail away of the following projects and structures:



- **Kasawari Gas Development Project**

WHP jacket and topside, with both structures arriving safely offshore Sarawak for installation works

- Sailed away of WHP jacket and topside on 19 May 2021 and 24 June 2021 respectively

- Weight:

Topside	2,300 MT
Jacket	4,980 MT
Piles	1,917 MT
Total	<u>9,197 MT</u>

- Customer: PETRONAS Carigali Sdn Bhd
- Location: 200km offshore from PETRONAS LNG Complex Bintulu, Sarawak



- **Bekok Oil Project**

The WHP topsides, substructures and bridges linking each of the topsides to the existing Bekok A and Bekok B platforms respectively sailed away and safely arrived offshore Sarawak

- Sail away of Bekok-BB top sleeve, bridge, caissons and topside on 9 July 2021

- Sail away of Bekok-BB & AA conductors and piles on 29 July 2021

- Sail away of Bekok-AA top sleeve, bridge, caissons and topside on 20 August 2021

- Weight:

Topside	535 MT
Bridge	126 MT
Substructure, Pile & Conductor	3,002 MT
Total	<u>3,663 MT</u>

- Customer: PETRONAS Carigali Sdn Bhd
- Location: 200km offshore from PETRONAS LNG Complex Bintulu, Sarawak

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MARINE



A vessel berthing in Quay 2 in MMHE West, Pasir Gudang, Johor, Malaysia

Since 1976, MHB has been conducting marine repair projects and delivered more than 3,800 marine repair projects including conversions, life extensions and upgrading solutions. Our Marine Segment has delivered more than 200 LNG Carriers (LNGCs) since 2004, including 10 projects for major upgrading and life extension works.

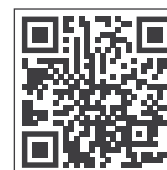
Our core services in the Marine Segment include drydocking repair, afloat repair, conversion, modification, life extension, retrofitting and other typical shipyard works for merchant vessels such as LNGCs, VLCCs, Bulkers and Container Vessels, floaters such as FPSOs, FSOs, FSRUs, FSUs and MOPU and small naval vessels. We also provide remote maintenance for LNG Floaters at offshore locations, such as cargo tank integrity tests, inspections and maintenance. Our services also cover floaters' dry docking repair, refurbishment and upgrading, jumboisation, modification and lengthening, conversion and jack-up/semi-submersible rigs repair and conversion.

MHB's three dry docks are amongst the largest dry docks in Southeast Asia, with our recently built Dry Dock No. 3 (DD3) commencing operations in December 2020. Our ability to offer conversion of offshore facilities in one location, along with the ability to repair and

refurbish various types of vessels, rigs and marine facilities within a cost competitive structure make us the Company of choice for marine docking repair and conversion works in the region.

The reputation of our Cryogenic Containment System team has given us a strong competitive advantage against industry peers, especially amongst LNGC business customers. We have dedicated Project Management Teams (PMT) for LNGC repair projects. MMHE is the only shipyard in the world that is certified by GTT France to perform tank integrity tests onboard membrane LNG carriers, where the tests are conducted by our own yard workers.

Our ability to consistently deliver according to the highest industry standards has earned us the reputation as one of the region's technically and commercially competitive shipyard, in addition of offering lower cost services compared to our competitors for non-yard services and other amenities. Our strategic location near Johor Port in the southern tip of Peninsular Malaysia makes the most of the East-West maritime trading route for commodities and energy transportation. Coupled with that is our proximity to the PETRONAS RGT Terminal in Pengerang, Johor which makes it convenient for LNGCs to undergo Gas-Up-Cooling-Down operations.

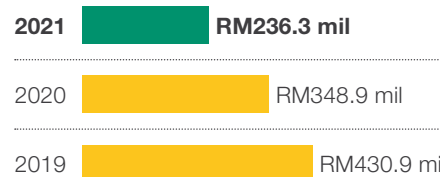


Live contact details of our Marine Repair agents worldwide
<https://mhb.com.my/worldwide-agents/>

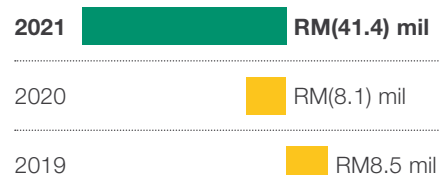
PERFORMANCE HIGHLIGHTS 2021

FINANCIAL PERFORMANCE

REVENUE
RM236.3
million



OPERATING PROFIT/(LOSS)
RM(41.4)
million



KEY HIGHLIGHTS 2021

During the year, we delivered on the following key achievements, in line with our three KRA.

KRA 1 : Strengthen Core Business



Secured seven en bloc agreements from regular customers

In 2021, we secured seven en bloc agreements from our regular customers, consisting of 26 vessels. Amongst our returning customers were Eaglestar Shipmanagement Ltd, BW Gas, Kmarin Ocean Services Corporation (Korea), Shearwater Geoservices Assets AS (Norway), Nautica Shipmanagement Sdn Bhd, KSP Towage Sdn Bhd and Kejora Resources Sdn Bhd. In the long run, these volume orders from our customers will provide sustainable returns for the Marine Segment, as well as bolster the confidence of new customers on our books.



Added new customers to our books

Throughout the course of 2021, we have served 43 new customers, comprising of 20 new domestic customers, 23 new international customers and 9 new gas-related customers from countries such as Greece, Germany, Indonesia, Japan, Korea, Thailand, Marshall Island, Norway, the UK and USA. Many of our new customers are highly reputable industry players such as Golar LNG of Norway, which is a globally acknowledged LNG transportation company known for its FLNG and FSRU LNG solutions and services. We also obtained our first ever LNGC docking repair customer from Japan, K Line Energy Ship Management Co. Ltd, for the LNGC Tangguh Palung, which included Ballast Water Management System (BWMS) installation works. K-Line is one of the top three LNG ship-owning and vessel management companies in Japan, which is one of the largest LNG shipping nations in the world. In the long-term, our ability to secure projects from high profile customers will enhance our reputation within the marine repair industry, both regionally and globally.



Focused on high value projects

As of December 2021, the largest portion of marine revenue was from the LNGC segment followed by Others segment which includes Offshore Support Vessels and Dredgers. The commencement of DD3's operations in December 2020 supplemented our existing docking facilities and has expanded our capacity to take on higher value LNGC projects. As such, we have strategically prioritised the LNGC segment for future growth, bearing in mind the energy transition and demand for cleaner energy consumption. Out of the 97 projects we completed in 2021, 15 of which were LNGC repairs and services. The expansion of our dry docking capacity gives us more flexibility to provide multiple comprehensive works on LNGCs, FPSO units, FSO units and oil rigs, which will work in our benefit once international border restrictions are eased in the future.



Increased our marketing efforts and bid participation

We undertook various marketing initiatives including digital publications in LinkedIn, Ship Repair Newsletter, Ship and Offshore Repair Journal (SORJ), Kaiji Express, TradeWinds and LNG World Shipping. Although travel restrictions hampered face-to-face engagements, we took part in virtual events and digital trade expos to market our proposition to prospective customers. We conducted virtual engagement sessions with all our exclusive and non-exclusive agents around the globe, as well as important shipowners and ship-managers.

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Marine

KRA 2 : Develop New Business



Penetrated the offshore LNG Floater maintenance services market

We secured contracts to perform LNG FSU Global Tests for FSU Tenaga Empat's containment system as well as a contract for the tank inspection and global test for PETRONAS Floating LNG1 (L) Ltd.'s floater PFLNG 1. Over time, the diversification of our business portfolio will add new revenue streams to our business.

KRA 3 : Enhance Capability



Expanded capabilities to participate in maintenance projects outside MHB yards

We have expanded our capabilities to conduct offsite maintenance projects. These included maintenance works onboard LNG FSU Lekas located at Sungai Udang, Melaka which involves various cryogenic containment system works. Another key project was the renewal of the turbo generator turbine rotor onboard the LNG Carrier Puteri Firus Satu at Bintulu anchorage. By expanding our service provision offsite, we are able to offer customers flexibility according to the needs of their vessels.



Formulated strategic plan to increase marine capacity

We completed a feasibility study on the best upgrading option to achieve dock-to-quay ratio of 1:2 to optimise our marine capacity by upgrading our berthing facilities. We plan to commence with upgrading works in 2022.



Expanded capability to undertake interdivisional works and projects through worker reskilling programme

Due to poor market conditions in 2021 which led to a reduction in the number of projects we had in hand, we re-strategised our in-house manpower deployment to use our workers across different divisions and projects. Approximately 74 Heavy Engineering Operation (HEO) sub-projects and 49 Facilities & Asset Services (FAS) maintenance works were performed by us throughout the year. This programme has expanded the skillsets of our workers.



Strengthened marine repair in-house capability for high value scope of work

In line with our focus on high value projects, we established a competent in-house team for instrumentation work to reduce dependencies on subcontractors and obtain more effective control during project execution. We also developed a partnership framework with engine makers to collaborate for machinery work. We expect the partnership model to be finalised in 2022.

Marine

RISKS & OPPORTUNITIES

Challenges / Risks	Mitigation Strategies	Results
<p>Inability to secure marine repair bids resulting in lower dock utilisation and marine business income due to:</p> <ul style="list-style-type: none"> → The Government had reimplemented movement restrictions in January 2021 in an effort to control the spread of COVID-19 in the country which impacted MHB's operational capability and led to disruptions in our supply chain networks. Although market has started showing positive signs of recovery by the end of the year, MHB is not able to maximise its' business due to heightened precautions for foreign technical experts to enter Malaysia as well as restrictions in the movement of our supply chain network. → Increasing steel price since May 2021 has exacerbated the situation, with some customers delaying the execution of certain projects to a later date or even considering China as their prime ship repair destination. The escalating cost of steelworks is also a disadvantage for MHB in the pursuance of any conversion projects. 	<ul style="list-style-type: none"> → Cost optimisation, pricing strategy and flexibility for our customers. → Pursued more En Bloc agreements to ensure business continuity and sustainability of income generation. → Operational improvement in term of better internal collaboration as well as external collaboration with critical Specialist and Equipment Manufacturers. → Maintained email blasting to exclusive agents and customers offering dock slots' availability to reach out to customers seeking out various options based on the vessel's uncertain trading pattern of vessels due to the impact of the global pandemic. → Maintained regular and close engagements with with NADMA, Immigration Department / ESD on the PVP, EAL and RGL. → Sourced for local expertise to undertake overseas specialists' assignment. → Negotiated with customers on project awards to create opportunities to maximise existing dock occupancies. 	<ul style="list-style-type: none"> → Secured seven En Bloc agreements from regular customer consisting of 26 vessels from Eaglestar Shipmanagement Ltd, BW Gas, Kmarin Ocean Services Corporation (Korea), Shearwater Geoservices Assets AS (Norway), Nautica Shipmanagement Sdn Bhd, KSP Towage Sdn Bhd and Kejora Resources Sdn Bhd. → In 2021, we served 43 new customers comprising of 20 new domestic customers, 23 new international customers and 9 new gas-related customers from countries such as Greece, Germany, Indonesia, Japan, Korea, Thailand, Marshall Island, Norway, United Kingdom & USA. → We stayed focused on high value projects and have completed repair and maintenance works on 15 LNGCs out of the 97 vessels of various categories serviced during the year.
<p>With COVID-19 continuing to present health and safety challenges, customers were wary of conducting business with companies and were looking for reassurance that companies had in place structured and comprehensive approach to manage COVID-19.</p>	<ul style="list-style-type: none"> → Conducted presentation for customers sharing MHB's COVID-19 management at the yard. → Fully vaccinated yard workers to provide confidence to customers to enter the yard. 	<ul style="list-style-type: none"> → Presentation provided information to customers on our comprehensive COVID-19 management approach. → Allowing only fully vaccinated personnel to enter the yard.
<p>Ineffective subcontractor management leads to cost escalation.</p>	<ul style="list-style-type: none"> → Improved subcontractor monitoring to resolve cost escalation issue. 	<ul style="list-style-type: none"> → Established monitoring mechanism on tracking daily work progress and work completion.

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Marine

Future Plans

Bearing in mind market uncertainties, our future focus in 2022 is as follows:

Focus on high-value projects

Our plan is to focus on high value projects such as LNGCs, tankers and vessels requiring Ballast Water Treatment System (BWTS) / Energy Efficiency Existing Ship Index (EEXI) retrofitting that will result in increased profit margins. We are also targeting new customers that will award us larger volume contracts, as well as securing projects from the Royal Malaysian Navy and Malaysia Maritime Enforcement Agency. Additionally, we intend to explore more opportunities in undertaking LNGC offshore maintenance services projects.

Secure Volume Orders from Existing Customers

As volume orders present us with a larger revenue stream, we will leverage on the easing up of COVID-19 restrictions on foreigners' entry into Malaysia to focus on returning customers who have turned towards other regional shipyards over the past two years due to travel restrictions. We will also pursue the extension of en bloc and Frame Agreements with our customers to ensure sustainable recurring revenue. A key focus for 2022 is to establish en bloc and Frame Agreements with new customers secured in 2021.

Identification of Projects Prioritisation

We aim to continue expanding our capability to deliver new projects outside the yard by targeting LNG floaters (FSU/FLNG) and LNG terminals (such as at Sungai Udang, Pengerang RGT etc.) maintenance projects. We have embarked on establishing our resource and asset readiness for new business segments identified under our strategic priorities. Further plans include the expansion of our in-house resource

manpower to cater to identified high value scope of works such piping and valve, underwater and machinery which will vastly improve our capability to speed up on project delivery turnarounds without compromising on quality.

Marketing and promotional activities to increase bidding opportunities and expand our presence in existing and new regions

As the pandemic eases off and travel restrictions are lifted, we will resume our physical marketing visits to international and domestic customers. Our plan is to leverage on our strong relationship with our parent company PETRONAS and conduct collaborative visits with PETRONAS LNG delegates to customers who have business relationships with them. Other plans include MHB management visits to customers' headquarters in countries which are known to be large ship-owning nations such as Japan, South Korea and Greece, in order to establish mutual relationships of trust and leverage on our networking to reach out to potential new customers. We will participate in global maritime exhibitions as required, based on our target clientele segment. We are also looking into identifying and performing marketing activities in new territories and regions such as Australia, Egypt and Sweden. A new niche segment we are seeking to penetrate is the luxury yachts and passenger cruise segment, which will add to the diversity of our business portfolio.

Yard optimisation and manpower readiness

We are embarking on several process automation and digitalisation initiatives with the objective of increasing our operational efficiency. We have completed the first phase of an online project management platform which aims to enhance our project progress monitoring abilities and set in place digitalised approvals that will eliminate the manual approving process required by the Project

Management Team. These improvements will ultimately speed up our project schedules and result in early deliveries. We have already initiated our quay upgrading and expansion initiative to increase the ratio of available dry dock against our existing quays. This will generate additional capacity for us to take on more new projects relating normal repair works, conversion and floating repair works.

Develop Yard-Specialist Partnership

With an aim of becoming a one-stop service hub catering to the decarbonisation agenda, we are driving several initiatives by actively engaging with the Ship Classification Society and industry-leading technology specialists to provide advisory and green technology vessel upgrading and retrofitting services in accordance to EEXI/CII requirements, as well as exploring related carbon capture storage initiatives with PETRONAS and MISC.

Expanding our market footprint

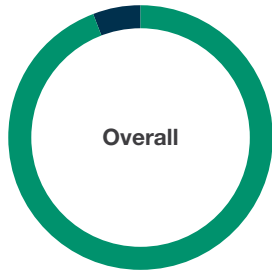
We will keep an open mind towards exploring opportunities to expand our market footprint, with the primary aim of strengthening our business presence in existing territories.



Blasting works by our Marine Segment team in the dry dock

Marine

HUMAN CAPITAL



● Male: 825
● Female: 51

● Male: 14
● Female: 32

● Male: 811
● Female: 19

Training Man-days

Operations
22,372

Business
3,973

Total
26,345

Training Man-days

Operations
3,196.00

Business
567.57

Total
3,763.57



HSE PERFORMANCE

LTI

1.20 (3 Cases)

2021 **1.20 (3 cases)**

2020 0.00

2019 0.57 (2 cases)

FATALITY

0

2021 0

2020 0

2019 0

TOTAL MAN-DAYS WITHOUT LTI

2,507,150

2021 **2,507,150**

2020 2,938,369

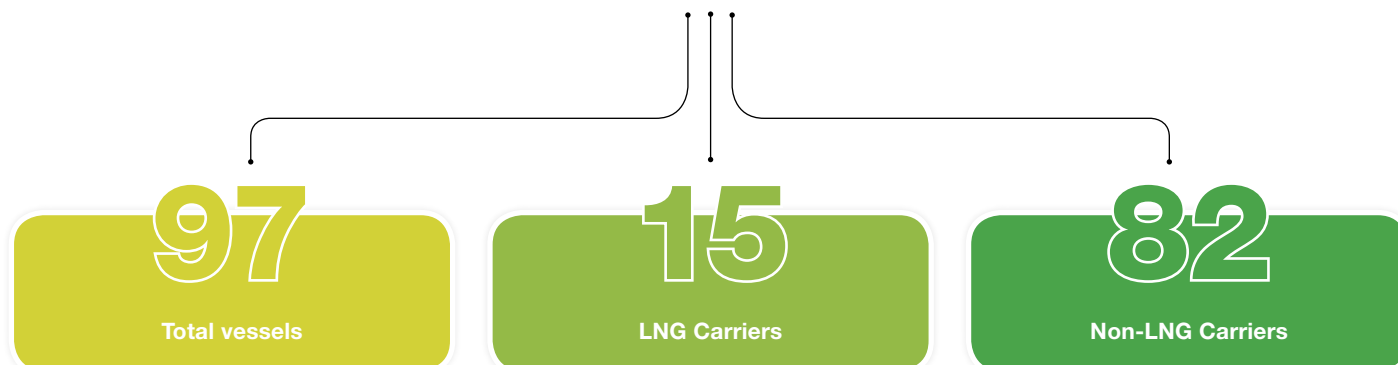
2019 3,835,917

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Marine

PROJECT HIGHLIGHTS 2021

No of projects delivered in 2021 : 97



OUR KEY PROJECTS IN 2021



LNGC Puteri Nilam Satu

Project

2021 MISC LNGC En Bloc Agreement of 5 vessels

Details

The contract was awarded on a competitive basis amongst other panel yards registered with MISC. The vessels were Seri Camellia, Puteri Zamrud, Portovenere, Puteri Nilam Satu and Seri Balhaf.

Project

LNGC "Golar Maria" – Drydocking and BWTS retrofitting

Details

Our new customer Golar LNG is not only a highly reputable LNG transportation company in the world but also one of the frontiers of FLNG and FSRU LNG solutions and services. MHB is aiming to secure more projects from the Norwegian market, focusing on larger work scopes such as FSRU conversions.



LNGC Golar Maria

Project

Block Order of BW Gas (Norway) for 3 LNGCs contract

Details

BW Gas is an existing customers from the LNGC segment that has been awarding annual contracts to MHB since 2017. In 2021, BW Gas awarded MHB three LNGC projects. Their continued faith and trust in us reaffirms our standing as a leading regional shipyard.



LNGC Kano

PLANT TURNAROUND & SHUTDOWN MAINTENANCE



Plant Turnaround services at Idemitsu plant

Initiated in 2017, the Plant Turnaround & Shutdown Maintenance (PTSM) business segment is conducted by our special purpose company, MHS Integrated Engineering Sdn Bhd (MHS) that was incorporated in 2020. We obtained our PETRONAS Standardised Work and Equipment Categories (SWEC) Code in the third quarter of 2017 and conducted our first contract with PETRONAS Gas Berhad Gas Transmission and Regasification (PGB-GTR) shutdown in the first quarter of 2018. This was followed by maintenance at Lotte Chemical in the second quarter of 2018 and PETRONAS (PUSB) Annual Maintenance in the fourth quarter of 2018.

In 2019, we were awarded the PETRONAS Master Service Agreement for Integrated Turnaround Main Mechanical and Maintenance Mechanical Static (TA4MS) in collaboration with Hiap Seng Engineering Limited (HSEL) and are currently assigned to Malaysia Refining Company Sdn Bhd (MRCSB). MHS provides a wide range of mechanical maintenance services and minor engineering, procurement, fabrication and installation services for the onshore oil and gas industry.

PERFORMANCE HIGHLIGHTS 2021

FINANCIAL PERFORMANCE

REVENUE
RM13.1
million



OPERATING PROFIT/(LOSS)
RM(8.0)
million



* Note: In the financial statement, PTSM was reported as part of Marine Business Segment.

KEY HIGHLIGHTS 2021

During the year, we delivered on the following key achievements, in line with our Three Key Result Areas (KRA).

KRA 1 : Strengthen Core Business

In 2021, PTSM completed our first turnaround plant maintenance offsite the MHB yard at the Idemitsu Styrene Monomer (ISM) Sdn Bhd plant. The project was completed within project timeline and according to the quality required. ISM is owned by Petrochemicals (Malaysia) Sdn Bhd, the first polystyrene (PS) producer in ASEAN and is a subsidiary of Idemitsu Kosan Co., Ltd., Japan. Established in 1972, the Company is one of the leading PS players in the region. The award of this contract reinforces our industry reputation as a reliable and trustworthy provider of plant turnaround and shutdown services. The turnaround project at Idemitsu plant consisted of a 44-day contract comprising shutdown, mechanical day and start up.



IDEMITSU PLANT TURNAROUND

144,000
MAN-HOURS

Plant Turnaround & Shutdown Maintenance



Strengthened our value proposition through a strategic partnership

During the year, we strengthened our business by identifying and assessing a new partner of the PETRONAS Turnaround Main Mechanical And Maintenance Mechanical Static (MSA TA4MS) contract. We also identified two partners with local presence and international experience, who are able to meet PETRONAS requirements.



Focused on building our competencies

We also conducted assessments of our workers capabilities to identify areas where we could build their competencies.

KRA 2 : Develop New Business

Registered with new customers to ensure future growth

Towards developing new revenue streams, we registered with Idemitsu for plant turnaround projects which resulted in us obtaining one job from them in 2021. We also registered with KNM Berhad as their in-house contractor and was awarded a contract for manpower services for internal installations for column and pressure vessels.

Secured non-O&G projects

In line with diversifying our turnaround, shutdown and maintenance services in non-O&G sectors, we secured a contract to provide services for jetty maintenance project.

KRA 3 : Enhance Capability

Focused on operational readiness for upcoming contracts

During the year, we conducted internal workshops and technical trainings to identify how we could elevate our levels of operational readiness to comply with customer's requirements.

RISKS & OPPORTUNITIES

Challenges / Risks	Mitigation Strategies	Results
Prolonged COVID-19 pandemic resulted in inability to secure contracts for plant maintenance & turnaround projects	Identify suitable partner towards qualifying for new job orders	Established partnership with qualified partner to secure new job orders
Need to identify new partner to provide customers a value add proposition	Identify service provider and qualify them to comply with PETRONAS requirements	Identified 2 partners with credible international industry experience
Need to enhance staff competency in line with customer requirements	Conducted technical training for relevant staff	Staff members attended and completed training to enhance their competencies

Future Plans

Bearing in mind market uncertainties, our future focus in 2022 is as follows:

Enhance our Capabilities

Towards enhancing our capabilities, we plan to increase our turnaround man-hours in order to upgrade out SWEC Code Tier 2 to become Tier 1. Our efforts will also expand our experience and will enable us to fulfil the MSA TA4MS contract requirements. This will also strengthen our value proposition in the marketplace and distinguish ourselves from our peers.

Expanding our customer base by seeking out non-PETRONAS opportunities

To strengthen our revenue stream, we plan to pursue opportunities providing similar PTSM services to other plants beside MRCSB.

Explore plant maintenance & turnaround in the non-oil and gas sector

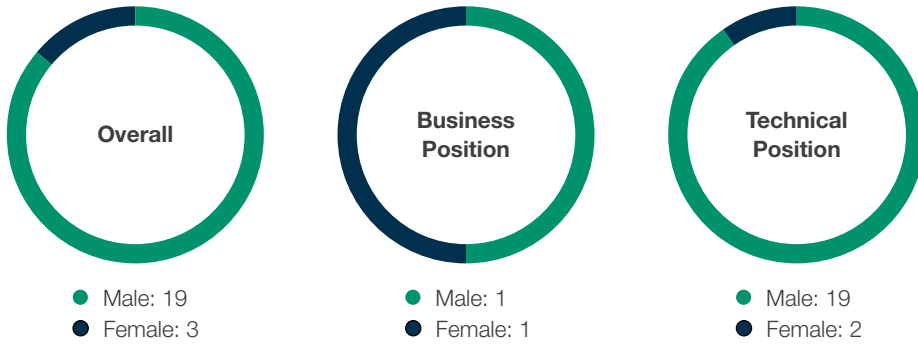
With the aim of diversifying our revenue streams, we plan to explore opportunities for plant turnaround and maintenance in other sectors such as power plants and oleochemical plants. Leveraging on our existing relationship with PETRONAS, we will look at opportunities to provide services for PETRONAS' non-chemical and oleochemical facilities.

Continue building our track record and credibility in turnaround

We will maintain our focus on the PETRONAS MSA TA4MS contract and deliver according to the highest quality, in order to exceed customer expectations. Our focused efforts on this front will enable us to build our track record in plant turnaround and maintenance and add new customers to our books in the near future.

Plant Turnaround & Shutdown Maintenance

HUMAN CAPITAL

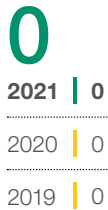


Overall Training Man-days
355

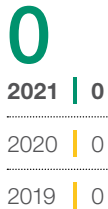
Overall Training Man-days
50.73

HSE PERFORMANCE

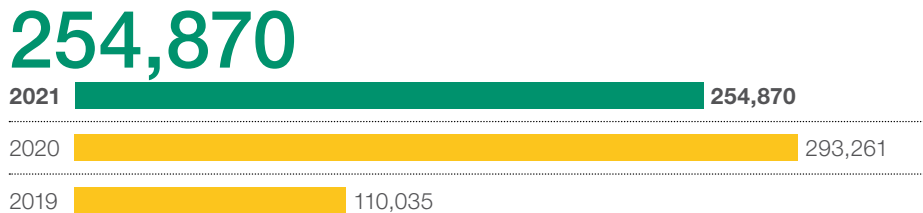
LTIF



FATALITY



TOTAL MAN-DAYS WITHOUT LTI



DAILY MAINTENANCE

350,000
MAN-HOURS

TURNAROUND

497,500
MAN-HOURS

PROJECT HIGHLIGHTS 2021



DELIVER

8 PROJECTS
IN 2021

- FSU Lekas maintenance for PETRONAS
- KNM internal installations for two vessels, V0030 and V0040
- KNM column installations
- KNM Vessel IP Digresser and Water Flash
- KNM Vessel HP Separator and Test Separator
- Idemitsu Plant Turnaround
- MRCSB Major Inspection on Steam and Gas Turbine Generator

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INTRODUCTION



Biodiversity Conservation - MHB Mangrove Planting programme at Kampung Perigi Acheh in Pasir Gudang, Johor, Malaysia

Introduction



As a globally trusted energy industry and marine solutions provider for a wide range of oil and gas (O&G) facilities and vessels, MHB is committed to continuously improve our sustainability agenda. Our sustainability commitments are encapsulated within our Mission Statement, which guides us in our journey to deliver value driven outcomes for all our stakeholders.”

In 2021, we stepped up on our sustainability agenda, by drawing up a comprehensive sustainability strategy, which will be executed through a robust sustainability governance framework. Our 2021 Sustainability Statement provides information on how we have integrated sustainability considerations into our business operations through a variety of means that include:

- The way we conduct our business
- How we manage our employees
- Measures to reduce our impact on the environment
- Ensuring that we deliver sustainable returns to our investors and shareholders
- Strive to exceed the expectations of our customers
- Creating meaningful and positive impacts for local communities

We firmly believe that this is the best approach to remain profitable and competitive in the longer term, whilst protecting the interests of our employees, customers, communities, shareholders and investors and other stakeholders, as well as deliver on our environmental stewardship aspirations and obligations. Within the ambit of our five key sustainability pillars of Financial, Environment, Social, Governance and Stakeholder Engagement, we have in place a spectrum of sustainability initiatives and programmes that are geared towards achieving the goals and targets we have set for ourselves.

MESSAGE FROM THE MD & CEO



Dear Stakeholders

2021 has been a milestone year for MHB on the sustainability front, as the embarkation point for our enhanced and holistic sustainability journey into the future. Since starting our sustainability journey in 2011, we have been steadily building on the strengths of our sustainability agenda. Our continuous efforts have led us to where we stand today, where sustainability issues and considerations are integrated into our business model and activities.”

A significant move during the year was the establishment of MHB’s sustainability framework and governance structure. Our comprehensive and structured sustainability framework which was developed in alignment with our parent company MISC’s framework, undertakes a strategic approach towards integrating our Environmental, Social and Governance (ESG) sustainability strategic priorities within our various business segments. It provides a clear framework on the value we seek to create not just for our business, but for our wide base of stakeholders.

Concurrent with the establishment of our sustainability framework, we also emplaced our sustainability governance structure. Our Board of Directors sit at the apex of our sustainability governance structure, which ensures that they have oversight on all material sustainability issues and considerations, which they take cognisance of in discharging their stewardship role in overseeing our business risks and opportunities, as well as our strategy. Our

efforts in this sphere have been centred on ensuring transparency and accountability of MHB’s sustainability efforts and disclosures to our stakeholders.

As well as that, during the year we have committed to adopting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This move strengthens our management and disclosure of climate-related risks. Both energy transition and climate change could potentially impact our business and our identification and assessment of the risks and opportunities associated with these will ensure our long-term business sustainability. This year we have published our inaugural TCFD Statement within our Sustainability Statement, to provide a clear account of steps we have undertaken during the year as we began our TCFD journey and our plan moving forward.

As we step into 2022, sustainability remains at the forefront of our business agenda. We will focus on the execution and

implementation of programmes and initiatives identified under our sustainability framework, sustainability pillars and strategic priorities. Our ambition is to build up on our credentials as a sustainability-centred business through initiatives such as the utilisation of solar power in our yard operations.

By taking our sustainability agenda to the next level, MHB is on track towards achieving the outcomes we seek to create for the betterment of all. I hope you will enjoy reading about our sustainability journey.

Pandai Othman

Managing Director & Chief Executive Officer

SUSTAINABILITY STRATEGY

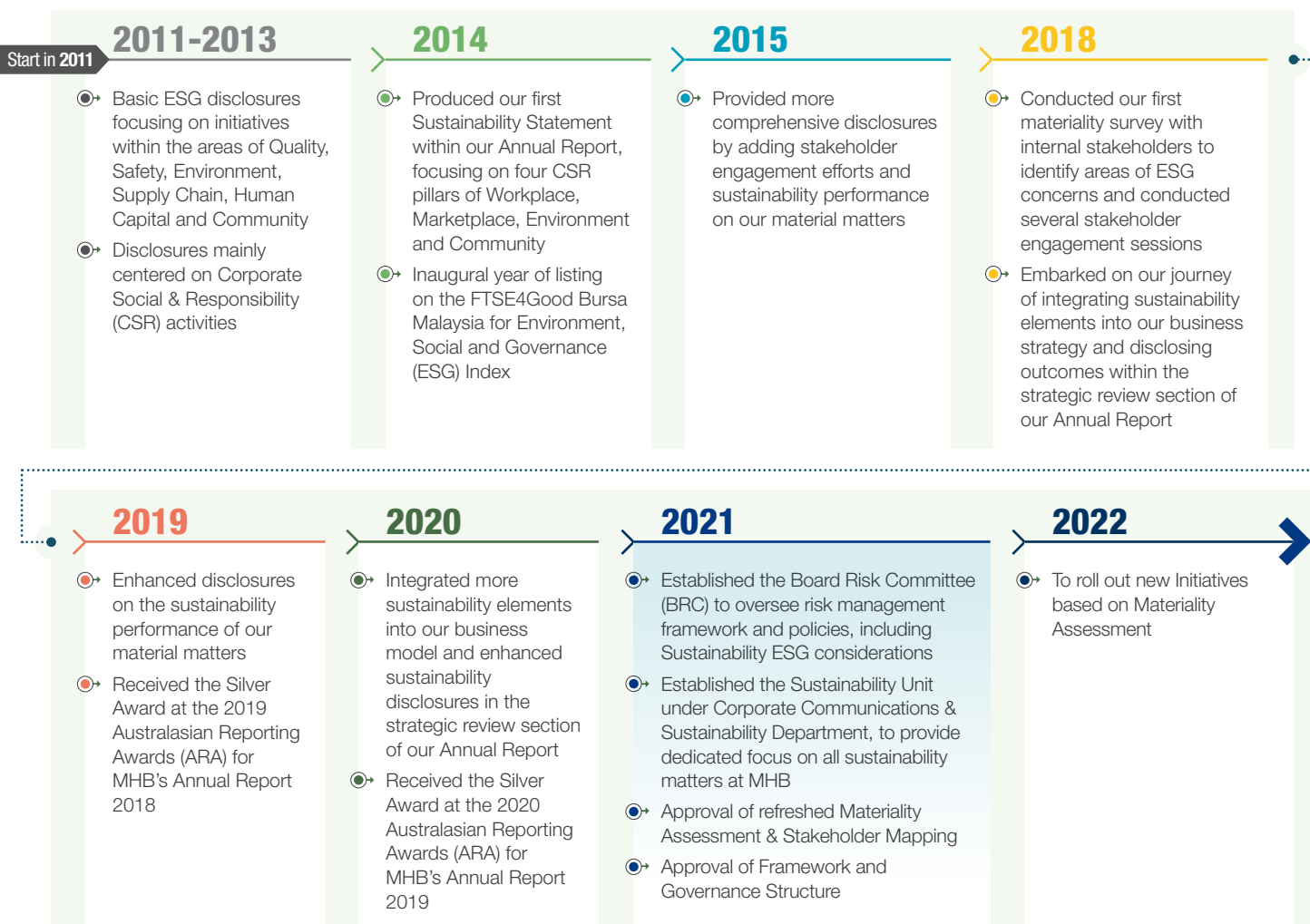
BACKGROUND

Over the past decade, MHB has steadily progressed on our sustainability journey, charting new milestones as we continuously improved our sustainability outcomes. We have advanced from our position in 2011, when our corporate reporting provided basic disclosures on our Environmental, Social and Governance (ESG) efforts to where we stand today, where sustainability considerations have been integrated into our business. 2021 represented a milestone in our sustainability journey, as the year we put in place a robust sustainability governance framework that oversees our refined and enhanced sustainability strategy.

During the year, we established the Board Risk Committee (BRC) which oversees MHB’s risk management framework and policies and integrates identifying and addressing key sustainability risks and opportunities, including climate-related risks and opportunities, into its overall risk management function. The BRC reports to the Board of Directors (Board), thus putting sustainability issues firmly within the purview of the Board. Board members take MHB’s sustainability considerations into account in their governance function, by addressing sustainability issues that are relevant to the business in their deliberation and decision making. We also established a Sustainability Unit in March 2021, headed by the General Manager, Corporate Planning & Risk Management, which dedicates its focus on managing sustainability strategically at MHB, including ensuring the integration of sustainability elements into the business.

The timeline below provides a brief overview of our sustainability milestones between 2011 and 2021.

OUR SUSTAINABILITY JOURNEY



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Sustainability Strategy

SUSTAINABILITY FRAMEWORK

In 2021, MHB refined our sustainability strategy, which is closely aligned to our parent company, MISC Group. We have adopted the strategic priorities of our five key sustainability pillars of Financial, Environment, Social, Governance and Stakeholder Engagement, to tie in with the sustainability imperatives that drive our business model. Each of our sustainability pillars address the Material Matters that are critical for the long-term sustainability of our business. Over the course of the next five years, we plan to put in place more programmes and initiatives to ensure that we meet the goals and targets we have set for ourselves. A key consideration for the immediate future is addressing the goals of the climate change agenda and biodiversity conservation needs that MHB has committed to. Collectively, our sustainability strategy contributes to 13 United Nations Sustainability Development Goals (UNSDGs).



SUSTAINABILITY GOVERNANCE

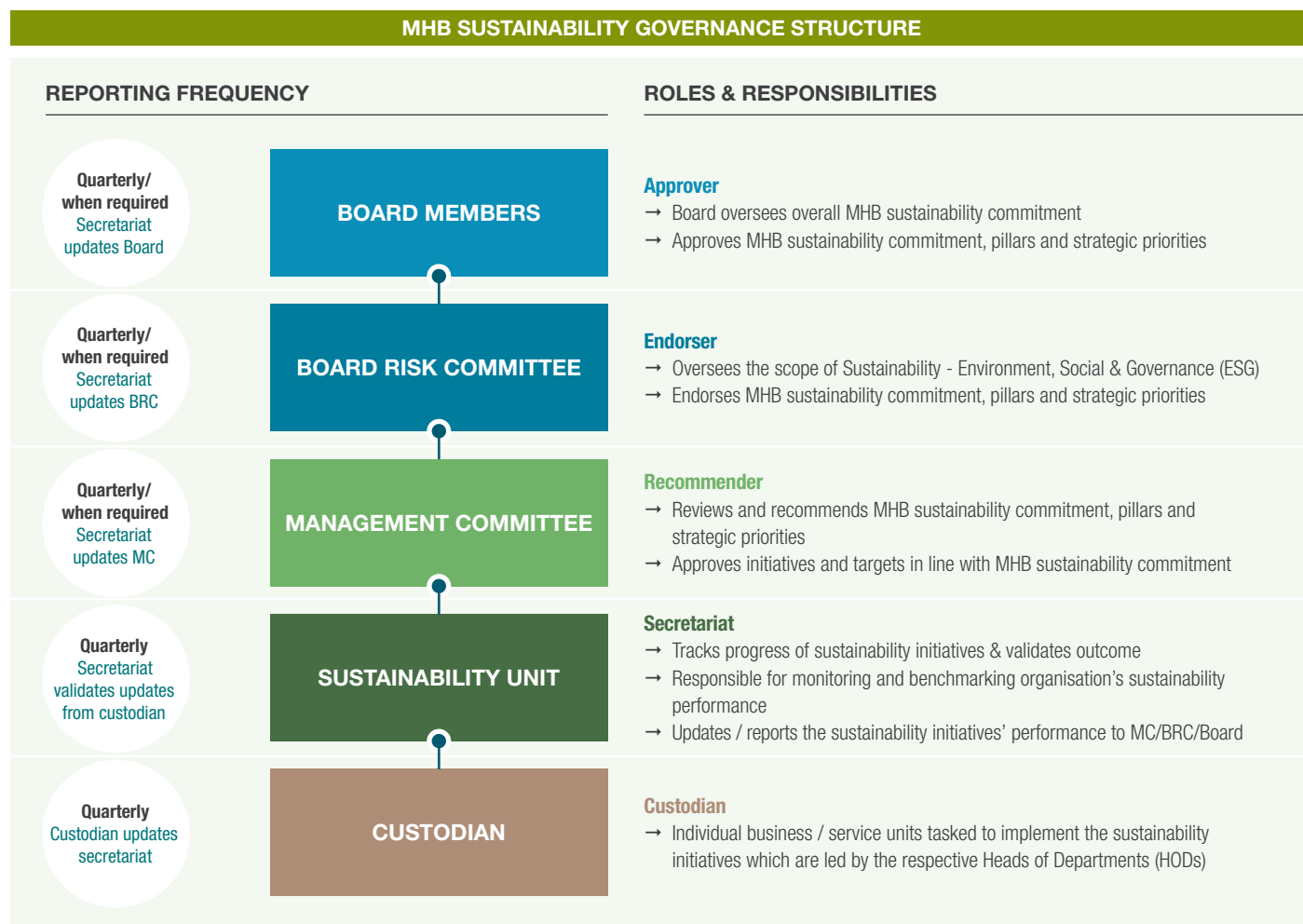
SUSTAINABILITY GOVERNANCE STRUCTURE

Our Board sits at the top of our sustainability governance structure, which was established in 2021 and holds ultimate responsibility for ensuring that all sustainability factors are taken into account in the development of the business strategy and that sustainability considerations are integrated into MHB's business operations and activities. In 2021, the Board approved MHB's enhanced and refined sustainability commitment, sustainability pillars, and strategic priorities.

Our BRC drives our ESG sustainability agenda, as supported by the Management Committee, Sustainability Unit, and Custodians from our respective business and service units. We have employed the custodian approach within our sustainability governance structure,

where responsibility for the execution of our sustainability programmes and initiatives lie within each business and service unit. We believe the custodian approach which encourages responsibility for each programme and initiative to rest within the job function of individual employees will result in our people proactively working towards achieving our sustainability targets and goals as they conduct their daily jobs and functions within a governance structure that promotes accountability and transparency.

The following graphic provides an outline of our sustainability governance structure, roles and responsibilities of each party and the reporting frequency.



Sustainability Governance

RISK MANAGEMENT & SUSTAINABILITY


At MHB, we proactively identify, analyse and manage risks that materially impact our value creation abilities, including sustainability-related risks and opportunities. Environmental, Social and Governance (ESG) factors are fundamental to business resilience and stakeholder trust. Therefore, we adopt a holistic view on the interrelations between our strategy, ESG risk and sustainability.

We are guided by the PETRONAS Enterprise Risk Management Framework (ERMF) and Guideline which is aligned with ISO 31000:2009. MHB has also adopted the ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015. The risk assessment includes evaluating sustainability issues across the Company, including business, operation units/subsidiaries and at project-level. We apply our risk management approach for sustainability-related areas, such as:

- Evaluate risks and opportunities arising from concerns over greenhouse gas (GHG) emissions that may impact our business
- Conduct monthly monitoring programmes to assess the risks or environmental impacts generated from yard activities

Additionally, we strive to meet the standards of global sustainability indices to improve our governance and disclosures on sustainability-related risks in meeting our stakeholders' expectations. Our sustainability risk analysis was conducted based on guidelines / standards set by:

- Sustainability Accounting Standards Board (SASB)
- Global Reporting Initiative (GRI)
- Bursa Malaysia Sustainability Reporting Guidelines 2018 and its Recommended Practices 2020
- FTSE4Good Bursa Malaysia Index
- Task Force on Climate-Related Financial Disclosures (TCFD)

 For more details on our sustainability-related risks and management, please refer to our Statement on Risk Management and Internal Control on pages 226 to 233.

POLICIES AND PROCEDURES

Our Commitment

The Board of Directors has entrusted the Board Audit Committee (BAC) and Board Risk Committee (BRC) with the responsibility of risk management oversight. We have a systematic risk management framework, adopted from the PETRONAS Enterprise Risk Management (ERM) Framework that we use to identify, evaluate, and manage principal risks for the Company.

The BAC & BRC is supported by the Risk Council (RC), responsible for governance and risk oversight and coordinating the risk management framework. The RC is chaired by the MD & CEO and consists of selected members of the Management. Please refer to pages 226 to 233 of the Statement on Risk Management and Internal Control for more information on accountability of risk management matters at MHB.

The Board of Directors develop strategies to promote and strengthen a sound health, safety and environment (HSE) culture across the Company and support long-term sustainability. The Board bears the ultimate responsibility over the effectiveness of the health, safety and environment risk management practices. The Health, Safety and Environment Management Committee (HSE MC) oversees the operational aspect. The Chairman of the HSE MC is the MD & CEO of the Company, whilst five members are nominated from the top management and another five members from Union Representatives.

The key responsibilities of the HSE MC are setting the overall direction on HSE vision, mission, values, practices, objectives, strategies, action plans, goals and resources; ensuring legal compliance and managing customers' expectations, standards, alignments and industry's best practices. Please refer to pages 226 to 233 of the Statement on Risk Management and Internal Control for more details on how health and safety issues are managed at MHB. The MHB Sustainability Unit provides an advisory role and is responsible for the production of sustainability reporting.

Sustainability Governance

Policies and Systems

As MHB remains a constituent of FTSE4Good Bursa Malaysia Index in 2021, this demonstrates our unwavering commitment in reporting ESG transparently. We have comprehensive policies and systems in place to manage our ESG matters in a balanced and sustainable manner.



Environmental

- ISO 14001: 2015 Environmental Management System
- Purchasing Manual
- MHB Green Initiatives
- Green Seal: Green Office Partner Certification



Social

- ISO 45001: 2018 Occupational Health and Safety Management System
- Health, Safety and Environment (HSE) Policy
- Substance Misuse Control Policy
- Stop Work Policy
- MHB 10 Safety Rules
- Employee Handbook
- Enhancement of the HR System, namely e-attendance and e-timesheet
- Collective Agreement (CA)
- Performance Management System
- General Conditions of Subcontractor for Labour only
- Open Competition Policy for Subcontractors and Vendors



Governance

- ISO 37001:2016 on Anti-Bribery Management System (ABMS)
- MHB Code of Conduct and Business Ethics (CoBE)
- MHB CoBE for Third Parties
- MHB Anti - Bribery and Corruption Manual (ABC Manual)
- MHB Whistleblowing Policy
- MHB No Gift Policy
- MHB No Conflict of Interest Policy
- MHB Human Rights Commitment
- MHB Modern Slavery Policy
- MHB Economic Sanction and Export Control Policy and Guidelines
- MHB Corporate Privacy Policy
- MHB Public Position Policy
- MHB Competition Policy
- MHB is a signatory to the Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission (MACC)



ISO and other Certifications

- ISO 9001: 2015 Quality Management System
- ISO 3834-2: 2005 Quality Requirements for Fusion Welding of Metallic Materials
- ISO 29001: 2020 Quality Management System for Petroleum, Petrochemical and Gas Industry
- EN 1090-1: 2009 + A1: 2011 Execution of Steel Structures and Aluminium Structures
- ISO 37001: 2016 Anti-Bribery Management System (ABMS)

Sustainability Governance

Highest Commitment to Quality

MHB is committed to being a company of the highest quality in every aspect of its business: Quality Services, Quality Business and Activities and Quality People. We recognise continuous improvement of our quality as a primary business objective. We follow the standards of ISO 9001: 2015 Quality Management System to streamline our business operations.

All our efforts to improve quality in everything we do are reported throughout our Sustainability Statement 2021.

GOVERNANCE AND BUSINESS ETHICS

MHB Code of Conduct and Business Ethics (MHB CoBE)

MHB CoBE follows the example set by PETRONAS as a guide in conducting business ethically and sustainably. It is applicable to all employees, directors and third parties including subcontractors, agents, intermediaries or joint venture partners that perform works or provide services for or on behalf of the Company. Benchmarked against international standards and laws, it was modified to fit Malaysian legislation on matters such as anti-trust, money laundering and Whistleblowing. MHB CoBE and the MHB Anti-Bribery and Corruption Manual (MHB ABC Manual) have been endorsed by the Board of Directors.

Complementing the MHB CoBE, the MHB ABC Manual was introduced to observe the principles in MHB CoBE and to enhance MHB's commitment in ensuring our 'Zero Tolerance Policy towards Corruption' is well-adhered to.



Sustainability Governance

Solicitation, Bribery and Corruption

MHB has a zero-tolerance policy against all forms of bribery and corruption as a reflection of our strong commitment to high ethical standards and anti-corruption laws. As a signatory to the Corporate Integrity Pledge (CIP) with the Malaysian Anti-Corruption Commission (MACC), MHB also observes the principles set out in the MHB CoBE which are further illustrated in the MHB ABC Manual. It also provides additional guidelines on dealing with improper solicitation, bribery and other corrupt practices.

In supporting the general policy statement in the MHB CoBE and MHB ABC Manual, a series of trainings and awareness sessions were conducted to instill and ensure compliance to all elements related to the propagation of these corrupt practices.

The Board oversees our ABC Manual and policy and the MHB Management also regularly updates the Board on any fraudulent activities.

No Gift Policy

MHB aspires to achieve the highest standards of integrity and honesty in the conduct of its business and operation. MHB employees are required to act in the best interests of the Company and to refrain from engaging in conduct which may affect the best interests of the Company. Therefore, MHB employees shall not:

- accept personal gifts from external parties; and/or
- give personal gifts to external parties

This policy is meant to avoid conflicts of interest or the acceptance of conflicts of interest in any ongoing or potential business dealings with the Company. This is to inculcate the values of integrity and trustworthiness in our business dealings. However, the Company would allow gifts in the form of corporate gifts from business partners.

Our employees are required to familiarise themselves with the provisions of MHB CoBE to ensure that their conduct is in compliance with the MHB CoBE.

Public Policy Position

We do not allow any political contributions or the use of MHB's facilities, resources or equipment for any political activities, campaigns or functions. Employees are prohibited from using their position in MHB to seek or influence political contributions and support.

Whistleblowing

A Whistleblowing Policy and the relevant mechanisms have been established, providing an avenue for employees and the public to lodge complaints of corrupt practices or wrongdoings in confidence.

As part of our continuing effort to educate the employees on corruption and Code of Conduct and Business Ethics, talks and trainings have been organised for new recruits as well as for existing employees.

The Whistleblowing Policy provides clarity of oversight and responsibilities of the Whistleblowing process, the reporting process, protection to the whistleblower and confidentiality afforded to the whistleblower so that no retaliation, reprisal or punishment will be taken against the whistleblower.

All whistleblowers can raise their concerns through email, mail, online submission via MHB's website, or in person to the General Manager / Senior General Manager of Human Resource.

The policy outlines the systems and processes, including the support of a secretariat and a dedicated platform to whistleblow for employees to make use and utilise for the purpose of making reports of non-compliance with MHB CoBE, other internal policies and procedures as well as international and local applicable laws on a strictly confidential basis.

Corporate Privacy Policy

MHB is committed in complying with the applicable privacy and personal data protection laws and in ensuring that our collection, use, processing and storage of personal data relating to our employees, directors and the third parties with whom we work with, are consistent with international and local applicable laws as well as our internal policies and procedures.

This policy is governed by seven principles as follows:

Key Principles	As prescribed in the policy
Consent	To obtain adequate consent from individuals
Notice and Choice	To provide individuals with the required notices and information and verify that their personal data has been obtained lawfully and that it is relevant for the stated purposes
Data Integrity	To keep an accurate, complete and up-to-date personal data that has been collected

Sustainability Governance

Key Principles	As prescribed in the policy
Retention	To retain the personal data that has been collected only for the period that is necessary to fulfill the relevant purposes, unless otherwise permitted or required by applicable law
Disclosure	To inform individuals concerned about the disclosure of their personal data to third party recipients
Security	To keep personal data secured by protecting it with adequate and appropriate security safeguards
Access	To provide individuals with the ability to exercise their rights under applicable law, such as rights to access, rectify and/or request the erasure of their personal data, where applicable

MHB shall review and update the policy from time to time in compliance with the requirements of applicable laws. In 2019, MHB adopted the Corporate Privacy Policy in accordance with the MISC Group initiatives. The policy was updated to incorporate the additional core privacy and personal data protection values aligned with the General Data Protection Regulation (EU) 2016/679 (GDPR) on data protection and privacy in the European Union (EU) and the European Economic Area (EEA) as well as the transfer of personal data outside the EU and EEA areas.

ISO 37001: 2016 on Anti-Bribery Management System (ABMS)

Employees across MHB are expected to observe the CoBE and ABC Manual and this Policy applies to all individuals working at all levels including Directors, employees, contractors, subcontractors, consultants, agents, representatives and others performing work or services for or on behalf of MHB and all of them are strictly prohibited from directly or indirectly soliciting, accepting or offering bribes in relation to MHB's businesses and operations. Any breaches or failure to comply with this Policy will be regarded as a serious matter and will be subject to dismissal, fines and imprisonment and MHB may face damage to reputation, financial loss, disbarment from business and other negative consequences.

MHB provides appropriate methods to lodge complaints of corrupt practices or any improper conducts within MHB for employees and members of the public which is governed by the Whistleblowing Policy and will be accorded protection of confidentiality and against detrimental action. The MHB Board and Management through the setting up of a Compliance Unit are committed to implementing and enforcing effective and robust policies and procedures to prevent, monitor and reduce the risk of bribery and corruption and to continuously improve the ABMS.

MHB Third Party Compliance Due Diligence

The revised MHB Third Party Compliance Due Diligence takes into account of six (6) critical legal areas including Economic Sanctions/ Export Control Policy, Competition, Personal Data Protection, Human Rights and Ethics & Integrity. The initiatives are aligned with MISC's Third Party Compliance Due Diligence Operational Guidelines and PETRONAS Third-Party Risk Management. With the aim to reduce the risks, all of the current or potential third parties and business partners either are providing or will provide to MHB any type of services are required to undertake the Due Diligence process by completing the Know Your Counterparty (KYC) Due Diligence Questionnaire, Third Party Integrity Commitment and/or Compliance Declaration.

Human Rights Commitment

MHB Human Rights Commitment which is adopted from the MISC Human Rights Commitment is guided by the United Nations Guiding Principles on Business and Human Rights. This policy applies to all jurisdictions where MHB operates and covers all individuals working at all levels and grades on behalf of any company within MHB in any capacity, including without limitation, the senior management team, employees, consultants, subcontractors, trainees, homeworkers, part-time and fixed-term employees, casual and agency employees and volunteers.

MHB is committed to act ethically and with integrity in all our business dealings and relationships and implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere within MHB's own business or in throughout MHB's supply chain.

Our approach to tackling modern slavery throughout our supply chain, is consistent with our disclosure obligations under the international and local applicable laws such as UK Modern Slavery Act 2015. MHB expects the same high standards from all of our subcontractors, suppliers and other business partners and as part of our contracting processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children and MHB expects that our suppliers will hold their own vendors & subcontractors to the same high standards.

Sustainability Governance

In compliance with MHB Human Rights Commitment, we seek to work with subcontractors who share our values of integrity, committed to fighting bribery and corruption and contribute to sustainable development. MHB requires our subcontractors to respect internationally recognised human rights, to comply with MHB CoBE and all relevant legal requirements.

HSE Policy

We set and maintain the necessary standards of health and safety management to ensure the well-being of our employees and others who may be affected by our business activities and to minimise losses (financial and reputational) to our business from ill health and injury. Every employee is responsible for upholding our HSE policy and ensuring a safe workplace.



For our Policies and Statements related to Governance and Business Ethics, please visit us at <https://mhb.com.my/about-us>

Establishment of Grievance Mechanism

Our grievance mechanism is based on our parent company, MISC Group's, Human Rights Grievance Mechanism. It provides a process to lodge grievance reports and lays out appropriate follow up measures to investigate the complaint. We ensure that the identity of the complainant is protected so that there is no fear of reprisal.

Establishment of MHB Stakeholder Engagement Guideline

MHB's Stakeholder Engagement Guideline was developed in alignment with the MISC Group Stakeholder Engagement Guideline in order to standardise best practices across the MISC Group. The Guideline details our structured approach and process on stakeholder engagement.

Establishment of MHB Community Investment Guideline

Aligned with the MISC Community Investment Guideline, the MHB Community Investment Guideline lays out our approach to plan and implement effective community programmes that can elevate the society's socio-economic level in line with MHB's commitment to create value for communities.

SAFETY OF OUR PEOPLE

The safety of all people involved in MHB's operations is a priority which is constantly monitored and guaranteed in the Management of the Company's activities by means of an integrated management system. It is a key part of MHB's business culture and provides real value.

As our business operations involve heavy machineries and large structures, safety is paramount in all our operations. We always want to make sure that all employees, customers and subcontractors come to work safely and return home safely. Just as integrity is embedded in our work culture, occupational safety is regarded as a key part of our culture as well.



Our long-standing health and safety target is Nobody Gets Hurt.

All employees and third-party partners are expected to comply with this target as well as MHB's health and safety standards. We dedicate significant resources to ensure our employees are always protected. We protect them from work-related illnesses as we firmly believe in creating a healthy work environment to nurture a productive and healthy workforce. We comply with all applicable health and safety laws and regulations.

The requirements, measures, work rules and standard operating procedures set out in manuals, handbooks, documents issued by the Company are reviewed and updated regularly.



Our commitment in ensuring the occupation safety of our people is signified through the certification of ISO 45001: 2018 Occupational Safety and Health Management System.

Sustainability Governance

PARTICIPATION OF ALL EMPLOYEES

Mechanisms such as campaigns, learn and lunch programmes, recognitions, enforcements and drills are conducted as an improvement of management system.

In 2021, we continued our long-term, Health, Safety and Environment (HSE) campaign to inculcate awareness amongst all personnel that safety cannot be compromised at any time of that person's lifetime for the sake of their family and the Company's reputation. This aim of the campaign is to reduce the number of non-compliance to the Integrated Management System & MHB 10 Safety Rules, number of incidents as well as to foster awareness and proactiveness in HSE and to elevate HSE Performance.

Programmes that were launched in conjunction with the HSE campaign were as follows:

Campaigns

- Dropped Object Prevention Campaign
- Slips, Trips & Falls Prevention Campaign
- Confined Space Safety Campaign
- Quality Management: Campaign for Change - Preservation, Material Handling
- Price of Non-Conformance (PONC) Management Awareness Campaign
- Welding Management Campaign - consumables control and competency
- Hearing Conservation Campaign
- Fit for Work Campaign
- Fatigue Management Awareness Campaign
- Bring Your Own Campaign (#BYO MHB)
- Continuous MHB Green Initiatives Campaign

Workers Recognition

- Best Welder Award given to Best Welder from Marine Operations and Heavy Engineering Operations on a quarterly basis.
- Best Quality Action Note Award for Marine Operations and Heavy Engineering Operations on a quarterly basis.
- Weekly Best UCUA Award and Weekly Most Submission of UCUA recognitions given to workers at project and department/division level.

Enforcement

We conducted enforcements that focus on each element of HSE throughout 2021. This enforcement is to ensure full compliance with MHB's requirement based on the Company's Integrated Management System as below:

- Drop Object Prevention (Equipment)
- Drop Object Prevention (Lifting Method)
- Confined Space Compliance
- Handrail Assessment
- Drinking Water Machine
- COVID-19 Assessment
- Verification of First Aid Box
- Canteen Hygiene Inspection
- Quality Management – Preservation, Competency Compliance for Welders, Fitters, Controllers and Consumable Control
- Quality Management – Material Handling & Preservation
- Green Seal Paper Usage
- Enforcement on Sewer Management
- Enforcement on Management of Schedule Waste

Drill/Emergency Response

Emergency preparedness is crucial due to the nature of our business as we need to be ready to manage incidents and emergency situations at any time across our operations. Our Emergency Response Team (ERT) acts as the first line of defence during emergencies. Emergency Drills were conducted to increase level of alertness & response of employees during emergencies. The drills normally include rescue and evacuation, rescue in confined space, firefighting, oil spill, man overboard rescue, basic life support and rescue at height. Our emergency drills also include 2 Tier 2 drills, namely:

- Tier 2 Functional - Firefighting Drill in collaboration with the Fire and Rescue Department; and
- Tier 2 Table Top - Oil Spill Drill with the Department of Environment in attendance as observers.

Sustainability Governance

A COMMITTED WORKFORCE

WORKFORCE MANAGEMENT

MHB believes that our employees are our vital assets. We respect and promote diversity and offer equal opportunities to all employees. We recognise the contributions of each individual employee through various performance-based pays.

Valuing the importance and need to act and to be recognised as a partner in the sustainable social and economic development of the communities and regions where we operate in, we are committed in providing locals with employment opportunities.

MHB complies with all new regulations and frameworks on labour standards as well as contributes input as and when requested by relevant authorities for their decision making.

Workforce data as at December 2021

Year	2021	2020	2019	2018	2017
Description					
Total Number	2,649	2,625	2,134	2,071	2,107
Turnover rate	16%	10.40%	10.00%	15.00%	33.00%
Percentage of Employees by Gender					
Female	20.08%	18.00%	19.00%	17.62%	17.60%
Male	79.92%	82.00%	81.00%	82.38%	82.30%
Percentage of Employees by Job Type					
Permanent	46.09%	48.00%	61.00%	64.65%	66.50%
Contract	53.91%	52.00%	39.00%	35.35%	82.30%
Numbers of Women Employee Category					
Board of Directors	1	1	2	2	3
Management	37	32	27	29	34
Executive	270	247	206	196	189
Percentage of Employee by Age Group					
*18-20	0.30%	0.90%	0.75%	0.43%	0.70%
21-30	21.86%	25.90%	23.24%	23.61%	25.00%
31-40	44.73%	42.90%	43.72%	43.60%	43.20%
41-50	19.40%	17.70%	18.23%	18.69%	18.50%
51-60	13.29%	12.20%	13.64%	13.28%	12.00%
> 60	0.42%	0.30%	0.42%	0.39%	0.70%

* Management is comprised of Managers until General Managers

* In line with our commitment to prevent child labour, we hereby denote our below 20 years age group as 18 - 20

Sustainability Governance

Highlights of Employee Engagement for Enhanced Workforce

Management-Union Meeting/Discussion

The Management maintains a close relationship with members of the Union in supporting each other to achieve the Company's business direction and to address people issues.

Employees Accommodation Maintenance

MHB provides subsidised accommodation to employees who are based in Pasir Gudang, Johor.

The Company took the effort to improve the Company's accommodations for the comfort of our employees by cleaning vacant units in preparation for new employees applying for accommodations in view of the increase in the number of employees particularly those from outside of Johor.

HIGHEST COMMITMENT FOR LABOUR STANDARDS

There has been increased attention on organisations' practices for labour standards concerning the Management of human rights risks, including slavery and human trafficking.



As a trusted leading organisation, MHB realises that it is vital to bring greater transparency of our commitment to high standards for labour practices.

We constantly assess risks and opportunities of our labour issues to mitigate potential risks at corporate and operation levels and to ensure no disruptions to operation works. We also assessed the guidelines of the International Labour Organisation (ILO), UK Modern Slavery Act 2015 and other recognised labour standards organisations to ensure that the appropriate standards are in place.

Prevention of Child Labour

MHB practises stringent hiring of new employees who are aged 18 years and above. We always ensure full compliance with audits conducted by the Labour Department, Ministry of Human Resource, in relation to the Employment Acts (EA) to ensure that there is no child labour at our company.

Prevention of Forced Labour

Our CoBE specifies on fair labour practices to comply with the laws of Malaysia. Additionally, MHB is embarking on Human Rights Policy to further show its commitment towards better governance as a world-class company.

Elimination of Excessive Working Hours

The Company has rolled-out Fatigue Management Guidelines. Overtime is limited as per the Employment Act and controlled by a timesheet system. However, considerations are given on any urgent work exceeding the maximum overtime hours which needs approval by the top Management.

Against Discriminatory Practices

MHB is against discriminatory practices at the workplace. MHB's workforce is comprised of various races, religions and nationalities. Additionally, the Company recognises public holidays for major races and religions in Malaysia. Employees also form associations related to race for welfare and cultural activities. We ensure that there is no discrimination on gender or disability. MHB has a disabled employee currently hired as a Technical Executive for Engineering.

Right to a Minimum of Living Wage

MHB complies with regulations on the minimum wage set by the government. The Employee Union also plays their part to protect the employees.

Commitment to Frameworks on Labour Standards

MHB is a member of the Malaysia Employer Federation (MEF) and is involved in giving feedback to the employer association on labour frameworks and standards. The Company has representatives at the Johor Skills Development Centre (PUSPATRI), Industrial Training Institute (ILP) and University Teknologi Malaysia (UTM) on academic and technical curriculum development. MHB is also a member of The Welding Institute (TWI) International.

Company Policy on Labour Standards

The Employee Handbook and Union's Collective Agreement are made available for employees to refer to on the employees' internal portal. Besides that, the internal portal shares information on terms and conditions of services and procedures and e-applications related to labour practices in the Company.

APPROACH AND ACHIEVEMENTS



FINANCIAL

OUR COMMITMENT

We are committed to ensuring MHB's financial sustainability to drive growth for our shareholders and investors in a responsible, transparent and accountable manner. Our commitment to financial sustainability also takes into account how we can reduce our carbon footprint whilst improving our operational safety for the benefit of our employees, vendors & subcontractors and surrounding communities.

STRATEGIC PRIORITY Financial Governance

Our Commitment

- The way we monitor and improve project financial performance

Our Initiatives

- Launched Generative Quality Culture Programme Survey (GQC)
- Launched the MHB 7 Quality Rules Campaign
- Developed e-Quality Action Note (QAN)

Our Contribution to UNSDG



Improve Quality Performance

Quality is one of the most significant elements in our daily performance. To ensure that we are able to improve the quality of our project delivery, we have established a Price of Non-Conformance (PONC) Investigation Committee. The committee is responsible for identifying the root cause, corrective and preventive actions and the relevant departments to implement the identified actions. MHB also leverages on the findings of the Committee to conduct lessons learnt sessions to identify the improvements which can be made. Towards enhancing our quality culture, we have embarked on a number of initiatives and plans.



Launched the Generative Quality Culture Programme Survey (GQC) to obtain employee feedback to strengthen and improve MHB's quality culture

Outcome: 4.41/5.0



Launched MHB 7 Quality Rules Campaign to instill a quality mindset and improve the quality culture



Developed a digital version of QAN (e-QAN)

Moving forward, we plan to continue monitoring the PONC cases and enhance PONC Lessons Learnt management. As well as that, we will continue with the Generative Quality Culture Survey to improve our quality culture maturity.

STRATEGIC PRIORITY Climate-Related Risk and Opportunities Management

Our Commitment

- Identify risks related to the physical impacts of climate change and risks related to the transition to a low-carbon economy and deploy efforts to mitigate and adapt to climate change as opportunities, through resource efficiency and cost savings

Our Initiatives

- Embarking on Task Force on Climate-Related Financial Disclosure (TCFD) Journey
- Low Carbon Products/Services

Our Contribution to UNSDG



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Approach and Achievements - Financial



Embarking on our Task Force on Climate-Related Financial Disclosures (TCFD) Journey

In 2021, MHB embarked on our journey to provide disclosures according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We believe that providing TCFD disclosures will build the resilience of our business by incorporating climate-related risks and opportunities into our risk management, strategic planning and decision-making processes. Our TCFD disclosures provide our shareholders and investors with information on how climate change can impact our business and its associated risks and opportunities.

We can no longer ignore the financial impacts of climate change and need to proactively work towards implementing sustainable and resilient solutions to current and emerging risks, whilst making the most of opportunities that arise. Ultimately, our approach will ensure our business' long-term stability, resiliency and profitability.

During the year, we developed our plan to manage our climate-related risks and opportunities and have put in place the building blocks we need to move forward on this front. For more details, please refer to our TCFD Statement which can be found at the end of this Sustainability Statement. Please refer to page 173.

Our plan for 2022 is to continue operationalising the measures and actions we have identified within our TCFD Statement.



Low Carbon Products/Services

In line with the industry decarbonisation by 2050, several strategic opportunities are available to MHB to future proof our business in the Circular Economy come 2050. We recognise the need for diversification into new products and services that supports initiatives to address climate change. In this regard, MHB will leverage on our offshore and onshore experiences to provide fabrication services (or Engineering, Procurement & Construction (EPC) when needed) that supports climate change and decarbonisation initiatives.



Participated in twelve tenders for the offshore wind sector



Supplied manpower for an offshore wind project in Taiwan



Inked three Memorandum of Understandings with international partners with technological know-how in energy transition products and services



Participating in a research consortium that supports shipping and marine requirements for Liquid Carbon Dioxide (LCO₂) shipping to venture into Carbon Capture, Utilisation and Storage (CCUS)

STRATEGIC PRIORITY Digitalisation and Technology

Our Commitment

→ Towards a more sustainable business when technologies, innovations and processes are designed in line with business strategy

Our Initiatives

- Reinventing Supply Chain Management through the PANTHERA project
- Digital Solution for Contract Management Processes
- Finance Transformation Programme

Our Contribution to UNSDG



Reinventing Supply Chain Management through the PANTHERA Project

A new initiative we identified in 2021 was the full digitalisation of our Procurement-to-Pay (P2P) system, category management and strategic sourcing in order to achieve procurement excellence. Known as the PANTHERA Project, this system is aimed to integrate all procurement processes in ensuring data transparency among our stakeholders, to help us identify cost-saving opportunities and make better-informed decision on our procurement activities based on data analysis. Full implementation of the system is targeted by the end of 2022.

Approach and Achievements - Financial



Standardised and cleaned up our data



Implemented framing processes



Put in place governance processes that oversee our digitalised procurement platform



Developed a Master Plan on Procurement for Project and Management



Embarked on developing guidelines and manuals based on processes within the P2P system



Embarked on designing our change management and implementation approach



Developed framework for vendors onboarding process



Digital Solution for Contract Management Processes

During the year, we embarked on our APPLE Programme as a digital solution for our contract management processes. This programme is aligned with our parent company, MISC Group's, direction for digitalised contract management processes.



Conceived and initiated project charter and scope



Identified preliminary information required for the implementation of the APPLE Programme

For the year ahead, we will focus on further implementation of our plan to operationalise the APPLE Programme at MHB.



Finance Transformation Programme

In 2021, we embarked on our Finance Transformation Programme, towards becoming an organisation that practices data driven finance of the future with predictive and prescriptive capability. New data capabilities will enable us to transform our finance function to deliver greater insights and support more effective decision-making. By having a 'single source of truth', as supported by embedded analytics and automation in processes, we will be able to build a data centric finance community that is aligned with our parent company MISC Group.

In 2021, we established a master data baseline. We also designed our Business Units processes. Cognisant that our people will also need to be upskilled to use the system in an optimal manner, we have also begun designing our people transformation to achieve this aim. We have initiated the high-level digital requirements aligning with MISC digital solution.

Our focus in 2022 is to continue putting in place the various action plans and measures we have identified as components of our Finance Transformation Programme.

Approach and Achievements



ENVIRONMENT

MHB is committed to sustainable business practices through environmental stewardship that answers the global call for a greener future. Our aim is to minimise the environmental impacts of our business, whilst safeguarding the health of our employees, Vendors & Subcontractors and our surrounding communities from any potential pollution.

AMOUNT SPEND ON ENVIRONMENTAL MONITORING ACTIVITIES

2021

RM141,103

2020

RM198,000

2019

RM147,120

STRATEGIC PRIORITY
Towards Decarbonisation

Our Commitment

Transition to low carbon operations

Our Initiatives

- Establishment of Strategic Group Discussion (SGD) Committee to work on decarbonisation initiatives
- GHG Inventory & Operational Boundaries
- Managing Greenhouse Gas Emissions
- Renewable Energy
- Environmental Monitoring Programme
- Energy Management
- Electricity Management

Our Contribution to UNSDG



This strategic priority demonstrates MHB's commitment to transition towards decarbonised operations by 2050 and aligns MHB's carbon emission reduction commitments with the IMO's Initial Greenhouse Gas (GHG) Strategy. Our Towards Decarbonisation strategic priority consists of the following two phases:

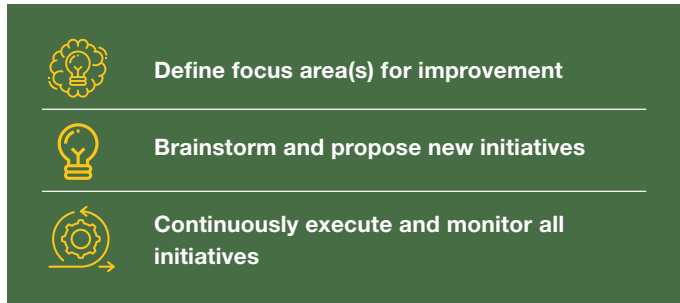
- Short to medium-term carbon reduction targets comprising of:
 - Five-year plan from 2021 until 2025
 - 10-year plan from 2021 until 2030
- Long-term carbon reduction targets with a 20-year plan, from 2030 until 2050

Decarbonisation represents the most complex and structured challenge, which requires the cooperation and shared purpose of all stakeholders to achieve significant results. All parties involved in our business need to take ambitious actions to reduce their footprint to meet the carbon reductions needed globally over the coming decades. MHB is actively searching for ways to reduce the carbon impact of our operations and increase energy efficiency, efforts that will benefit our entire value chain.

Approach and Achievements - Environment

Establishment of Strategic Group Discussion (SGD) for Towards Decarbonisation

In November 2021, MHB has established Strategic Group Discussion (SGD) for Towards Decarbonisation with:



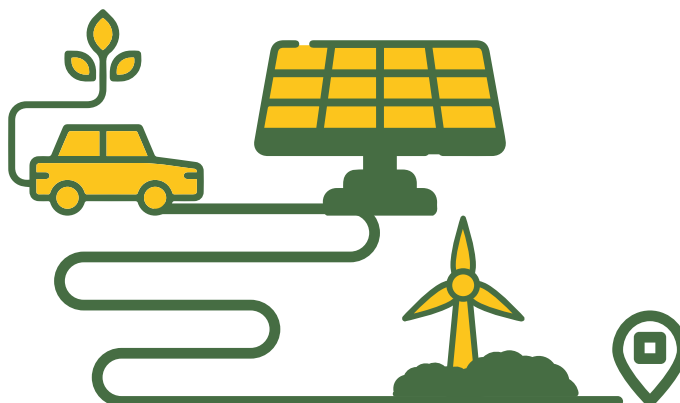
The SGD is led by the General Manager, Health, Safety, Security & Environment (HSSE) and works in collaborations with the MHB Sustainability Unit and other relevant units at MHB.

The SGD has formed the Technical Advisory Committee to provide support, guidance and oversight of initiatives proposed by the initiative owners.

Forward Moving MHB long term plan comprises of the following:

Established GHG reduction roadmap and targets for 2025, 2030 and 2050 which include:

- Setting baseline, identify sources, measure emissions, propose initiatives, setting carbon intensity reduction targets, show scenario forecasts, quantify resources and investments needed
- Increase use of low carbon materials for operations
- Increase use of renewable energy in the yards (i.e. extension of solar panels and potential use of wind turbines, among others)



GHG Inventory & Operational Boundaries

As part of the MISC Group, MHB was included in the MISC Group GHG Inventory Review in 2021. The outcome which relates to MHB covers our GHG organisational boundaries.

Our previous GHG organisational boundary from 2016 to 2020 was based on the operational control approach which covered all assets and operations where we have the authority to introduce and implement our operational and health, safety and environmental (HSE) policies.

The boundary was revised in 2021 to adopt the GHG Protocol Corporate Standard's financial control approach, which covers a broader scope of assets, reflecting our sphere of influence on GHG reduction. Our revised GHG inventory (Scope 1 and 2) includes assets owned or leased that are used by MHB to gain economic benefits. All joint venture (JV) assets where MHB has financial control over the operations are accounted as Scope 1 or 2, with emissions apportioned according to MHB's ownership share of the venture.

Our Scope 1 and Scope 2 GHG inventory excludes assets and businesses where MHB holds a minority equity stake and therefore has no operational control over. However, these will be included in our Scope 3 GHG inventory which is currently being developed.

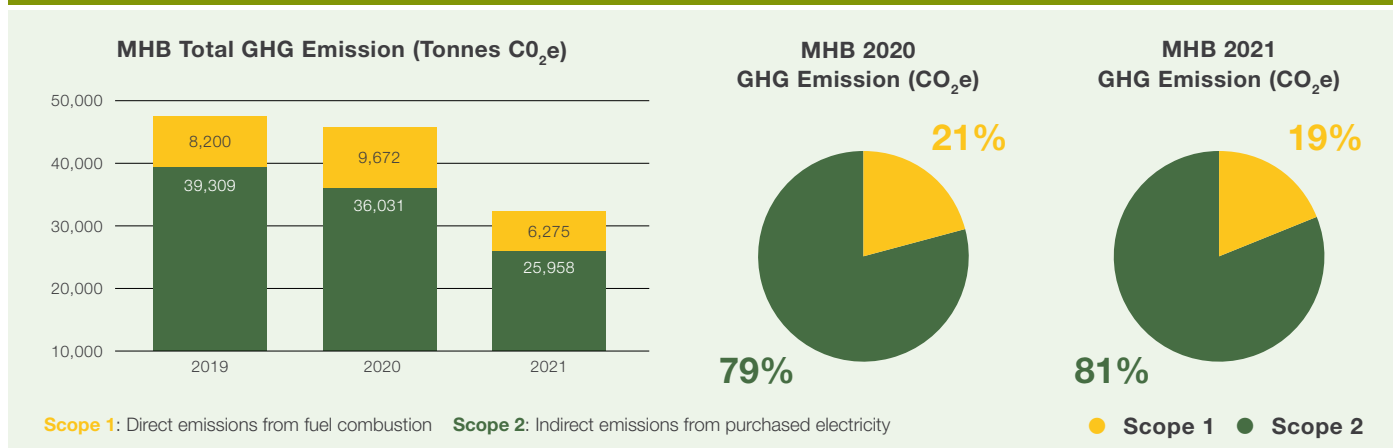
All direct GHG emissions emitted from assets and operations falling under MHB's GHG Organisational Boundary are accounted as our Scope 1 GHG, while electricity purchased for use on these assets are accounted as Scope 2. Scope 1 GHG emissions accounted for 19% of the MHB total GHG emissions in 2021. In 2021, MHB initiated the development of our Scope 3 (indirect emissions that are not under our control) and the exercise is expected to be completed in 2022.

Our Reason for Revising GHG Organisational and Operational Boundaries

We must take responsibility for emissions from our entire value chain to effectively reduce the effects of climate change. Our expanded scope will project our emissions more accurately and set strategic business planning decisions to contribute to our parent company, MISC Group's, Net Zero GHG emissions by 2050.

Approach and Achievements - Environment

GHG EMISSION DATA FROM 2019 – 2021



CLIMATE ACTION PLAN

Setting short, medium and long-term carbon emission targets will be our key initiative in 2022 as these targets are integral in supporting the Net Zero commitment by our parent company, MISC.

Managing Greenhouse Gas Emissions

At MHB, we track our GHG Scope 1 and Scope 2 emissions based on the Greenhouse Gas Protocol – A Corporate Accounting and

Reporting standard (revised edition). Each year, we report our GHG emissions to our parent company, MISC. The majority of our GHG emissions stem from activities related to the loss of refrigerant used and emissions arising from the consumption of petrol, diesel, and gas. MISC is undergoing a project to develop its Scope 3 GHG Emissions where this initiative has been cascaded down across the Group in which MHB is included.



Our GHG Emissions

	2021	2020	2019	2018	2017
Refrigerant Consumption (kg)					
Ozone Depleting Substances (ODS) – R22	1,099	3,415	2,581	1,269	1,523
SO_x, NO_x, PM₁₀ (tonnes)					
SO _x	1.27	1.64	1.38	0.84	2.51
NO _x	4.49	5.94	5.22	3.55	7.97
PM ₁₀	0.57	0.74	0.62	0.37	0.89

In the near-term future, we plan to further improve our Scope 1, 2 and 3 GHG emissions as follows:

1 Establish Scope 1 & 2 GHG reduction targets and roadmap for 2030

This will include setting baseline, identify sources, measure emissions, propose initiatives, setting carbon intensity reduction targets, show scenario forecasts and quantify resources and investments needed

2 Develop material value chain (Scope 3) greenhouse gases (GHG) inventory

We are in the midst of conducting the Materiality Assessment and from the Materiality Assessment, we will then develop the Scope 3 GHG Inventory for material categories

Approach and Achievements - Environment

Air Emissions

We continuously monitor our GHG emissions to ensure full compliance with the environmental Quality (Clean Air) Regulations 2014, including the monitoring of our air pollution control system (bag filter operators) emissions.

During the year, 4 of our employees maintained their certifications for Certified Environmental Professional In Bag Filter Operation (CePBFO). This is an important aspect of our emission management approach, to ensure that we have the competent personnel to provide assurance and compliance with emission standards.

Carbon Intensity 2021

Carbon Intensity is the ratio of total greenhouse gas emissions produced over man-days of revenue.

Our Carbon Intensity				
Period	Revenue	Man-days	Carbon intensity	
			t CO ₂ e/ revenue (million RM)	st CO ₂ e/ thousand man-days
H1	646,010,987	6,786,213	24.28	4.75
H2	754,552,850	8,268,521	20.47	3.90
Financial Year	1,400,563,837	15,054,734	23.01	2.14

Our Carbon Intensity			
	2021	2020	2019
tCO ₂ e/revenue (RM million)	23.01	29.17	7.89
tCO ₂ e/thousand man-days	2.14	2.00	3.46

Renewable Energy

At MHB, we have committed to using Renewable Energy as much as we can in our operations. We embarked on this drive in 2019 with the signing of a Memorandum of Understanding with PETRONAS Power Sdn Bhd for the installation of Solar Rooftop solutions at our premises.



Target to reduce **6,977** tonnes of CO₂e per annum from solar panel installations

In 2021, a total of **8 buildings generating electricity** from 8.3 MWp solar power capacity solar panel installed in MHB yard

Cost savings is estimated to be **RM8.5 million** over the next 21-year period.

It is the **largest rooftop solar installation** in a single compound within Malaysia

Total solar energy yield in 2021 **6,843 MWh**



Moving forward,

we plan to increase our use of renewable energy in our yards in the near term future.

This includes the possibility of extending our solar panels.

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Approach and Achievements - Environment

Environmental Monitoring Programme

At MHB, we believe that we can only effectively manage the goal of our Environment pillar through a rigorous and efficient environmental monitoring programme. Our environmental monitoring activities enable us to not just monitor our environmental performance, but also ensure our compliance with environmental regulations from various bodies, as well as our parent company, PETRONAS and the PETRONAS Technical Standard. Our Environmental Monitoring Programme covers the impacts of our business operations and activities on marine water, industrial wastewater, sewage treatment discharge and perimeter drain discharge. We also monitor our boundary noise and ambient air on a monthly basis and our ground water on an annual basis. All the samples we collect are tested in an accredited laboratory. The results of our tests and monitoring activities are compiled into environmental data and reports which we share regularly with the Department of Environment (DoE), Malaysia. We are accredited with the ISO 14001: 2015 Environmental Management System certification, which is audited and verified by Bureau Veritas.

Incorporating Environmental Risks Into Our Integrated Management System

One of our key actions during the year was developing the documentation to incorporate environmental risks into our Integrated Management System (IMS). This exercise enables us to consider all internal and external issues, including environmental and biodiversity issues, that we need to take into account in our quality management system. Our holistic approach will enhance our HSE risk and assessment process, especially in terms of Hazards Identification, Risk Assessment and Determining Control. We plan to evaluate the effectiveness of the actions we have identified on a periodic basis, to minimise the potential impacts of our business operations. Amongst the environmental aspects we will consider are air pollution, inland water pollution, marine water pollution, scheduled waste, soil contamination, resource depletion, climate change, effect of noise / vibration-related pollution and ground water contamination. Our IMS will also cover Social Risk Assessment (SRA) that will enable our projects and business segments to identify and address risks and impacts on our stakeholders. We have

also established a Grievance Mechanism process for our stakeholders to raise any grievances they may have with regards to the impacts of our business activities.

Energy Management

By its very nature of business, MHB's yard operations involve high energy consumption. These include activities associated with compressor houses, dry dock pumps, operations of machineries and street lighting, amongst others. We use the resources of electricity, gas, petrol and diesel to obtain energy for our operations. We have in place energy management initiatives that seek to reduce our consumption of energy and derive the cost savings and reduced environmental carbon footprint that this brings. In 2021, most of our energy consumption was due to ongoing operations and business activities.

Electricity saving Initiatives

Our electricity saving initiatives are geared towards reducing our Scope 2 Greenhouse Gas (GHG) emissions i.e. indirect emissions from electricity consumed. In 2021, we continued to implement our action plan to reduce our electricity consumption. This included replacing conventional compact fluorescent light (CFL) with light-emitting diodes (LeD), as the latter has greater luminous efficacy and a lifespan that is much longer than CFL.

As at the end of 2021,

we have replaced **50%** of the total number of **11,550 units** of CFL lights to LED lights in our yard. We have also continued to install motion sensor lights in our toilets, offices and streetlights, of which we have **completed 100%** during the year.



Energy Consumption at MHB

	2021	2020	2019	2018	2017
Electricity Consumption (MWh)	42,687	52,677	57,470	39,586	57,813
Gas Consumption (tonnes CO ₂ e)	1,186	1,028	976	981	1,638
Petrol Consumption (litres)	13,080	23,303	30,796	35,255	41,900
Diesel Consumption (litres)	1,450,717	1,868,747	1,553,678	934,774	2,245,397

Approach and Achievements - Environment

STRATEGIC PRIORITY Circular Economy

Our commitment

- Towards reducing and eliminating waste and continual use of renewable resources

Our Initiatives

- Sustainable Resource Management
- Resource and Waste Management
- Climate Friendly Products
- Handling Surplus and Scraps

Our Contribution to UNSDG



The circular economy refers to the economic system that seeks to eliminate waste by continually using resources through a close-loop system. This system minimises the use of resource inputs and reduces waste, pollution and carbon emissions. The circular economy also leverages on the Waste-to-Value (WtV) concept where waste is either treated or processed into a valuable product.

Sustainable Resource Management

Another key resource we use in our operations is freshwater. Activities such as ballast and deballast, water pressure testing, hydro jetting and chemical cleaning require a huge amount of water consumption. To responsibly manage our use of water, we have in place awareness and water management programmes. Our water management programmes also include the management of treated water from our industrial wastewater system and sewage treatment system. We continuously advocate the efficient use of water and reduction of unnecessary water usage amongst our employees.

Our Certified Environmental Professional in the Operation of Effluent Treatment System (CePIETSO) for both biological and Chemical-physical treatment and Certified professional in sewage treatment plant operator (Cepstpo) remains an important means by which we manage our wastewater and sewage treatment. We have maintained efforts to ensure that our wastewater discharge is in compliance with the standards of the Acceptable Conditions for Discharge of Industrial and sewage effluent. We remained compliant with the stipulations of the environment Quality Act 1974 (EQA 1974) and environment monitoring guidelines provided by the Department of Environment (DoE). In 2021, we conducted the Guided Self Regulation (GSR) introduced by the DoE

to ensure our regulatory compliance. Our monitoring samples were taken by an independent third-party and tests were conducted in an accredited laboratory. The results of these reports were then submitted to the government online monitoring system, Online Environment Report (OER).



Water Consumption & Industrial Wastewater Discharged

	2021	2020	2019	2018	2017
Volume of Water Consumption (m ³)	568,698	497,177	549,420	814,666	774,219
Industrial Wastewater Discharged (m ³)	21.0	94.3	202.7	519.12	227.0

Resource and Waste Management

MHB aims to promote the elimination of waste and the continual use of resources, as well as increase the use of renewable resources within our operations and the value chain. We will drive our efforts by practicing 4R principles of Refuse, Reduce, Reuse and Recycle.

This approach helps us to reduce the amount of waste we dispose of and end up in landfill sites. We propagate a strong recycling culture at the workplace through awareness programmes for our employees.

At MHB, our operational activities result in large quantities of waste which present us with a challenge in balancing our environmental obligations. Part of our scheduled waste is hazardous and could pose a public health threat if not done in accordance to prevailing regulations. The laws we are governed by include the Environmental Quality Act 1974 where under the Environmental Quality (Scheduled Wastes) Regulations 2005, any hazardous waste listed in the first schedule is considered scheduled waste.

As for our scheduled waste, we have ensured that these are disposed out by handing them over to the relevant accredited third parties for either recycling or treatment. Our scheduled waste in 2021 consisted of hazardous waste which comprised mainly of clinical waste from COVID-19 tests conducted for our workers at our premises, as carried out by appointed hospitals, as well as self-test kits provided to employees.


We have completely banned the use of polystyrene in the yard. With regards to Non-Scheduled waste, we have continued to monitor our waste generation by promoting the Refuse, Reduce, Reuse and Recycle ethos within our employees.

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Approach and Achievements - Environment

We have developed the baseline data for waste generation in 2020 and have set our waste recycling targets for the future. Our waste management targets are based on our Life Cycle Analysis of Waste.

Scheduled Waste Targets



Target Level

To **maintain 3R** rate of hazardous waste from MHB operations at **>95%**
 Rationale:
 → MHB Scheduled Waste has reached a 100% recycling rate as at early 2022 but in previous years had recorded a recycling rate of between 95% and 97%.

Alternatives

- Explore alternatives for blasting material/operations
- Diversify options for 3R vendors

Implementation period

$$\frac{\text{Total 3R}^{(1)}}{\text{Total generation}^{(2)}} \times 100\%$$

Annual target up till 2025

Measurement matrix

3R Rate (%):

NOTE:

1. Amount of hazardous waste sent to 3R facility in the reporting year (presume all waste is 100% 3R)
2. Total generation in the reporting year

Domestic Waste Targets

Entity	Measurement matrix	2018 Baseline	Interim Target (from baseline year)			2025 Target (from baseline year)
			2022	2023	2024	
MHB	3R Rate (%): NOTE: 1. Amount of non-hazardous waste sent to 3R facility of the reporting year (presume all waste is 100% 3R) 2. A sum of total waste disposed and 3R of the reporting year	12%	15%	25%	50%	72%

Alternatives

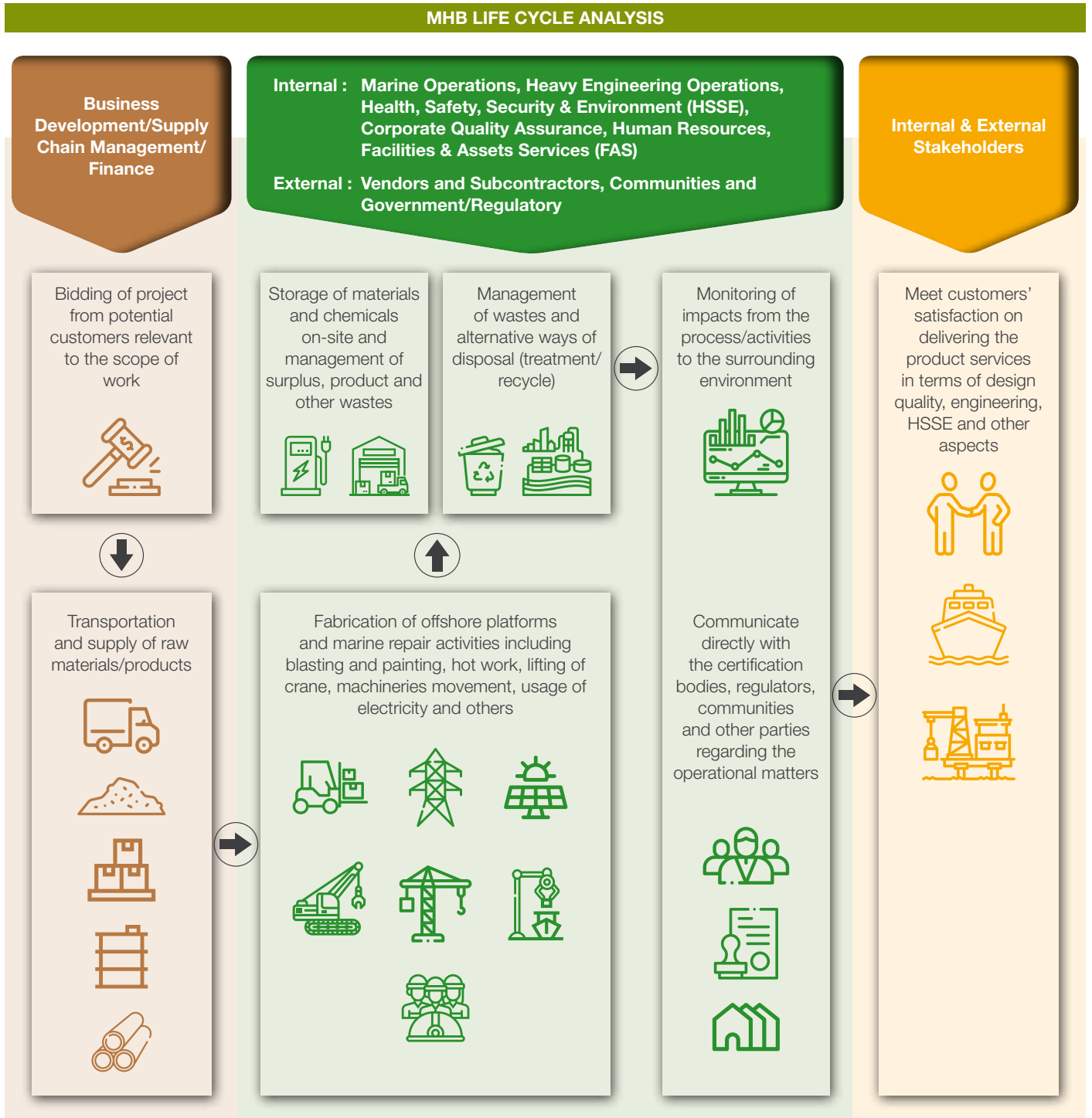
- Wood waste reduction
- Packaging waste reduction through supply chain management
- Garden waste composting

Strategies

- Improve waste segregation through compliance and awareness programmes
- Incentive programme

Approach and Achievements

- Environment



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Approach and Achievements - Environment

Additionally, we have optimised waste generation and recycling by implementing a composting system and 5R principles of waste management.



Scheduled Waste and Non-Scheduled Waste

	2021	2020	2019	2018	2017
Scheduled Waste					
Landfill (MT)	0	47.84	24.74	13.87	673
Managed by other means (MT)	11,649.98	13,888.91	23,094	27,635	23,981
Non-Scheduled Waste					
Landfill (MT)	3,745	5,178	5,631	5,232	7,650
Recycled (KG)	145.4	173.91	225.36	498.87	N/A
Total non-scheduled and scheduled waste to landfill (MT)					
Scheduled Waste	0	47.84	24.74	13.87	672.67
Non-Schedule Waste	3,745	5,178	5,631	5,232	7,650.1

In 2021, clinical waste is referred as the only scheduled waste which is sent to the landfill. However, due to the COVID-19 pandemic, all suspected COVID-19 patients obtained their treatment from external clinics and hospitals. Thus, there was no scheduled waste that went to the landfill in 2021.



Our Recycled Waste

	2021	2020
Wooden Pallets (kg)	81.81	158
Aluminium (kg)	51.33	48
Plastic (kg)	3.55	160
Paper (kg)	8.61	8,510



Raw Materials Used

	2021	2020	2019	2018	2017
Raw Copper Slag (tonnes)	4,178	24,600	20,000	28,000	20,454

* The abrupt reduction of raw material used for blasting in 2021 is due to pandemic-related impacts on the Marine Segment's trade volumes and the border restriction from the Malaysia Government which only allowed individuals / vessels from listed countries into the country.

Climate Friendly Products

At MHB, we believe that the use of eco-friendly or all natural products will ensure safety from all dangerous chemicals and allow our people to avoid risky additives that can cause any health and safety issues. Using eco-friendly products has been proven to improve quality of life in terms of mortality, age, diseases and illnesses. In the long run, this will ensure the safety of people and the planet. During the year, we have increased the use of low toxicity and biodegradable products. This include the use

of biodegradable degreasers for chemical cleaning of tanks, valves and boiler soot. Moving forward, we will explore the use of more eco-friendly products within all aspects of our operations.

Handling Surplus and Scraps

Recycling can also play a role in construction as by-products and scraps cannot be avoided during the construction process, although are several methods for using or reusing those materials as well. During the year, we conducted material management site-tracking and reconciliation reports for the Heavy Engineering Operations and Marine Operations. Our aim was to reduce waste through comprehensive monitoring of material consumption. We also established a Master Surplus List which is published on an e-portal to promote surplus material usage across the yard by other units or for other purposes. This will enable us to efficiently use our resources and reduce our waste at our yards.

Moving into 2022, we will create more awareness amongst our employees on the important of material management site tracking and reconciliation reports to reduce wastage. Alongside this, we will also intensify awareness campaigns promoting surplus material usage at our yards. We plan to task our Engineering and Design team and Project Managers with the responsibility of ensuring that our engineers have control in mitigating scrap wastage. This will include developing the competency of our employee and subcontractors in cutting specifications, optimise usage of materials before a project starts, as well as invest in the appropriate softwares / tools to enhance our capabilities.

Approach and Achievements

- Environment

STRATEGIC PRIORITY - Biodiversity Conservation

Our Commitment

To conserve and rehabilitate marine and biodiversity

Our Initiatives

Engagement on efforts to reduce loss of biodiversity with:

- Government or Regulators
- Local or International Organisations and NGOs

Our Contribution to UNSDG



This strategic priority demonstrates MHB's commitment to protect the ocean and life on health by rehabilitating marine biodiversity. We are driving this strategic priority through collaborative partnerships that promote and conduct biodiversity programmes and activities.

Planning our Approach to Biodiversity Conservation

In 2021, MHB considered how our company could contribute to biodiversity conservation within the footprint of our operations. We are committed to taking action on biodiversity conservation through focused initiatives and programmes that will mitigate our business' impacts and dependency on natural capital. Within the maritime sector we operate in, we have noted that biodiversity decline has been linked to risks across areas such as operations, regulatory compliance, reputation, market, supply chain, product, insurance and finance. The World Business Council for Sustainable Development has outlined a roadmap to a sustainable 2050 through its Vision 2050 calling for a world in which more than nine billion people can live well and within planetary boundaries. As a company that takes our environmental stewardship seriously, we believe that one of the ways in which this can be achieved is to have a low ecological footprint. Programmes and initiatives that we will roll out in 2022 within the Biodiversity Conservation Strategic Priority are those which will act as enablers in reversing biodiversity loss and have a positive impact on our ecological landscape.

During the year, we began making inroads into plans that will address the biodiversity impact of our business operations and projects.

MHB collaborated with the Department of Forestry Malaysia for mangrove plantation, in conjunction with Malaysia's 100 Million Tree Planting Campaign 2021 – 2025 that was launched during the year. MHB contributed 150 mangrove plants for the campaign and targets to contribute more in 2022 and onwards.

The choice of species must meet the purpose of planting and land suitability, including prioritising local tree species, fast-growing trees which require minimum care, deep roots, suitable soil conditions, less leaf, branch or fruit fall and no poisonous fruits.



We are currently working on our plan to conduct Environmental Impact Assessments in the near future. Additionally, we are developing an Environment Management Plan, that will address the potential environmental and biodiversity risks of our business operations and projects. We are also working on a long-term biodiversity conservation programme in collaboration with a non-governmental programme, the details of which we will announce in the year ahead. Another area we are exploring is biodiversity-related certification schemes within our sub-sector that we can participate in. For the year ahead, we plan to continue with our efforts to develop our Biodiversity Conservation Strategic Pillar, and roll out programmes and initiatives in collaborations with partners within this sphere.

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Approach and Achievements




SOCIAL

OUR COMMITMENT

We are committed to creating an environment where our employees, vendors & subcontractors and communities can thrive through initiatives centred on prioritising health and safety, individual and team excellence and contributing to the positive socioeconomic development of communities.

STRATEGIC PRIORITY - Workplace Health & Safety

Our Commitment	Our Initiatives	Our Contribution to UNSDG
To promote a safe and healthy environment	<ul style="list-style-type: none"> → QHSE Framework → Integrated Management System for QHSE → Engagement and Initiatives to elevate and improve our QHSE culture and performance → Robust COVID-19 Management 	

Upholding an Excellent Health & Safety Culture

MHB places the utmost priority on the health and safety of our employees, vendors & subcontractors and communities. We believe that upholding an excellent health and safety culture that safeguards our internal and external stakeholders will ensure our sustainable business operations, as well as reinforce our social license to operate as a responsible corporate citizen.

MHB has in place a comprehensive Quality, Health, Safety and Environment (QHSE) Framework as guided by our Quality and Health, Safety and Environment (HSE) Policy. At MHB, several policies have been established to demonstrate our commitment to a strong QHSE Culture, namely Quality Policy, HSE Policy, Substance Misuse Policy and Stop Work Policy. These policies have been implemented, maintained and communicated to all workers and interested parties.

Our QHSE Framework and HSE Policy

Together, our QHSE Framework and HSE Policy enables us to approach the Management of QHSE at our company through a holistic process that encompasses the following elements:

QHSE FRAMEWORK



Approach and Achievements

- Social

We have an annual QHSE Plan which outlines our strategies, initiatives and programmes to achieve the Quality and HSE objectives and targets we have identified for ourselves. The plan addresses aspects such as process governance, performance and continual improvement. Our QHSE Plan is aligned with and supports the realisation of our commitment as articulated in our Quality and HSE Policy, the MHB Scorecard, the MHB Quality and HSE KPIs, our parent companies' PETRONAS Group Health, Safety, Security and Environment (GHSSE) strategy and initiatives and MISC's Group Business Plan for the year.

Quarterly QHSE Management Committee Meetings are conducted to identify our priorities and ensure that we have allocated sufficient resources to meet the needs of our QHSE agenda. The Management undertakes a proactive approach to HSE by conducting walkabouts amongst our workers and all efforts are undertaken to inculcate a positive QHSE Culture promoting and encouraging positive or good quality and safe behaviours among our employees.

The Board Risk Committee reviews quarterly updates on MHB's Risk Profile and is appraised of Very High and High risks including Health and Safety, if any. Further to that, the Board is apprised of the quarterly Health and Safety status of projects and operations. The authority to approve and implement the HSSE policy and procedures is delegated to the Executive Director of the Company.

Integrated Management System for QHSE

The nature of our business operations involves a large pool of workers dedicated to delivering on integrated and complex services, including deep-water oil & gas (O&G) structures and support services, to local and international O&G customers. It also encompasses marine repair services such as Liquefied Natural Gas Carrier (LNGC) repair and dry

docking and as a one-stop centre for offshore conversion. Activities related to the provision of our specialised services require an excellent QHSE culture to ensure our workers do their job safely, efficiently and in accordance to international accredited quality standards.

A key way in which we ensure this is through our QHSE Integrated Management System, which enables MHB to operate with greater efficiency, provide better working conditions and enhance our reputation as an employer and service provider. A documented Integrated Management System Manual for Quality, Health, Safety and Environment includes a range of diverse and pertinent information that will aid all levels of management and employees in their daily operations. Emphasis is directed to the continual improvement and the implementation of productive and safe systems of work associated with everyday activity and specific job tasks.



Compliance with International Standardisation and Classification Bodies

- International Maritime Organisation (IMO)
- International Association of Classification Societies
 - American Bureau of Shipping
 - Nippon Kaiji Kyokai



MHB's Management System Certifications

- ISO 9001: Quality Management Systems
- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health & Safety Management System

QHSE INTEGRATED MANAGEMENT SYSTEM MODEL

Our QHSE Integrated Management System (IMS) model is derived from the Plan-Do-Check-Act (PDCA) improvement system as follows:

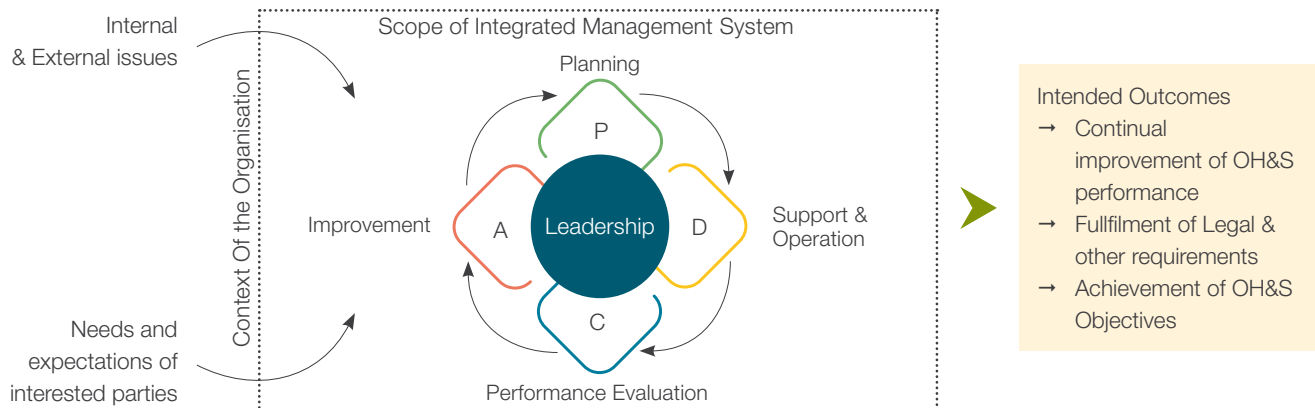


Figure 3: PDCA Concept

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Approach and Achievements - Social

In 2021, MHB's QHSE Plan focused on the following measures.



- Enrich QHSE leadership and commitment via
 - A focused approach to QHSE:
 - QHSE Management Review Meetings conducted annually
 - Main and Steering Committee Meetings conducted each quarter
 - Inculcating an excellent QHSE Culture through HSE Main Committee Walkabouts
 - Continue with implementing individual QHSE KPIs during the year, to promote individual responsibility for health and safety matters



- Intensify QHSE Assurance and Compliance via
 - Responding promptly to any potential non-compliance issues raised by local authorities and regulators such as the Department of Environment (DoE) and Department of Environmental Safety and Health (DOSHS)
 - Quick turnarounds on any Non-Conformance Reports (NCR) by our customers
 - Following through with action plans to address gaps identified in Audit Finding Reports (AFR)
 - To periodically collect customer feedback on ongoing projects and take proactive action to remedy or rectify
 - To conduct internal audits according to division, department and projects, towards maintaining consistent high QHSE standards across all activities and operations



- Elevate our HSE performance via:
 - Continuous intervention of MHB 10 Safety Rules
 - Focus on the effective implementation of HSE campaigns and enforcement
 - Conduct periodic HSE Walkabouts
 - Maintain a continuous QSHE Internal Audit and Assessment Programme
 - Practice HSE Consequence Management
 - Conduct HSE Risk Management Review
 - Monitor Price of Non-Conformance (PONC) Management and ensure that high risk incidents are investigated
 - Communicate lessons learnt from QHSE incidents
 - Continuous enhancement of PONC classification and investigation process



- Foster Awareness and Proactiveness in QHSE via:
 - Inculcating QHSE culture at organisational level
 - Inculcate awareness on significant or high risk issues



- Strategise and implement the QHSE Operational Programme



- Ensure strong contract and contractor management through:
 - Engagements with vendors & subcontractors
 - Reviewing SCM contracts with vendors & subcontractors based on QHSE factors

To ensure that we delivered on the outcomes we had identified, we conducted the following QHSE programmes and initiatives in 2021:

- Engaged with local authorities and other external parties through QHSE talks and programmes such as Learn and Lunch and virtual learning
- Promoted a workplace with high awareness of Unsafe Condition, Unsafe Act (UCUA)
- Provided recognition for Best Practices and good compliance to individuals and teams
- Conducted engagements and implemented HSE campaigns towards elevating our QHSE Culture
- Conducted a yard-wide quality improvement initiatives

Approach and Achievements - Social

Engagement and Initiatives to elevate and improve our QHSE culture and performance

In 2021, the PETRONAS HSSE Culture Maturity Survey (CMS) was conducted to measure the level of HSSE culture maturity of MHB as part of the PETRONAS Group towards achieving a Generative Culture. The objectives of the survey were to gauge the level of HSSE culture maturity, understand our strengths and areas of improvement and recalibrate and revalidate our strategies and interventions. It consists of 20 dimensions relative to the culture maturity ladder and two open-ended questions. The survey was held from 8 June 2021 until 29 June 2021, with an extension for offline mode until 15 July 2021.

91% response rate from **2,283 employees** from across MHB. Achieved the rating of **4.06** at the Proactive level which means safety leadership and values drive continuous improvement



In 2021, we conducted the following initiatives and engagements to improve QHSE culture and performance.

Initiatives / Engagements	Objective / Outcome	Value to MHB
 <h3>Health</h3> <ul style="list-style-type: none"> → Fit for Work Programmes <p>Virtual</p> <ul style="list-style-type: none"> → Sports Challenge → Fatigue, Stress & Sleep Management Awareness Campaign → Ergonomics at the Workplace → Getting Back in Shape → Reflective Learning (Mental Health) → Build Your Immune System → Workout Nutrition <p>Physical</p> <ul style="list-style-type: none"> → Enhancing Safety through Ergonomics Programme with Marine Operations → Safe Handling of Chemical → Hearing Conservation 	<ul style="list-style-type: none"> → Identify and assess employees' key health issues → Develop health related resources for employees → Establish partnerships for evidence-based healthcare, health promotion (AIA) and health policy development → Focus on disease prevention and promote healthy dietary habits, lifestyles → Increase awareness on ergonomics importance → Ensure chemical safety in the workplace → Ensure availability of information on chemical identities and hazards for employees understanding & knowledge → Provide awareness on hearing conservation i.e familiarise employees with noise hazards (especially those who are exposed to noise at site) 	<ul style="list-style-type: none"> → Healthy and productive workforce → Reduce the rate of medical leaves and cost due to health problems → Increase understanding and employees' knowledge in chemical hazards at work area, appropriate handling of chemicals and protection measures
 <h3>Safety</h3> <p>Awareness on occupational safety efforts:</p> <ul style="list-style-type: none"> → Line of Fire Safety Campaign → Prevention of Dropped Object & Working at Height Safety Campaign → Leaders' HSE Roundtable Talk with MD & CEO & Contractors' Top Management → MHB 20 million Safe Man-hours - Achievement Appreciation → Confined Space Safety Campaign 	<ul style="list-style-type: none"> → Fortify safety culture through effective campaigns implementation → Assess employees' knowledge and understanding on safety through safety campaigns (Line of Fire & working in confined space) → Identify areas for further safety improvement → Reduce accidents i.e on-site falls by getting employees to assess before undertaking any work involving heights → Ensure partnership with contractor is towards HSSE Generative Culture → Appreciation to employees implementing HSSE in their daily work life 	<ul style="list-style-type: none"> → Increase awareness on HSSE issues surrounding work area (employees and subcons) → Invoke accountability and ownership as HSE agents → Exemplary adherence to regulated HSE requirements (OSHA act etc) carried out by employees, subcons and other 3rd parties associated with MHB → Raise awareness of the dangers that could occur while working at heights to reduce accidents and improve safety → Good HSSE practice brings good reputation to the Company in managing HSSE

Approach and Achievements

- Social

Initiatives / Engagements	Objective / Outcome	Value to MHB
 <h3>Environment</h3> <ul style="list-style-type: none"> → Environmental Sustainability Sharing Sessions which cover recycling, air pollution, waste and scheduled waste management, electricity & greenhouse gases (GHG) reduction → Launch of Environment Campaign 2021 & ECO Movie Hour 	<ul style="list-style-type: none"> → Promote environmental awareness and nurture green culture → Create stronger sense of environmental responsibility and commitment → Encourage teamwork amongst employees in championing green initiatives → Inspire employees to be the change in protecting our environment and marine biodiversity → Increase awareness and share current legal requirements on managing scheduled waste 	<ul style="list-style-type: none"> → Increase recycling habits amongst employees which would reduce waste → Understand emissions that MHB is responsible for and the actions to take to manage and reduce emissions
 <h3>General</h3> <ul style="list-style-type: none"> → Forklift Safety → PPE – Overall and focus on Gloves → Compliance - First Aid Box and drinking water machine → Confined space → Chemical Management and Scheduled Waste → Respirator Fit Testing → Rakan HSE & HSSE 	<ul style="list-style-type: none"> → Identify and evaluate compliance to HSE legal related requirements and other requirements for respective activities → Check and assess HSE management in the yard i.e storage, work sites and workshops area → Exercise responsibility to adhere and comply to implemented HSE requirements to empower employees to make HSSE a way of life through excellent management → Increase awareness on good respiratory protection equipment → Further develop the right HSSE culture in MHB through engagements with frontline supervisors with high personal standards who can show dedication, passion and care towards others (focus on soft skills to enhance the supervisory and communication skills while reinforcing critical HSE controls in their work) 	<ul style="list-style-type: none"> → Increase awareness on HSSE issues surrounding work area amongst employees and subcons → Invoke accountability and ownership as HSE agents → Exemplary adherence to regulated HSE requirements (OSHA act etc) carried out by employees, subcons and other third parties associated with MHB → Sustain outstanding HSSE performance from all levels of employees including the top management → Elevate HSSE culture; reinforcing Leadership and Personal Accountability, intensifying Operational Discipline and strengthening Contractor Management

Approach and Achievements - Social

Robust COVID-19 Management

As the COVID-19 pandemic continued throughout 2021, our COVID-19 Special Task Force put into place various measures to safeguard our people.

INITIATIVE	WHAT WE DID
Yard entry screening and declaration	<ul style="list-style-type: none"> → Usage of MySejahtera, a mobile application developed by the Government of Malaysia to facilitate contact tracing efforts in response to the COVID-19 pandemic in Malaysia → Management of high-risk group → Immunisation programme with COVID-19 vaccination guidelines <ul style="list-style-type: none"> • Established MHB Vaccination Task Force under the Ministry of International Trade and Industry (MITI) Industrial Immunisation Programme (MIIP) • <i>Lembaga Pelaburan Johor</i> invited MHB to be involved in the vaccination programme under the <i>Program Imunisasi Industri COVID-19 Kerjasama Awam Swasta</i> (PIKAS), prioritising MHB subcontractors to achieve herd immunity in the yard
Implementing rule of 3 – Wash, Cover, Distance	<ul style="list-style-type: none"> → Wash – Overall area disinfection / tool and equipment’s hygiene → Cover – Personal Protective Equipment → Distance – Social Distancing
Working arrangements	Work in office via rotation and staggered working hours arrangements according to each division department
Canteen Management and Breaktime	→ Canteens and restaurant operators to offer only pre-packed food
Office Workspace, Pantry, Clinic, Vehicle Management, Emergency Response And Enforcement & Assessment Committee	To observe social distancing and conduct emergency drills related to COVID-19 scenario
COVID-19 Initiatives and Promotion	<ul style="list-style-type: none"> → Issuance of personal hand sanitisers → Installation of COVID-19 awareness banners → Yard-wide sanitisation before restarting operations → Daily disinfections of resting areas
Ship Management	Mandatory COVID-19 screen tests for all ship crew
COVID-19 test types and purpose	<ul style="list-style-type: none"> → Entry requirement - all visitors, interviewees, new joiners, physical training, etc → Periodic testing - all personnel i.e MHB customers, subcontractors, visitors → Case related testing - suspected cases and close contacts → Targeted mass screening - personnel within the group building or area of cases → Specific requirement test - personnel attached to specific projects or required to attend events
Management of COVID-19 cases	<ul style="list-style-type: none"> → As per Ministry of Health’s requirements on a case-by-case basis → Quarantine and home surveillance order (HSO) requirements where necessary → Contract tracing and close contact management → List of COVID-19 Assessment Centre (CAC) and Emergency contacts

VACCINATION STATUS (TWO DOSES) AS AT 9 DECEMBER 2021

MHB Employee	Subcontractors
99.5%	95.4%

ACHIEVING MHB’S QHSE TARGETS IN 2021

100%
compliance on all HSE matters regulated by the authorities

3.36
closure rate on customer Non-Conformance Reports

Achieved customer feedback rating of **7.6**

Conducted **12** internal audits



Approach and Achievements

- Social

MHB HSE Performance: Performance Trending

KPI	2021	2020	2019	2018	2017
Fatality	0	0	0	1	0
Loss Time Injury Frequency (LTIF)	HSE: 0.00 MO: 1.20	HSE: 0.00 MO: 0.00	0.22	0.16	0.26
Total Recordable Case Frequency (TRCF)	HSE: 0.11 MO: 1.99	HSE: 0.14 MO: 0.68	0.44	0.23	0.40
Major Fire	0	0	0	0	1
Major Property Damage	0	1	0	0	0
Major Environmental Spillage	0	0	0	0	0
Number of Safe Man-hours achieved (inclusive of contractors)	13,952,986	12,848,328	13,715,652	12,854,714	15,156,593

Lost time: the total number of working hours or days that are lost because of injury



Numbers of Safe Man-hours achieved
(inclusive of contractors)

15,156,593



Zero case

No environmental fines and penalties from
2019 - 2021



STRATEGIC PRIORITY - Talent Excellence

Our Commitment

To futureproof talent and leadership agenda by accelerating talent potential in a high-performing organisation

Our Initiatives

- Diversity & Inclusion
- Learning Hub @ myPortal
- Enhancement of Talent Performance Development Cycle
- Leadership and Functional Competency Assessments
- Capability Development Programmes
- Leadership Development Programmes
- Developing Functional Competencies
- Centre of Excellence (CoE)
- Internship Programmes

Our Contribution to UNSDG

Approach and Achievements - Social

Diversity & Inclusion

MHB has continuously maintained our commitment towards workplace diversity, as an enabling tool to enhance our business performance, improve employee retention and access different perspectives and ideas. We are committed to promoting diversity and inclusion principles for all employees, regardless of gender, age, ethnicity, religion, beliefs, sexual orientation, origin, economic or cultural backgrounds.

To meet our Diversity and Inclusion aspirations, we have embedded the following strategic priorities:

- MHB Leadership Accountability demands our leaders to embrace diversity and inclusion as part of our work culture.
- Performance and progression are assessed and executed objectively including focused hiring and a recruitment strategy. We promote a diverse talent growth without tolerance of any form of discrimination.
- The MHB Cultural Beliefs reflect equity within our diverse workforce where it links with our business objectives.
- Our People Agenda was introduced as our commitment to each member of our workforce, which provides clear direction and guiding principles in delivering Employee Value Propositions (EVPs) to every employee. It aims to promote a conducive work environment and an enhanced employee experience to each individual.

A DIVERSE WORKFORCE

Race	Total
Bidayuh	1
Chinese	30
Dusun	1
Eurasian	1
Iban	32
Indian	48
Kadazan	3
Malay	2,251
Suluk	2
Others	280

Religion	Total
Buddhist	25
Christian	84
Hindu	47
Muslim	2,417
Other religions	76

Gender	Total
Female	532
Male	2,117

Age	Total
< 20 years old	1
20 - 29 years old	523
30 - 39 years old	1,152
40 - 49 years old	566
50 - 59 years old	391
60 years old and above	16

Nationality	Total
Bangladesh	101
Dutch	1
French	1
Indian	2
Indonesian	121
Malaysian	2,368
Pakistani	11
Philippines	41
Saudi Arabian	1
Singaporean	2



Grand Total: 2,649

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Approach and Achievements

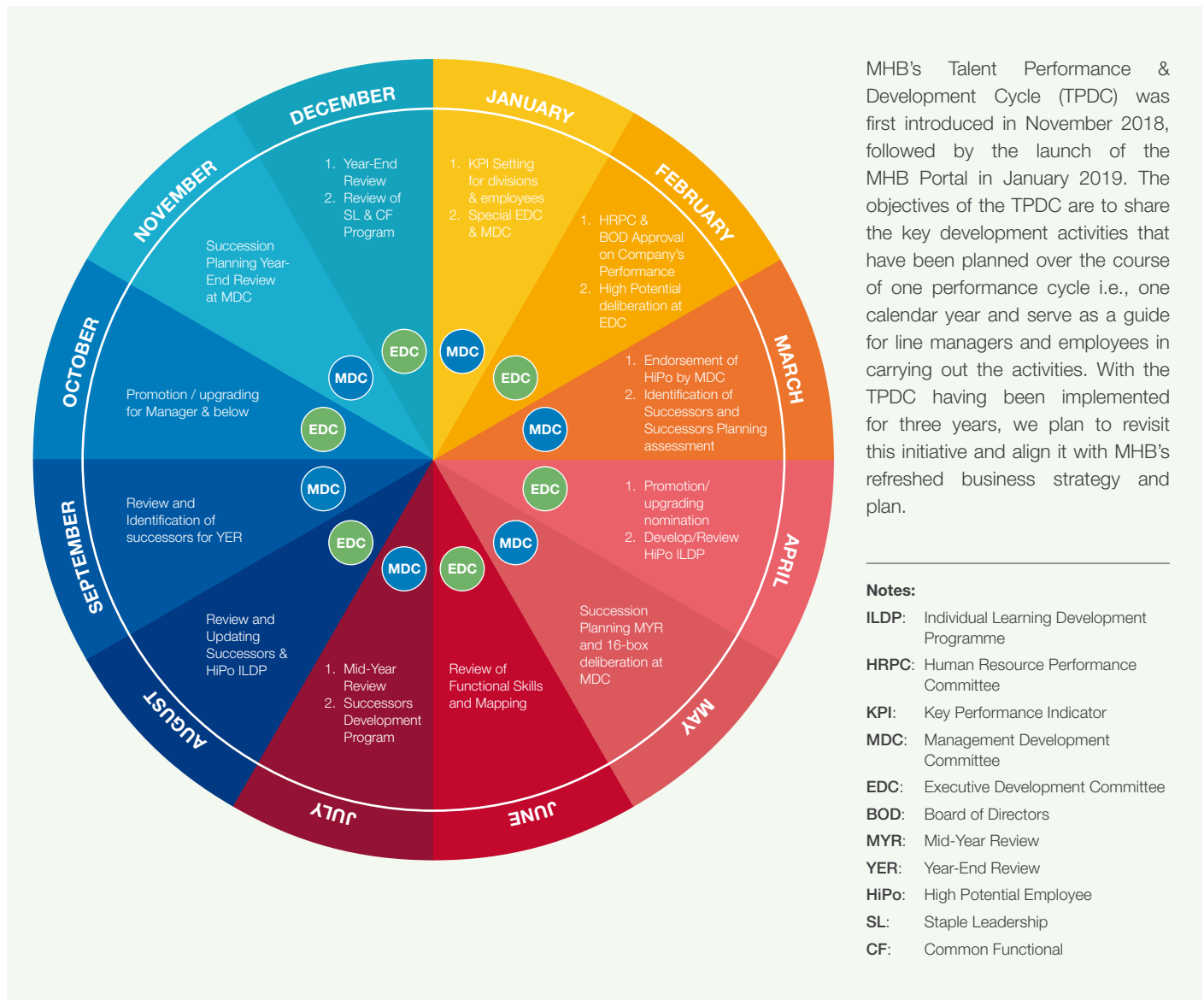
- Social

Learning Hub @ Myportal

We have in place a range of programmes and initiatives that are geared towards building our employees' capabilities and enhancing their skills. In 2021, employees were encouraged to take personal responsibility of their own learning and development through the 'Take Charge of Your Own Learning and Development' programme.

The programme requires our people to self-register for training programmes that they feel will contribute to their continuous learning and development via the online MHB Training Calendar 2021. The calendar is updated on a quarterly basis and is accessible by employees via Learning Hub @ Myportal. Learning Hub @ Myportal is a centralised online system which gives access to our people to the employee development tools that are available for their use. These include the MHB Learning Guide, Training Calendar and Individual Learning and Development Plan (ILDLP) to facilitate employees in their learning and development curve.

Enhancement of Talent Performance Development Cycle



Approach and Achievements

- Social

Leadership and Functional Competency Assessment

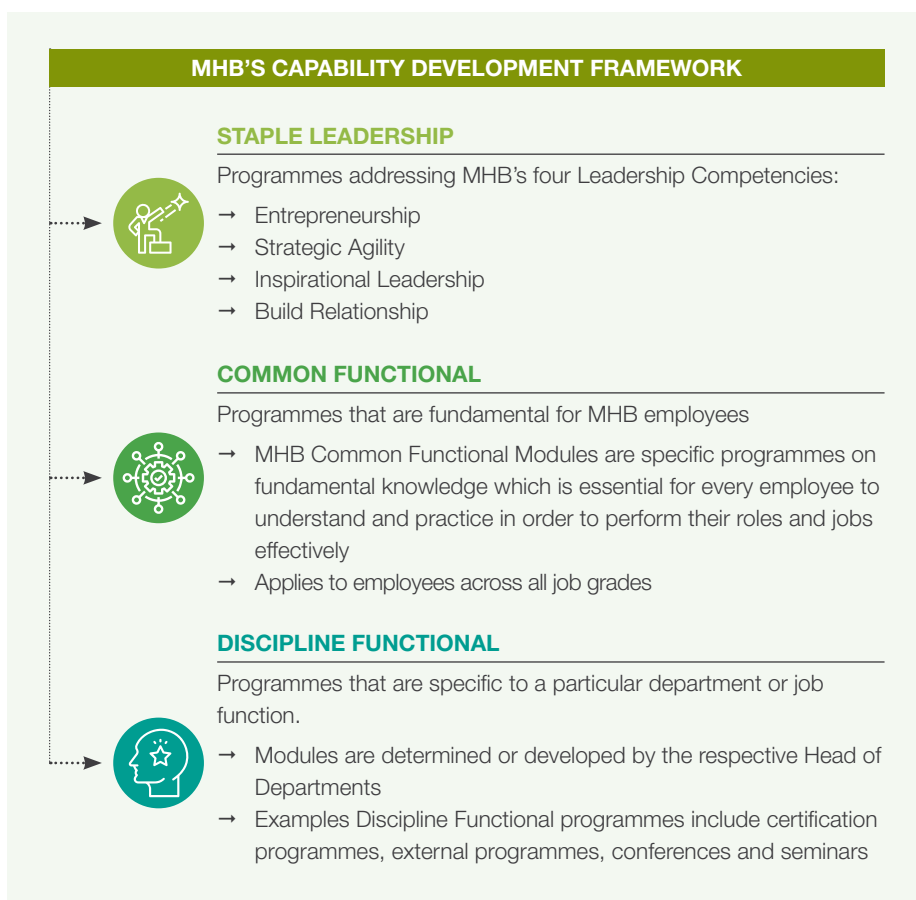
In 2021, MHB introduced a structured Leadership and Functional Competency Assessment in line with the Company's business strategy. The objective is to assess our employees' level of proficiency for leadership and functional competencies as required by their job. In conducting the assessment, we assess our employees' demonstrated skills, knowledge or behaviour against the required proficiency level. This approach ensures that our people will possess the right competencies which will enable them to perform their job effectively. It also enables us to identify areas of development and the intervention plan required. In addressing the gaps identified with regards to both Leadership and Functional skills, we have put in place a collaborative approach whereby the Head of Department and Line Manager will discuss gaps raised with the respective employee to develop targeted development and intervention plans.

1,780 employees
underwent Leadership and Functional Competency Assessment



Capability Development Programmes

MHB's Talent Management System (TMS) was launched in two phases in 2020, with the first phase covering core and learning functions and the second phase covering Leadership and Functional Competencies profiling and assessment of employees on the platform. The TMS takes a holistic approach towards talent development at MHB and incorporates various aspects of our learning and development initiatives.



Training Man-hours (face-to-face (F2F) and e-Learning, inclusive of Harvard Management Mentor)

Description	2021		2020		2019		2018	2017
	F2F	e-Learning	F2F	e-Learning	F2F	e-Learning		
Total hours of employee training	54,603	38,065	46,774	27,120	36,274	9,440	49,024	35,777
Average hours of training per year per employee	24.12	37.61	19.04	22.61	17.57	18.06	23.5	15

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Approach and Achievements - Social



Training Programmes conducted in 2021 for MHB Employees

Training Delivery	Number of programmes	Number of participants	Learning man-days
F2F Training	52	2,508	16,551
Virtual	175	536	37,576
Hybrid (F2F + Virtual)	5	92	476
Total	232	7,968	54,603



Staple Leadership Programmes in 2021

Programme Titles	Job Group	Total Sessions	Mode of Training
Stakeholder Management	Senior Manager & above	1	Virtual
Developing a High-Performance Culture	Senior Manager & above	1	Virtual
Design Thinking	Senior Manager & above	1	Virtual
Making an Impactful Presentation	Manager	2	Virtual
Effective Employee Engagement	Manager	3	Virtual
Coaching for Action	Manager	2	Virtual
Employee Performance Management	Manager	2	Virtual
Impactful Business Writing	Senior Executive	2	Virtual
Straight Talk – Communication for Results	Senior Executive	1	Virtual
Structured Problem Solving & Analytical Thinking	Executive	3	Virtual
Personal Effectiveness and Productivity	Executive	1	Virtual
Total		19	



Common Functional Programmes in 2021

Common Functional	Job Group	Total Sessions	Mode of Training
Investment Appraisal	Senior Manager & above	1	Virtual
Risk Management, Governance and Compliance - Series II	Senior Executive & Manager	4	Virtual
Managing your People Issues the Right Way	Senior Executive & Manager	5	Virtual
Integrated Management System - Series III	Senior Executive & Manager	6	Virtual
Integrated Management System - Series II	Executive	11	Virtual
Finance Sense	Executive	6	Virtual
Risk Management, Governance and Compliance - Series I	Executive	5	Virtual
Record Management - Series II	Executive	10	Virtual
Microsoft Office – Excel (office based)	Supervisor & below	7	Virtual
Record Management - Series I	Supervisor & below	13	Virtual
Integrated Management System - Series I (B)	Supervisor	3	Virtual
Integrated Management System - Series I (A)	Non-Executive	3	Virtual
Anti-bribery Management System	All	15	Virtual
Cybersecurity & Collaboration Tools	All	42	Virtual
Total		131	

Approach and Achievements - Social



Certification Programmes in 2021

Certification Programme	No. of Employees	Certification Body	Status of Certification
Certified Information Security Manager (CISM)	1	Information Systems Audit and Control Association (ISACA)	Certified
Certified Information Systems Security Professional (CISSP)	1	International Information System Security Certification Consortium	Certified
Scrum Master Certification (IT Project Management) - Level 1 (Foundation)	1	Agile Scrum Foundation	Certified
Project Management Professional (PMP)	1	Project Management Institute	Certified
Sijil Kemahiran Malaysia (SKM) Level 4	1	Department of Skills Development, Malaysia	Certified
Welding Inspector Level 3	1	Department of Skills Development, Malaysia	Certified
Certified Internal Auditor	4	Institute Internal Auditors	In progress. To start programme in 2022.
IIW Diploma of International Welding Technologist (IWT)	3	International Institute of Welding (IIW)	In progress. Modules completed. To resit examination in 2022.
Piping Inspector Certification	1	American Petroleum Institute	In progress. Modules completed. To resit examination in 2022.
Certified Associate Coach Program	1	International Coaching Federation (ICF)	In progress. Modules completed. To take examination in 2022.
Certified Cost Controller	2	Association for the Advancement of Cost Engineering	In progress. Modules completed. To take examination in 2022.
COSO Internal Control Accreditation Program	4	Committee of Sponsoring Organizations of the Treadway Commission (COSO)	In progress. To start programme in 2022.
Certified Environmental Professional in Scheduled Waste Management	1	Department Of Environment Malaysia	In progress. Pending results.
Crane Inspector Training	2	International Inspector Certification Scheme (IICS)	In progress. Pending results.
Total	24		



Employees trained on safety

Staff trained 1,709	Total Man-hours 13,044	Numbers of Sessions 222	
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Approach and Achievements - Social



Development Programmes in 2021

Development Programme	Programme Objectives	No. of employees	Date
First-Time Manager Development Programme (FTMDP)	Structured programme aimed to upskill newly appointed managers and potential senior executives who are on managerial roles.	20	Start date: 26 October 2021 End date: March 2022
Executive Development Programme (EDP)	Transition programme from Non-Executives to Executives aimed to develop employees who are promoted to Executives and prepare them for the roles.	20	Start date: 18 November 2021 End date: February 2022

Leadership Development Programme

MHB's Leadership Development Programme consists of modules that seek to achieve the following aims to help our people to manage their thoughts, emotions, attitudes and actions and to work with others by employing interpersonal skills, enhance their ability to build and maintain relationships and to work effectively within work groups and improve their communications skills.

In 2019, MHB entered into a collaboration with PETRONAS Leadership Center (PLC) to introduce Harvard Manage Mentor® (HMM) to our employees. The prestigious HMM programme enables our people to





build, broaden and refresh their leadership and management skills. It is a hands-on, interactive online learning resource that can be used to address critical challenges and includes 41 continuously updated topics, each with practical advices and immediate applicable tools for dealing with specific management issues.

The Talent Management Programmes for our High Potential (HiPo) and Successors talent pool enables the continuous identification, development, monitoring and tracking of our internal talent pool. In 2021, this was one of our strategic priorities, to ensure that we have a highly capable succession pipeline in place.

Talent Management Programmes for HiPo and Successors

Initiative	What We Did
Talent Conversation 	Talent Conversation between HiPo employees and the respective HR employees to explore and understand their aspirations, strengths, areas of development and current challenges.
Luncheon with MD & CEO 	Informal sessions with the MD & CEO to further understand individual motivation, key drivers and fresh ideas to bring the organisation moving forward. To date, 13 sessions have been conducted involving 41 HiPo.
HiPo Engagement Sessions 	<p>Engagement Session with the Senior General Manager of Human Resource conducted on 30 June 2021 entitled "MHB 2020 POCS Result Action Plan Kick-Off Session":</p> <ul style="list-style-type: none"> → Total participants: 40 HiPo → Objectives: <ul style="list-style-type: none"> • To engage HiPo on the expectations from Management on the action plans pertaining to the PETRONAS Organisational Culture (POCS) 2020 Results • To expose HiPo with the leadership skills in leading MHB towards a high-performance culture <p>Engagement session with the Chief Financial Officer (CFO) was conducted on 24 November 2021, and was entitled "Leadership Journey – Importance of Adaptability"</p> <ul style="list-style-type: none"> → Total participants: 38 HiPo → Objectives: <ul style="list-style-type: none"> • Help our future leaders to see the importance of being agile and persistent pursuing one's mission learning from Leaders • Learn and be inspired from the speaker's leadership journey and future business challenges

Approach and Achievements - Social

Initiative	What We Did																		
HiPo Mentoring 	<p>The HiPo Mentoring programme kickstarted on 1 July 2021 with two briefing sessions for new Mentors. The Guidelines of Mentoring Programmes are as follows:</p> <ul style="list-style-type: none"> → Minimum of 3 sessions per year → Minimum of each session is 30 minutes → Mentee to arrange for meet-up sessions → Mentee to complete the Mentoring Meeting Record Form 																		
MHB Leadership Talk Series 	<ul style="list-style-type: none"> → HiPo to learn and be inspired from the speaker's leadership journey and future business challenges → Cultivate MHB Leadership Competencies and Cultural Beliefs amongst the HiPo by relating to the sharing by the speaker → Inculcate active listening amongst the HiPo and put the lessons learn into practice → MHB Leadership Talk session by YBhg Tan Sri Zarinah Anwar, Chairman, Institute of Corporate Directors Malaysia (IDCM) on 11 June 2021, followed by a session with YBhg Professor Dato' Dr Ahmad Faizal Perdaus, President, MERCY Malaysia on 3 November 2021 																		
Leadership Pathway Series 	<p>MHB participated in our parent company's, MISC Group Leadership Pathway Series, which aims to develop talents within the MISC Group of Companies, starting from support group employees to the top management levels. The programme was initiated in 2021 and will continue until mid-2022. The development of MHB talents will follow the structure of the MISC Group Leadership Pathway Series. Additionally, MHB will complement the leadership and functional training and development needs through our in-house Staple Leadership, Common Functional and Discipline Functional programmes as required.</p> <p>The Leadership Pathway Series consists of the following pilot programmes:</p> <ul style="list-style-type: none"> → Signature Series <ul style="list-style-type: none"> • Structured programmes for employees based on their corresponding job levels → Leader+ Series <ul style="list-style-type: none"> • Acceleration programme suites targets at all identified HiPo and Successors 																		
Signature Series (Pilot) 	<p>The Signature Series consists of the following elements:</p> <table border="1"> <thead> <tr> <th>Programme Name</th> <th>Targeted Population</th> <th>Participants</th> </tr> </thead> <tbody> <tr> <td>1. Senior Leaders Series – 24-month journey</td> <td>Senior Managers (SM), General Managers (GM) and Senior General Managers (SGM)</td> <td>MDC approved 1 GM and 1 SM, who are Successors to MHB Critical Positions to participate in the programme</td> </tr> <tr> <td>2. Managers Development Series – 24-month journey</td> <td>Mid-Managers</td> <td>2 Managers</td> </tr> <tr> <td>3. New Managers Foundation Series – 12-month journey</td> <td>Newly Promoted Managers</td> <td>2 Managers</td> </tr> <tr> <td>4. Execution Development Series – 24-month journey</td> <td>Executives</td> <td>1 Executive</td> </tr> <tr> <td>5. Execution Excellence Series – 24-month journey</td> <td>Support Group (Non-Executive, Secretary & Team Administrator)</td> <td>2 Non-Executives</td> </tr> </tbody> </table>	Programme Name	Targeted Population	Participants	1. Senior Leaders Series – 24-month journey	Senior Managers (SM), General Managers (GM) and Senior General Managers (SGM)	MDC approved 1 GM and 1 SM, who are Successors to MHB Critical Positions to participate in the programme	2. Managers Development Series – 24-month journey	Mid-Managers	2 Managers	3. New Managers Foundation Series – 12-month journey	Newly Promoted Managers	2 Managers	4. Execution Development Series – 24-month journey	Executives	1 Executive	5. Execution Excellence Series – 24-month journey	Support Group (Non-Executive, Secretary & Team Administrator)	2 Non-Executives
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Approach and Achievements

- Social

Initiative	What We Did												
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2. Young Leaders Programme (YLP) – 6-month journey	Executives (HiPo)	1 HiPo											
3. Emerging Leaders Programme (ELP) – 6-month journey	Managers (HiPo)	1 HiPo											

Other leadership activities conducted during the year include the following:

- Adoption of MISC Group Leadership Competencies in January 2021 to align practices with regards to talent development.
- Cascading the MISC Group Leadership Competencies by organising briefing and communication sessions to Executives and above, beginning in March 2021 to provide information and guidelines on the adoption of the leadership competencies in place of the existing MHB Leadership Competencies. To date, a total of 80% from the Executives and above tier have attended the session.
- Completed the 2021 Leadership Competencies Assessment Exercise for Executives and above, between 2 August and 30 September 2021 to measure our people's strengths and development areas for the four leadership competencies. Thus far, 98% of eligible employees have completed the assessment and the summary of individual reports have been shared with the respective Heads of Department. Input from the Leadership Competency Assessment reports will be used to develop more focused development interventions for 2022.
- Revival of MHB Toastmasters Club membership with new EXCO line up working together with MISC Toastmasters Club and the Toastmasters Johor Chapter to provide a platform for employees to improve their command of the English language through structured sharing of presentations, either planned or impromptu. To date, the club has 27 members.
- Commenced virtual learning with the British Council Online Tutoring programme to enhance English proficiencies amongst frontliners, HiPo and Successors. To date, 17 employees have completed the programme whilst another five will complete the lessons by end of December 2021.

As of December 2021, there are a total of 135 successors (both from MHB and MISC Group) identified for the 30 Critical Positions at MHB.

Successors at MHB

Readiness Level	Abbreviation	Number of Successors
Ready Now	R1	28
Ready in 12 months	R2	34
Ready between 12 to 24 months	R3	29
Ready in more than 24 months	R4	44
Total		135

Approach and Achievements - Social

100%

retention rate for Successors with no resignations

NOTE*: 91 Successors (R1-R3)/30 Critical Positions)

Ratio of Successors Vs Critical Positions of

3:1*

Developing Functional Competency

In line with MHB's identified business needs, in November 2020 we embarked on the revision of our Functional Competency (FC) to align with MISC Group. Our revised FC assigns skills required from our employees according to their job requirement and description. For example, for a role in Corporate Communication, the employees must have the competency to write communication content. It also assigns skills from any discipline for a particular job. For example, Budgeting Administration within the Finance job group can be assigned to Human Resource employees who are performing budget preparation and administration.

We completed the revision of our FC in August 2021 and have enhanced our FC framework in line with that. The revised FC was uploaded onto our TMS in collaboration with MISC. Additionally, the MHB Functional Competency Assessment was launched on 2 August 2021 for the Pilot Division and all employee assessments have been completed. For the remaining divisions, the assessments began on 2 September 2021 and was completed on 31 December 2021. Outcomes of the assessment have been shared with respective Heads of Department for development purposes.

Learning and development sessions were held during the year with Heads of Department / Division (HODs) as well as Subject Matter Experts. Sessions with the HODs were kicked off in March 2021 followed by a series of discussions with Subject Matter Experts on the learning and development needs of our employees. The main objective of these sessions was to identify specific learning and development required for respective departments to support Functional Competency, above and beyond those covered by the Staple Leadership and Common Functional Programmes. The outcomes of the sessions were shared with the HODs to get their endorsement for the execution of training programmes that had been planned.

As for the sessions with Subject Matter Experts, a series of Learning and Development Engagement Sessions were held with seven divisions, namely HSSE, Corporate Quality, Human Resource (HR), ICT, Finance, Corporate Planning and Risk Management. Conducted in November 2021, it reviewed the existing Common Functional Programme and assessed its relevancy for the year ahead. Input gathered from these

sessions will be incorporated into the 2022 Training Calendar. The HR Division will facilitate the execution of the programme and continue to provide updates, report and updates on periodic basis to the HODs.

REVISED FUNCTIONAL COMPETENCY FRAMEWORK

510 skills comprising **21** skills group mapped to **1,258** positions across the Company



Centre of Excellence

Initiated in 2015, the MHB Centre of Excellence (CoE) is an integrated training facility that provides a variety of industry-related training programmes. Located in Pasir Gudang, Johor, the CoE is a first-of-its-kind learning centre that provides training, competency development and hands-on technical programmes. The training complex comes equipped with facilities such as simulators for confined space, scaffolding tower, firefighting area, forklift practical area, overhead crane and rigging training area. Short courses are offered within four key areas, namely, business skills, project management, various safety and craft training.

The CoE has certifications from the Human Resource Development Corporation (HRDC) as a training provider and the Department of Occupational Safety and Health (DOSH) for Authorised Entrant Standby Person for Confined Space (AESP), Authorised Gas Tester and Entry Supervisor for Confined Space (AGTES) and Basic Scaffolding. Courses on safety and technical training are offered to our employees as well as members of the public.

The MHB Centre of Excellence has its representative sitting as the Competency Committee for Safe Work in Confined Space under DOSH & NIOSH, Malaysia. The committee is responsible for addressing issues related to working in confined spaces, producing, revising, and releasing training modules, modules, guidelines, and enhancement for industries in Malaysia.

Collaborating with Industries and Training Partners

- Certified Facility for Construction Industry Development Board (CIDB) Welder Accreditation
- **17** welders underwent the programme
- **9** from MHB and **8** subcontractors



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Approach and Achievements

- Social

Internship Programmes

We have in place a number of initiatives which support youths in Malaysia. These cover youth unemployment initiatives, apprenticeships and graduate placements. Our programmes reflect our commitment to support the development of youth in Malaysia and the building of a future-ready workforce.

The Protégé (Professional Training and Education for Growing Entrepreneurs) Ready-to-Work Programme is an initiative under the Ministry of Entrepreneur Development and Cooperatives (MEDAC) to cultivate youth potential by enhancing entrepreneurial and professional skills. Launched on 28 January 2019, it is an entrepreneurial and marketplace training programme to develop and guide youths in collaboration with industry experts with the aim of creating skilled job seekers to meet current industry needs.

Unemployed graduates were selected for the programme will undergo training placement for 8 to 12 months at participating companies, which include government-linked companies (GLCs), government procurement companies under the direction of the Government Procurement Treasury Circular (PP/ PK1.2) and private companies.



16 graduates

under the Protégé Ready-to-Work Programme placed at MHB

MHB has also responded to the Government's My Short Term Employment (MySTEP) programme. MySTEP is a national initiative to assist providing employment opportunities to Malaysians. MHB has responded to the call to support the efforts of the Malaysian Government by participating in MySTEP's PenjanaKerjaya programme. PenjanaKerjaya is a Hiring Incentive Program under the National Economic Recovery Plan (PENJANA) which is an economic recovery initiative under the responsibility of Ministry of Human Resources, administered by Social Security Organisation (SOC SO). It aims to promote job creation amongst employers whilst increasing employment prospects especially for fresh graduates, school-leavers and job seekers who had lost employment due to the COVID-19 pandemic.



42 employees

employed at MHB under Penjana Kerjaya

We also have a programme under the PANTHERA Project, where we are hiring young graduates to be employed as apprentices to assist in the development of the project. It forms part of our internal apprentice programme, in line with our company's commitment to provide job opportunities to fresh graduates and develop young talent. All these programmes are conducted alongside our on-the-job training opportunities for interns from local institutions of higher learning.



10 graduates

working on PANTHERA Project

For 2022, we look forward to participating in a programme similar to MySTEP under SOC SO, known as "Jamin Kerja".

Internship Programme (On-Job-Training)

Level	Public Institution		Private Institution		TOTAL
	TVET	NON TVET	TVET	NON TVET	
Degree	3	7	21	2	33
Diploma	1	3	4	8	16
Certificate	1	0	0	0	1
Total	5	10	25	10	50

Our focus for the Protégé Ready-to-Work programme for the year ahead is to bring in a total of eight new participants. As at the date of publication of this report, we are awaiting approval from the Protégé Secretariat to proceed with the proposed plan. We plan to ramp up our efforts to give back to communities by providing work placement and job opportunities for those who have been most vulnerable in society as they cope with the effects of COVID-19. For 2022, we look forward to participating in a programme similar to MySTEP, which is under SOC SO, known as the "Jamin Kerja" programme.

Development of Skilled Workers for Subcontractors

As at 31 December 2021

Training Delivery	Number of programmes	Number of participants	Learning Man-days
Face to Face	457	5,864	28,052
Online	12	75	283
Total	469	5,939	28,335

Approach and Achievements

- Social

STRATEGIC PRIORITY - Community Investment

Our Commitment

To foster youth development towards becoming future leaders through education

Our Initiatives

- Biodiversity Conservation Programme
- MHB Go Green
- MHB Cares
- Donations & Sponsorships

Our Contribution to UNSDG



Our community programmes focus on empowering communities, education, environment and charitable giving. Our activities are funded by profit from business operations, funds raised by employees and partnerships with other parties. We aim to conduct initiatives which are sustainable that can bring benefits to our community over the years and involve our employees as much as possible to instil volunteerism and the spirit of helping others.

At MHB, we strongly believe that community investment can help build strong relationships of mutual trust between a business and its stakeholders. In the longer term, strategic community investments not just benefit the population segments it is targeted towards, but also gives the Company its social license to operate.

Biodiversity Conservation Programme

Mangrove Planting programme at Kg Perigi Acheh Coastal Areas, a biodiversity conservation effort by MHB

On 30 December 2021, MHB initiated our Mangrove Planting programme along the coastal areas of Kg. Perigi Acheh, Pasir Gudang, Johor. The programme was conducted in collaboration with the South Johor District Forestry Officer, Johor State Forestry Department (*Jabatan Perhutanan Negeri Johor*) and aligns with the MHB's efforts to conserve biodiversity, starting with the coastal areas.

A total of 20 volunteers from MHB worked alongside a team from Johor State Forestry Department and the supportive village committee members of Kg. Perigi Acheh to plant the mangrove saplings along Kg. Perigi Acheh's coastal area. The nature of the programme presented the volunteers with the opportunity to learn more about the mangrove ecosystem.

Recognising the urgency to address climate change in ensuring a sustainable future, MHB intends to continue their sustainability efforts with more biodiversity programmes which not only involve employees and the surrounding communities, but also the youth.



MHB Go Green

During the year, MHB kicked off the second phase of MHB Go Green. We received support from the International Asian Traffic Safety and Science (IATSS) Forum Japan which contributed USD2,000.00 to the programme.

Kick-off Sessions

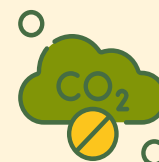
- Split into two sessions:
- Contribution of Air Pollution kits to Sekolah Menengah Kebangsaan Dato Penggawa Timur (SMKDPT)
 - Education Virtual Programme via Google Meets

Handover of Air Pollution Kits to SMKDPT

Provided 60 kits to SMKDPT students

Educational Virtual Programme via Google Meets

Featuring interactive presentations on air pollution by MHB employees



83 Volunteers

involved in community outreach programme throughout 2021

NOTE: This number has significantly reduced over the past two years due to MCO restrictions.



Approach and Achievements

- Social

Recycle Creative Design Competition

Held virtually from 21 October to 18 November 2021. The competition received participations from seven schools within Pasir Gudang

- To provide students with the knowledge and awareness on recycling, responsible use of resources and sustainable living through creativity and innovation
- To raise public awareness and support for educational programme focused on recycling, reducing and reusing of materials
- The submissions were judged by *Pejabat Pendidikan Daerah (PPD)*, who also announced the results of the competition



First place winner was a submission from Taman Scientex (1), whilst submissions from SMK Dato Penggawa Timur won both first-runner up and second runner-up



MHB Cares

MHB Cares is our signature programme comprising of initiatives that reach out to the underprivileged and needy. Through the programme, we seek to help elevate the quality of life for our communities.

In 2021, we have given back to the society through the following actions:

e-Donation Drive for Emergency Flood Reliefs in Pasir Gudang, Kota Tinggi and Johor Bahru

- Contributed RM21,650 on 11 February 2021 to flood victims at various locations in Johor Bahru, Pasir Gudang and Kota Tinggi

e-Donation Drive for Underprivileged Residents in Pasir Gudang

- Contributed RM50,339.42 on 4 May 2021 to the underprivileged residents of Kampung Pasir Putih, Kampung Pasir Gudang Baru, and Kampung Cahaya Baru Pasir Gudang

Contribution for the Impacted Workers during MCO 3.0

- Contributed RM3,500 to seven subcontractors' workers who had lost their source of income during the full lockdown. Each individual received RM500.00

COVID-19 Relief E-Donation Drive

- Contributed RM24,232.00 on 15 and 16 August 2021 to various schools and a COVID-19 Quarantine and Treatment Centre, namely SMK Dato' Penggawa Timur, SMK Taman Rinting Dua and COVID-19 Quarantine and Treatment Centre (Pusat Kuarantin & Rawatan COVID-19) Stadium Pasir Gudang

Donations & Sponsorships

- RM2,430.00: Contribution to PETRONITA Orchid Run & Ride 2021 (virtual)
- RM5,000.00: Invitation Invitation to Participate in AMIM 4-IN-1 EVENTS 2021



In 2022, MHB will develop our Community Investment strategy and plan with the aim of aligning the business strategy with the MHB Sustainability Framework.

We will continue to inculcate the spirit of volunteerism among our employees.

We also plan to explore potential opportunities towards strengthening our collaboration and relationship with our stakeholders. This is to ensure that we are able to come out with relevant and sustainable CSR programme which can benefit our communities.

Approach and Achievements



GOVERNANCE

OUR COMMITMENT

Our focus under the Governance pillar is to generate the positive business and reputational outcomes that result from a robust governance process and systems and an uncompromising organisational mind set towards enforcing ethical business practices and culture.

STRATEGIC PRIORITY Value, Assurance & Ethics

Our Commitment

Embedding a culture of good governance and ethics within the organisation

Our Initiatives

- Governance & Ethics
- Whistleblowing Policy
- Anti-Competitive Behaviour
- Ensuring a Harassment Free Workplace
- Human Rights Commitment

Our Contribution to UNSDG



Ethics

At MHB, we maintain the highest standards of integrity and ethics in our business conduct, as the foundational bedrock of our success.

In 2021, to solidify the principles set in the MHB CoBE, we organised and participated in the following activities:

MHB Virtual Subcontractors and Vendors Engagement Session

- This engagement served as a platform to provide awareness on the ISO 37001: 2016 ABMS and requirement. It was also a platform to realign and strategise our collaboration and partnership in delivering superior results.
- The matters highlighted were to foster a high-integrity culture amongst employees together with vendors and subcontractors.

Anti-Bribery Key Performance Indicator (ABKPI)

- A continuation from 2019, the ABKPI initiative introduced by MHB Compliance Unit is a part of each departments' KPIs within the year:
 - i. The Management or employees of the respective departments to share on anti-bribery awareness during internal meetings/toolbox talks/safety briefings.
 - ii. To update the CRA on quarterly basis
 - iii. To conduct Third Party Compliance Due Diligence

Revision of MHB Corruption Risk Assessment (CRA)

- MHB had established the CRA and its criteria in 2015 to evaluate the level of corruption risk, which takes into account our policies and objectives. With the new business challenges, MHB has revised and undertaken periodical CRA this year, which shall assist in:
 - i. Identifying the bribery risk which can be anticipated, given the factors listed in the register;
 - ii. Analysing, assessing and prioritising the identified corruption risk; and
 - iii. Evaluating the sustainability and effectiveness of the existing controls in place to mitigate the assessed corruption risk.
- Continuous integrity and compliance programmes for our business and service units:
 - ISO 37001: 2016 – Awareness Training on Anti-Bribery Management System (ABMS)
 - ISO 37001: 2016 – Lead Auditor on Anti-Bribery Management System
 - CoBE Communication & Awareness Campaign in Collaboration with PETRONAS and MISC Berhad
 - MHB Third Party Compliance Due Diligence Awareness

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Approach and Achievements - Governance

In 2021, we continued to implement the “Zero Tolerance Policy Towards Corruption” campaign to spread awareness as part of the Company’s approach towards ABC and underlined the importance of our employees behaving in accordance with our policies in their daily job functions.



This was further complemented by ABC training programmes for our Board of Directors and our employees provided throughout the course of the year. We conducted a CoBE Refresher training and Anti-Bribery and Corruption training. We also conducted an awareness training programme to educate our employees on Anti-Bribery Management. To reinforce the importance of upholding the strong principles of integrity and compliance, a forum on Bribery & Corruption at Sea was held in collaboration with MISC. We also published the Third Parties Compliance Due Diligence Operational Guidelines to ensure that all external parties such as our business partners, vendors and subcontractors were on the same page as us with regards to our ethics and integrity commitment. These guidelines has been updated to include the Critical Legal Areas (CLA), which focuses namely on Anti-Bribery, Economic Sanctions, Export Control, Competition and Human Rights.

Towards building a strong governance culture throughout our organisation, we have implemented numerous initiatives namely the Compliance Scorecard, which sets out the targets and milestone to gauge the progress on compliance and integrity. To further illustrate the scorecard initiatives, we introduced the Anti-Bribery objectives and Key Performance Indicator (KPI) which is monitored on a quarterly basis. It gives an insight to assist our organisation and focuses on the important aspects of integrity and compliance. Further to that, in ensuring that we are compliant to the laws applicable in hand, we have established the Legal and Regulatory Register and attestation registry.

Aside to that, an Anti-Bribery KPI and objectives have also been established and introduced to all divisions and departments and is monitored on a quarterly basis.

During the year, we underwent an external independent Anti-Bribery Management System (ABMS) Audit that was conducted by SIRIM QAS. This Audit team recorded no Non-Conformance Reports (NCR), but identified several Opportunities for Improvement (OFI).



1,268 out of 1,377 assigned employees completed Anti-Bribery and Corruption

Note: 1,377 is the number of employees that have access to Talent Management System platform.



2,563 assigned employees completed CoBE Refresher training



376 employees attended ABMS ISO 37001:2016 training



1 person from Group Internal Audit attended Lead Auditor ABMS ISO 37001: 2016



Corruption Risk Assessment for critical areas and all Divisions/Departments presented to SIRIM QAS during ABMS Surveillance Audit

	Number of legal actions pending or completed regarding anti-competitive behaviour	Total amount of monetary losses as a result of legal proceedings associated with charges of bribery or corruption	Total amount of monetary losses as a result of legal proceedings associated with charges of anti-competitive practices
2021	0	0	0
2020	0	0	0
2019	0	0	0

A key area of focus for 2022 is to implement the OFI recorded from the ABMS audit that was conducted by SIRIM QAS in 2021. We will further embed a culture of good corporate governance and business ethics and conduct through a number of focused measures. This includes our continued adherence to the requirements of the Anti-Bribery Management System ISO 37001: 2016 certification. We also plan to continue with initiatives identified under our Compliance and Ethics Programme 2020, which includes the ongoing implementation of the Management scorecard and employee performance. At the same time, we will focus on enhancing our corporate governance in line with the latest corporate governance standards.

Another area we will focus on is exploring digital applications which will automate compliance monitoring and assurance activities. We believe the incorporation of digital technologies will enable us to benefit from the continuous monitoring of the compliance of our transactions in real-time, thus boosting our assurance approach.

Approach and Achievements - Governance



Whistleblowing Policy

MHB has in place a Whistleblowing Policy which lays out our Whistleblowing systems and processes, including the support of a secretariat and a dedicated Whistleblowing platform for our employees to register any reports of non-compliance with MHB CoBE, other internal policies and procedures, as well as applicable local and international laws.

Whistleblowing Cases Recorded and Dealt with.



A continuous awareness and sharing session is planned for 2022 in encouraging external parties and our employees to raise their concerns through the provided platform.



Anti-Competitive Behaviour

MHB's CoBE also lays out our commitment with regards to ensuring that we do not practice anti-competitive behaviour. We have a set of policies and systems in place in order to manage material matters that include competition and antitrust policies. Part II C of the MHB CoBE codifies the principles of Antitrust / Anti-Competition Laws.

In 2021, we revised our Competition Policy to best reflect the current practice and laws applicable either local or international. We have ensured full implementation of our revised policy during the year which includes awareness and engagement sessions with the Management on the material issue on anti-competitiveness.

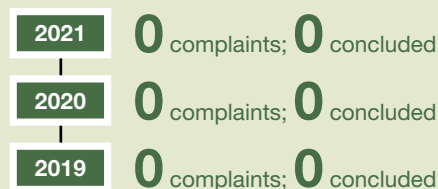
For the year ahead, we plan to step up on our Compliance and Business Ethics by progressing with our journey to embed a strong compliance culture into our business processes through awareness and assurance programmes.



Ensuring a Harassment Free Workplace

Part III (5) of our CoBE provides for the promotion of the physical, emotional and psychological well-being of our employees. In this regard, MHB is committed to providing a conducive working environment where we protect our people from all forms of sexual harassment and unsolicited or unwarranted sexual overtures and advances.

Sexual Harassment Cases Recorded and Dealt with.



We are continuously working to embed a culture of strong corporate governance, business ethics and conduct, throughout the Company by ensuring a safe working environment and harassment-free workplace.



Human Rights Commitment

Since 2019, MHB has implemented our Human Rights Commitment and Modern Slavery Policy which is aligned with the United Nations Guiding Principles on Business and Human Rights.

In 2021, we continued to strengthen our human rights culture by conducting training and awareness programmes for our employees. This included the Human Rights Management eLearning training which educated our people on what MHB's Human Rights Commitment was about and the human rights implementation tools they could use to ensure we delivered our commitment.

We also conducted an Awareness Session on Human Rights in the Business Context: A Perspective from MISC & PETRONAS, to ensure that our employees understood the alignment of our human rights commitment with our parent companies, MISC Berhad and PETRONAS. We continued to enforce the requirement for all third parties we engage with to sign the MHB Declaration and Integrity Pledge. Our Third Parties Compliance Due Diligence assessment also includes the assessment of human rights related risks in line with our Responsible Supply Chain programme.

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Approach and Achievements - Governance

During the year, we took action on closing gaps identified as a result of the findings of Social Risk Assessment conducted by MISC on MHB and MHB. This has enabled us to determine Human Rights risks and impacts associated with the business. Based on the risks identified, we have developed a mitigation plan that reduces and addresses these risks. MHB also established the MHB Grievance Mechanism procedure which is aligned with our parent companies PETRONAS and MISC. The Grievance Mechanism is a non-judicial process through which any grievances can be raised by aggrieved stakeholders and remedy sought in a timely, fair and consistent manner. Stakeholders may channel their grievance by e-mailing grievance@mmhe.com.my. MHB did not receive any grievance throughout 2021.



306 employees completed Human Rights Management e-Learning in Talent Management System platform



37 of employees attended Awareness Session on Human Rights in the Business Context: A Perspective from MISC & PETRONAS



All focal persons from MHB have attended human rights training and participated in the Social Risk Assessment for MHB



0 Human Rights violations

For the year ahead, we plan to conduct our Self-Assessment and Assurance Programme to ensure we are fully compliant with all the respective laws we are governed by and maintain our Human Rights Commitment. We will also roll-out further initiatives through our Responsible Supply Chain programme to ensure that our business partners, suppliers, subcontractors and vendors are also in compliance with our Human Rights Commitment.

STRATEGIC PRIORITY - Responsible Supply Chain

Our Commitment

To drive sustainable practices with partners vendors & subcontractors

Our Initiatives

- ESG Supply Chain Assurance Programme
- Vendor Management Integrated System (VMIS)
- Vendor Development Programme
- PANTHERA Project

Our Contribution to UNSDG



Through this strategic priority, MHB aims to drive sustainable practices within our base of suppliers. We hope to take them along on our sustainability journey and encourage them to join us in our ambition towards a sustainable future.

The MHB CoBE clearly sets out our expectations for our subcontractors and vendors with regards to their business integrity, health and safety and human rights. Working together with subcontractors and vendors is critical to ensuring the continuity of our business operations and our ability to exceeding our customers expectations in the delivery of our services.



ESG Supply Chain Assurance Programme

We are driving this by implementing an ESG Supply Chain assurance programme that emphasises on sustainable sourcing, circular economy, health and safety and business ethics compliance, including human rights.

MHB will also be seeking out collaboration and partnership opportunities within our supply chain, where we will work together to capture new opportunities in the circular economy, as well as develop low-carbon products and solutions. This approach will create value not just for our customers, but also for our vendors' businesses.

Approach and Achievements - Governance

Enhanced ESG Supply Chain Assurance

- Established ESG Assurance Framework
- Developed definition of Critical Suppliers
- Developed ESG Assurance Checklist and Classification
- Kicked-off ESG Pilot Programme
- Established ESG Self-Assessment Assurance Guidelines for Supply Chain
- Conducted Value Chain Assessment



We plan to partner or collaborate with selected supply chain for low environmental impact products / services towards supporting our Towards Decarbonisation agenda. As well as that, we will perform an ESG Assurance Programme under the umbrella of the MISC Responsible Supply Chain Programme.



Vendor Management Integrated System (VMIS)

In March 2020, we launched our web-based Vendor Management Integrated System (VMIS) to facilitate vendor registration, the subcontractor expansion initiative, vendor assessments and vendor audits. Besides establishing a centralised vendor database, this initiative has strengthened the functionality of our Supply Chain Management (SCM). Through the VMIS, we are able to conduct vendor assessments remotely, which has been a productive way to ensure we remain on-track despite COVID-19 related restrictions. We have in place a two-way communication mechanisms between an assessor and a vendor, with all information or feedback received on a real-time basis.

Summary of Vendor Assessments

	Good (%)	Average (%)	Poor (%)	Total
2021	29	61	10	122 vendors in total
2020	29	62	9	196 vendors in total



Vendor Development Programme

To ensure that our vendors have a capability to execute elements of our projects within their purview in line with MHB's aim to exceed customer expectations, we have begun participating in our parent company PETRONAS' Vendor Development Programme (VDPx).

Implementation of VDPx in 2021

Implementation of PETRONAS' Vendor Development Programme (VDPx) in 2021

- PETRONAS as the VDPx Programme Custodian with a central monitoring unit, providing guidelines to Anchors and setting up the working committee
- MHB as the VDPx Anchor providing the VDPx infrastructure, namely deciding on strategic objectives, developing the implementation plan and setting up in-house governance for vendors taking part in VDPx
- Partnership with seven Industry Enablers that include Standard and Industrial Research Institute of Malaysia (SIRIM), Ministry of International Trade and Industry (MITI) and MIMOS on technical, digital, financial and people development areas to provide their expertise in their respective sectors

During the year, we set out new KPIs for our VDPx vendors, with a key criteria that they participate in programmes conducted by Industry Enablers. We have monitored their performance on a monthly basis, to ensure their adherence to their manpower skill development.

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Approach and Achievements
- Governance



PANTHERA Project

Crossing into Phase Four of Malaysia’s National Recovery Plan (NRP)

The government, businesses and the society as a whole, are all pushing forward with recovery plans and strategies, including MHB. In efforts to contribute to MHB’s strategies, Supply Chain Management (SCM) has introduced the PANTHERA project - an initiative to reinvent SCM via digitalisation. This initiative is a part of our aspiration to strive towards creating a more integrated and digital supply chain management.

Refer to pages 124 to 125 for more information on PANTHERA project

We plan to continue with plans towards full implementation of the P2P system in 2022, in line with requirements of our solution provider, Coupa System.



STRATEGIC PRIORITY - Cybersecurity

Our Commitment

To implement an enhanced cybersecurity framework, to safeguard MHB’s ICT operations

Our Initiatives

→ Cybersecurity Risk Governance & Awareness

Our Contribution to UNSDG



Cybersecurity Risk Governance & Awareness

An Enhanced Cybersecurity Strategy has been constructed based on the MISC Cybersecurity Governance Framework and the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) which is the global standard in cybersecurity. The CSF is currently being rolled out in phases and will further strengthen MHBs cybersecurity.

Further initiatives and awareness programmes will be conducted at the Company in early 2022, with assurance programmes held later in the year to gauge the level of compliance.

Cybersecurity standards, guidelines and technologies are being updated and fortified across the MHB to ensure alignment to the strategy and the increasingly challenging cyber landscape.



A five-year plan has been formulated under the MHB Sustainability Strategy 2021 - 2025 plan to chart the path for continuous maturity of cyber security in MHB, with the aim of achieving ISO27001 throughout the Company by the end of 2023. Progress on the initiatives is reported regularly to MISC.

Approach and Achievements



STAKEHOLDER ENGAGEMENT

We are committed to maintaining and enhancing the quality of our stakeholder engagements towards creating meaningful long-term value that aligns our business practices with societal needs and expectations. Our stakeholder dialogues seek to gather input from our various stakeholder groups, in order to ascertain the health and safety, social and environmental issues that matter most to them. We use the feedback obtained to answer their needs and expectations to not just protect their interests, but also to improve and enhance their position in regards to the health and safety, social and environmental issues they face in their lives.

Their inputs help us understand the vital health and safety, social and environmental impacts that our business could potentially have on them. Their feedback help us identify the health and safety, social and environmental risks of our business. Through collaborative partnerships and dialogues, we develop innovative and new ways to solve key challenges faced, as well as fine-tuning our business strategy with the goal of driving the sustainable development of our business.

We believe that engagements and collaborations with our stakeholders are fundamental to the success of our business and maintain consistent and transparent dialogues with them to create value for all.

STRATEGIC PRIORITIES Stakeholder Engagement / Reporting & Disclosures

Stakeholder Engagement Principles

- Collaborate
- Promote
- Feedback
- Transparency
- Communicate

Our Contribution to UNSDG



EMPLOYEES

EMPLOYEE ENGAGEMENT



MHB Academic Excellence Award 2021

On 9 October 2021, Corporate Communications Department through its Employee Engagement initiative, organised the MHB Academic Excellence Award 2021 in recognising fifteen children of MHB's employees who achieved flying colors results in Sijil Pelajaran Malaysia (SPM). Through tough times of pandemic COVID-19, the Company however has taken the initiative to celebrate and recognise the achievements virtually via Microsoft Teams for one-hour duration.



MD & CEO Townhall

The MD & CEO Townhall 2021 was successfully organised at the Multipurpose Hall, MMHE West Pasir Gudang on 7 October 2021 in sharing the Company's aspiration and in aligning the MHB employees on the strategies and 5-year plan that have been set. Employees were also given the opportunity to raise questions to the Management Committee members with regards to the Company's strategies and moving-forward plan.



MHB Long Service Awards 2021

Dedication, perseverance and loyalty are amongst the words described for the MHB Long Service Awards 2021 recipients who served the Company for 10, 15, 20, 25, 30, 35 and 45 years. A virtual ceremony took place on 12 November 2021 to celebrate and thank the long service employees who have dedicated their time and efforts in contributing towards MHB.



Approach and Achievements

- Stakeholder Engagement

EMPLOYEES

ENGAGEMENT PLATFORMS



Social Programmes to Promote Employee Interactions and Engagements

- Established *Rakan Penyayang* (Caring Friend) at the Marine Operations division and conducted the following activities:

- Contributed food packs to **345** employees
- Weekly gathering session utilising a hybrid virtual and face-to-face approach
- Set up donation fund – *Tabung Rakan Penyayang*
- Conducted online survey to gauge the mental stress level of employees affected by COVID-19



- Touch The Hearts with Technical Leader (TL) / Technical Executive (TE) and Senior General Manager, Marine Operation to strengthen the bond amongst the management teams and production crews and encourage feedback and two-way sharing of information, recommendations and suggestions on health and safety matters such as hazard and effect management
- Initiated Tuition Class for Authorized Gas Tester Entry Supervisor (AGTES) to help employees overcome challenges and learn effectively



Health & Safety Programmes

- Emergency and Crisis Management Sessions
- Emergency Response Drills
- Offender Counselling Programme
- HSE Ambassador Programme (appointment of HSE leaders amongst employees to provide constructive feedback on health and safety matters to their colleagues)
- One Stop Centre for HSE Updates
- Hazard Identification Awareness programme to identify and record potential hazards at the workplace
- Sharing sessions on Safety Moment and Incident Video

- Authorised Area Initiative at Project Level to cultivate a proactive HSE culture and encourage workers to strictly adhere to HSE requirements at the workplace
- Love Your Hands and Fingers Campaign to increase awareness among workers on hand and finger safety, with the aim of reducing the number of hand injury related incidents
- Job Hazard Analysis to determine the hazards and hazardous events of equipment under control and the control system in all operational modes, with the aim of preventing accidents by improving employee skills and awareness through an organised process



Foreign Worker Integration Programmes

- Safety Induction Refresher for Foreign Workers – covering HSE legislation requirements, the importance of accident and emergency response and procedures, the uses and requirements of personal protective equipment (PPE), promoting personal hygiene practices, and understanding and implementing hazard identification and risk assessments
- Unsafe Condition Unsafe Act (UCUA) Mentoring Programme for Foreign Workers to increase their awareness on finding and recording potential hazards in the workplace and to stop any unsafe conditions and unsafe acts at the workplace
- Walkabout with Foreign Workers to promote leadership visibility in driving HSE at the workplace and provide clarity to employees and contractors that they are not alone in preventing fatalities and accidents at the workplace
- Translation of HSE communication materials (Urdu and Bangladesh) to facilitate our foreign workers' understanding of HSE requirements, policies and procedures
- Engagement sessions with foreign workers on income tax requirements in Malaysia to increase their awareness on matters relating to income tax assessments and declarations



Engagements with Subcontractors

- To strengthen compliance to HSE rules and regulations with the aim of reducing safety incidents

Approach and Achievements - Stakeholder Engagement

EMPLOYEES



Continuing assistance with COVID-19:

- Participated in the the Ministry of International Trade and Industry (MITI) Industrial Immunisation Pilot Programme (MIIPP) to conduct COVID-19 tests on employees to identify and manage any COVID-19 infections at Pusat Pemberian Vaksin Industri (PPV or Industry Vaccination Centres) in Pengerang, Johor.

- PCR tests on **4,974** employees
- RTK tests on **867** employees and
- Saliva tests on **12,036** employees



- Each employee also given 5 self-test kits



Welfare Assistance & Insurance

- Provided for a total of 5 deceased employees' families in 2021
- Management and employees visited the families of the bereaved to convey their condolences and provide emotional support



Performance Management Briefing

- Conducted awareness and refresher programmes for all employees on matters related to Performance Management



Employee Engagement Surveys

- Conducted a virtual HR survey in October 2021 to obtain feedback on overall HR performance and areas for improvement
- Conducted PETRONAS Organisational Culture Survey (POCS) virtually to obtain employee input on leadership, work environment and areas for improvement
 - **94%** participation from **2,485** employees



Supporting Freedom of Association

- Since our inception on 25 July 1979, MHB has recognised our Employee Union under the Trade Union Act 1959
- Trade union membership of 237 employees as at end FY2021, with employees from the non-executive level are eligible to join the union

- Other employee associations we support also include the Muslim, Chinese and Indian employee societies, which have their own programmes to cater to the spiritual and welfare needs of their respective members
- Conducted the following Union engagements in 2021:
 - Collective Bargaining Agreement
 - Held regular meetings to resolve any issues on industrial and employee relations in a timely and proactive manner to maintain strong management and union relationship
 - Having a Union representative join the HSE Management Committee meeting to promote a collaborative approach towards health and safety issues
 - Having a Union representative participate in the monthly operation HSE meetings
 - Conducting monthly meetings with Facilities & Assets Services (FAS) on yard development programmes and obtaining feedback from the Union on improvements
 - Supported the Union by providing financial contribution, venue and facilities for it to conduct its Annual General Meeting during COVID-19

No. of Unionised Employees at MHB	2021	2020	2019
	312	324	324

Results of Employee Engagement Survey (out of 10, with 10 being the highest score)	2021	2020	2019
	7.25	7.1	7.0



Key Areas of Concern in 2021

- Maintaining team spirit amongst employees through challenging work conditions
- Hardships and mental stress brought on by the prolonged COVID-19 pandemic
- Ensuring the health and safety of all employees working in the office / yards with the continuation of the COVID-19 pandemic
- Smooth integration of foreign workers with the local workforce
- Providing employees with the opportunity to give back to local communities in need
- Providing support to the union to continue with activities and events during the COVID-19 pandemic
- Providing support to families of deceased employees

Approach and Achievements

- Stakeholder Engagement

EMPLOYEES



Our Strategic Response

- Established 20 *Rakan Penyayang* at the Marine Operations division to provide employees affected by COVID-19 with emotional support and to boost their morale
- Assisted all employees whose mental health was affected by COVID-19
- Provided free internet access for employees to make video calls to their families
- Provided free food cabinet for people in need
- Conducted motivational and health talks to keep employees informed and in a positive frame of mind
- Disbursed funds from employee charity programmes to communities in need such as orphanages, special needs children's home, senior citizen homes and religious schools
- Emergency and Crisis Management Sessions were conducted throughout 2021

- **50** participants in the face-to-face Workshop Emergency Response on Air Pollution (Go Green with SMKDPT) on 24 March 2021
- **50** participants in the hybrid (virtual and face-to-face) Ex-Kukup - Oil Spill Response Exercise on 5 October 2021
- **20** participants in the virtual Oil Spill Response Emergency Management Team (EMT) on 20 & 21 October 2021
- **60** participants in the face-to-face Conduct Demonstration on How to Use a Fire Extinguisher at Fab 5 Jacket for employees working at height on 21 October 2021



- Conducted a total of 47 ERT Drills in 2021

- **33** Planned Evacuation Drills (PED)
- **13** Incident Action Plan (IAP)
- **1** Pasir Gudang Emergency Mutual Aid Drill



- Conducted programmes that inculcate HSE awareness and strong self-discipline in our employees and subcontractors, with the aim of safeguarding them in the new normal working conditions of COVID-19
- Devised and embarked on new programmes to help employees learn more effectively and strengthen their resilience to overcome challenges
- Maintaining a comprehensive foreign worker programme that ensures their integration with local employees and providing them the information they require with regards to local laws and legislation and HSE requirements
- Implemented comprehensive measures for the control and prevention of COVID-19 infections at the workplace

- Provided total welfare assistance of **RM17,200** for **36** people
- Provided insurance for deceased employee amounting to **RM389,000** in insurance coverage which was disbursed to their families
- Collected **RM13,510** in a flash donation drive which was distributed to deceased employees' families



- Employee assistance and welfare initiatives in place to reinforce MHB as an organisation that cares for the welfare of our employees and their families
- Implemented programmes to refresh our employees' understanding on Performance Management system and processes
- Conducted various employee engagement surveys to gain a deep understanding of our employees needs and areas of concern and used results from POCS to draft and implement an action plan and conduct focus groups to improve the organisational culture
- Signed a new Collective Agreement (CA) for 2021-2023 with improved remuneration for employees in the non-executive group
- Proactively providing support to the Union to ease its financial burden to organise its AGM during COVID-19

Approach and Achievements - Stakeholder Engagement

CUSTOMERS

ENGAGEMENT PLATFORMS



Customer Relationship Management

- Our respective Business Development Departments of Heavy Engineering Segment and Marine Segment each have their own customer marketing plan and budgets and implement marketing activities via marketing campaigns, customer visits, participation in trade exhibitions and conferences and memberships in related associations
- In 2021, the continuation of the COVID-19 pandemic has restricted face-to-face engagements and thus, we utilised virtual platforms for our customer engagements
- With regards to their respective yard projects, both the operations and business departments of our Heavy Engineering and Marine Segments practice continuous engagements and ensure high standards of customer care



Customer Complaints & Grievance Mechanisms

- Conduct frequent customer feedback exercises within both our Heavy Engineering Segment and Marine Segment to ensure that our services are tailored to their needs and we evolve with them to meet industry standards
- Conduct and develop a Customer Feedback Report (CFR) at the completion of each project for marine repair work orders
- Conduct a CFR each quarter for heavy engineering projects
- Ensure that all complaints received from customers are responded to within 13 working days, or an agreed upon timeline with a Customer Feedback Follow-Up Report (CFF)



Customer Satisfaction Surveys

- Conduct Customer Satisfaction Surveys (CSS) regularly according to the nature of the project and business segment
 - Conducted in every quarter for heavy engineering projects
 - Conducted upon the completion of the drydocking repair projects and three-month intervals for ship conversion projects



CUSTOMER SATISFACTION SURVEY INDEX RESULTS

2021	
Marine	Heavy Engineering
8.4 points	6.8 points
2020	
Marine	Heavy Engineering
8.2 points	7.2 points
2019	
Marine	Heavy Engineering
7.7 points	7.4 points

(out of 10 with 10 is the best)



NUMBER OF CUSTOMER FEEDBACK OBTAINED

2021	
Marine	Heavy Engineering
91	2
2020	
Marine	Heavy Engineering
54	3
2019	
Marine	Heavy Engineering
73	12



NUMBER OF CUSTOMER COMPLAINTS DEALT WITH

2021	
Marine	Heavy Engineering
12	Nil
2020	
Marine	Heavy Engineering
42	7
2019	
Marine	Heavy Engineering
65	5

* as at 31 December 2021

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Approach and Achievements - Stakeholder Engagement

CUSTOMERS



Key Areas of Concern in 2021

- Maintaining continuous engagements despite the challenges of the COVID-19 pandemic
- Ensuring improvements in projects that would create value for customers



Our Strategic Response

- Ensuring that we proactively responded to our customers' needs and concerns through our customer feedback system
- Continuously improved on customers' projects based on a collaborative approach where we sought to understand their own business needs and goals and how we could contribute
- Use the results obtained from the Customer Feedback Report (CFR) to continuously improve and enhance our market proposition and service offerings

INVESTMENT COMMUNITY




ENGAGEMENT PLATFORMS

MHB plans its activities with the investment community based on our identified engagement plan for the year. In 2021, we conducted the following engagements:



Activity	No. of engagements	No. of participants	Outcome
<p>Meetings and Briefings Two-way communications with analysts, fund managers and shareholders throughout the year through regular one-on-one meetings, small group sessions and analyst briefings</p>	Bi-annually (Analyst Briefing) 4 (one-on-one meetings and small group sessions)	34	→ Disseminated complete, transparent and timely information to the investment community to facilitate informed decision making → 'BUY' recommendation remained the majority throughout the year
<p>Reports Company's quarterly financial results were announced in the Quarterly Financial Reports and presentations</p>	Quarterly	-	

Approach and Achievements - Stakeholder Engagement

Activity	No. of engagements	No. of participants	Outcome
 Corporate Website Provide a real-time report on MHB's share price, presentations, Integrated Annual Reports, announcements and press releases to the shareholders on MHB's corporate websites	Ongoing	-	Timely disclosure of all material uploaded on the website
 Annual General Meeting Shareholders and proxies attended MHB's virtual Annual General Meeting to review the Group's annual performance and to vote and approve on resolutions tabled	Annually	174	Platform provided for shareholders to share their feedback and seek clarity on the Group's annual financial performance, business highlights, projects progress and strategic initiatives going forward
 Analyst Visit Organise a visit to MMHE West Yard with covering analysts to get a better understanding of the businesses and operations within the Group	Annually	4	Showcase MHB's strength and capabilities and foster better understanding on overall business operations by providing a firsthand look at yard infrastructure, ongoing projects progress for both Heavy Engineering Business and Marine Business

The following are specific engagements that were conducted to share our business performance and future strategic journey with the investment community:

- Analyst Briefing and Press Release for Q4 2020 Financial Results on 9 February 2021
- Annual Report FY2020 on 11 March 2021
- 32nd Annual General Meeting (conducted virtually) on 14 April 2021
- Quarterly IR Updates uploaded to MHB corporate website and Press Release for Q1 2021 Financial Results on 28 April 2021
- Small Group Meetings on 7 May 2021
- One-on-One Meetings on 7 May 2021 and 14 June 2021
- Analyst Briefing and Press Release for Q2 2021 Financial Results on 30 July 2021
- Quarterly IR Updates uploaded to MHB corporate website and Press Release for Q3 2021 Financial Results on 2 November 2021
- Analyst Visit to MMHE West Yard on 15 December 2021



Please refer to Investor Relations Report on pages 235 to 238 for further information



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Approach and Achievements - Stakeholder Engagement

INVESTMENT COMMUNITY



Key Areas of Concern in 2021

- The resilience of MHB's business considering the impacts of the pandemic, energy transition and climate change, and other macroeconomic and socio-political challenges
- The long-term sustainability of MHB's business



Our Strategic Response

- Continuous engagements to answer questions directed at Management and coordinating on-site visits to our yard for investors and analysts to gain a deeper understanding of our strategic business approach
- Aid existing and potential investors to make informed decisions by providing clear understanding of the MHB's financial and non-financial performance, operational milestones, overall business model and execution of strategy with insights into our strategies moving forward and management leadership to create value for shareholders and the investment community at large

COMMUNITIES

ENGAGEMENT PLATFORMS

Key engagements conducted during the year were

- MHB Cares
- MHB Go Green
- MHB Biodiversity Conservation Programme



Key Areas of Concern in 2021

- The continuation of the COVID-19 pandemic presented communities within our footprint with socio-economic challenges
- Need to protect the environment for the community to have a good quality of life



Our Strategic Response

- Conducted donation drives and handed over contributions to the underprivileged and needy
- Green environmental and biodiversity campaigns to engage with communities within our footprint and demonstrate our commitment to practising responsible and sustainable business



Approach and Achievements - Stakeholder Engagement

SUPPLIERS / VENDORS

ENGAGEMENT PLATFORMS

MHB Vendors & Subcontractors Engagement

(SAVE) 2021 was conducted on 28 September 2021 at the Training Centre, MMHE West, Pasir Gudang



Key Areas of Concern in 2021

- Discussed company's strategy, despite the currently unstable market
- Shared MHB's efforts in expanding into new opportunities beyond marine and oil and gas to ensure the business' relevance and sustainability
- To create an opportunity for the senior management of MHB, subcontractors and vendors to realign and strategise its collaborations and partnerships
- It was an incentive to improve the vendors' motivation, to maintain and increase their performance in complying with contracts' requirements



Our Strategic Response

- Recognised vendors and subcontractors' relentless commitment, contribution and support towards MHB's projects, without which our success today would not have been possible



GOVERNMENT / REGULATORY

ENGAGEMENT PLATFORMS

MHB hosted / initiated the following engagements in 2021:

- Visit by DUN Permas Jaya Yang Berhormat Dato' Che Zakaria Mohd Salleh on 9 March 2021 to MMHE West Yard
- Visit by Member of Parliament Pasir Gudang Yang Berhormat Tuan Hassan Abd Karim on 11 March 2021 to MMHE West Yard
- Courtesy Visit to Datuk Bandar Majlis Bandaraya Pasir Gudang office YB Dato' Asman Shah Abd Rahman
- Visit by French Ambassador His Excellency Mr Roland Galharague on 29 October 2021



Key Areas of Concern in 2021

- MHB's management of COVID-19 at the workplace in adherence with Government SOPs and guidelines
- MHB's adherence with Government regulations



Our Strategic Response

- Hosted visits from representatives of Government agencies and local authorities to build rapport and strengthen relationships

Approach and Achievements

- Stakeholder Engagement

ACADEMIC INSTITUTIONS

ENGAGEMENT PLATFORMS

With the continuation of the pandemic, the majority of academic institutions conducted their programmes virtually, which limited engagements. During the year, we hosted a visit from Universiti Malaysia Terengganu (UMT) students on 3 December 2021 after social movement restrictions were lifted. The visit gave students an exposure to MHB's daily operations and provided them insights to our marine services and repair activities



Key Areas of Concern in 2021

- MHB contributing to students' educational growth with the persisting pandemic



Our Strategic Response

- Hosted visits in compliance with SOPs and guidelines imposed by the Government

NON GOVERNMENTAL ORGANISATION (NGO)

ENGAGEMENT PLATFORMS

- **Engagements with a reputable NGO in supporting MHB Go Green:** Mangrove Planting at Kg. Perigi Aceh, Pasir Gudang by providing **150 mangrove saplings on 30 December 2021**
- Invited speakers from reputable NGOs as speakers for COVID-19 Waste Management webinar on 12 April 2021. The objective of this webinar session is to create awareness amongst the students on the importance of COVID-19 waste management

Key areas of concern in 2021

- Strategies MHB's collaboration with the NGOs / Activists on the Biodiversity Conservation Programme for the short, medium, and long terms
- To promote to the community on the proactive way to manage COVID-19 waste during the pandemic

Our Strategic Response




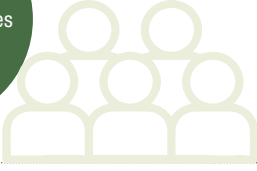

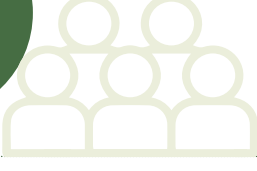
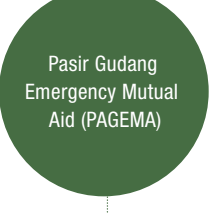

- Supporting each other's needs in creating awareness amongst the community on the ESG sustainable programme



Approach and Achievements




MEMBERSHIPS AND ASSOCIATIONS

Association	Position Held	Relevance to MHB's Business
 <p>Climate Governance Malaysia (CGM)</p>	<p>Member</p> 	<ul style="list-style-type: none"> CGM is Malaysia's chapter of the World Economic Forum's Climate Governance Initiative that supports the awareness-raising, best-practice sharing and implementation of good climate governance within corporate boards of companies. As part of the MISC Group, MHB is a corporate friend of the CGM. Our membership demonstrates our commitment to the global pact to combat climate change. <p><i>*As part of MISC Group</i></p>
 <p>The Task Force on Climate-Related Financial Disclosures Supporter (TCFD Supporter)</p>	<p>Member</p> 	<p>The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information. We join more than 2,000 organisations around the world in declaring our support for The Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). We recognise the need of enhancing transparency of climate-related risks and opportunities, supporting more informed financial decision-making and establishing a resilient financial system across the public and private sectors.</p> <p><i>*As part of MISC Group</i></p>
 <p>National Institute for Occupational Safety and Health (NIOSH)</p>	<p>Member</p> 	<ul style="list-style-type: none"> To demonstrate MHB's successful implementation of OSH-MS. To promote OSH amongst employees. To emphasise MHB's dedication and commitment towards enhancing occupational safety and health in Malaysia.
 <p>Pasir Gudang Emergency Mutual Aid (PAGEMA)</p>	<p>Committee Member</p> 	<ul style="list-style-type: none"> Established in 1988, PAGEMA's purpose is to bring together government agencies and high-risk industries to contribute their collective efforts in managing any emergency at Pasir Gudang Industrial Area. MHB has been actively involved in emergency exercises and participated in annual emergency drills conducted by other PAGEMA members to test the preparedness of the ERT, Management and employees in dealing with the emergency and their ability to respond to rescue activities.

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Approach and Achievements - Memberships and Associations

Association	Position Held	Relevance to MHB's Business
 <p>Association of Marine Industries of Malaysia (AMIM)</p>	<p>Committee Member</p> 	<ul style="list-style-type: none"> AMIM's primary mission is to protect and promote the interest of its members, to assist in the development of Shipbuilding and Ship Repair (SBSR) and marine-related industry, as well as to collaborate in efforts towards continuous improvement of maritime standards for the benefit of all. As a Committee Member, MHB is able to positively contribute towards the sustainable developing of SBSR in collaboration with other industry players.
 <p>Malaysia Oil & Gas Services Council (MOGSC)</p>	<p>Committee Member</p> 	<ul style="list-style-type: none"> MOGSC is the largest national-level independent industry association that is promoted and driven by the services sector of the Malaysian O&G industry. Its mission is to promote the capabilities and expertise of the Malaysian service providers. MHB's active involvement in MOGSC enables us to engage and collaborate with industry stakeholders, associations and government agencies in the sector we operate within.
 <p>Malaysia Offshore Contractors Association (MOCA)</p>	<p>Member</p> 	<ul style="list-style-type: none"> MOCA is an association of offshore contractors for oil & gas industry in Malaysia aiming to promote cohesive working relationships amongst various contractors in O&G offshore business.
 <p>Welding Institute of Malaysia (WIM)</p>	<p>Member</p> 	<ul style="list-style-type: none"> The Welding Institute of Malaysia (WIM), the operating name of Welding Institute (Malaysia) Bhd is a non-profit membership organisation with a mission to provide a wide range of technical, networking, and support services in the field of welding, joining, and allied technologies. Members of WIM benefit from <ul style="list-style-type: none"> exclusive access to a wide range of technical information free attendance to technical events discounts on attendance to courses, seminars, conferences and more

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

MHB is committed to enhancing its climate disclosures by adopting the Task Force on Climate-Related Financial Disclosure (TCFD) framework. MHB has committed to providing disclosures in line with the framework of the TCFD in 2021. This is our inaugural TCFD Report which has been prepared according to the TCFD framework. This report should be read alongside our Towards Decarbonisation strategic priority within the Environment Pillar of the MHB Sustainability Framework which provides an account of our current initiatives and outcomes in this space, as well as our forward-moving plans.

The TCFD has developed four widely adoptable frameworks on climate-related financial disclosures that represent core elements of climate management encompassing governance, strategy, risk management and metrics and targets. Each of the TCFD thematic elements is reflected in the structure of our disclosures in the following pages. We strive to continuously enhance our climate disclosures in the future reporting years.

In 2021, MHB embarked on a structured TCFD journey to embed climate-related risks and opportunities through the following means:

- Conducting TCFD capacity building across MHB
- Performing a gap analysis of our current processes against the TCFD framework
- Developing climate scenarios
- Identifying risks and opportunities specific to our core businesses
- Conducting a TCFD Scenario Analysis workshop to map risks and opportunities against future climate scenarios
- Enhancing our strategic planning and risk management processes to ensure climate-related risk and opportunities are considered in our annual strategic planning and risk register reviews
- Selecting additional climate-related internal monitoring indicators, other than the existing greenhouse gas emissions, that can quantify the financial impacts of climate-related risks and opportunities



As part of MISC Group, MHB will adopt and align with the MISC Climate Framework with the Company’s business and activities.

GOVERNANCE

By embarking on our TCFD journey, MHB’s Board and Management are demonstrating our commitment to align the disclosure of our climate-related risks and opportunities with TCFD framework. The Board is well-informed and makes proactive executive decisions with senior management on strategies that contribute to a net-zero economy whilst managing climate risks and opportunities.

Task Force on Climate-Related Financial Disclosures

CLIMATE GOVERNANCE

The Board Risk Committee (BRC) is a standalone board committee overseeing risk management and sustainability including climate-related risks. The BRC reviews, evaluates, reports and makes appropriate recommendations to the Board on matters including reviewing the adequacy and effectiveness of MHB's Risk Management Framework and ongoing activities in identifying, evaluating, monitoring and mitigating risks.

The BRC ensures effective systems and processes are in place to monitor and manage identified risks and determine MHB's risk tolerance. It reviews, evaluates, reports and makes appropriate recommendations to the Board on determining the direction of MHB's sustainability strategy in alignment with our business strategy. The BRC meets on a quarterly basis to review and deliberate on governance and risk-related matters, including climate-related issues.

RISK OVERSIGHT STRUCTURE



The Board is supported by multiple levels of working committees:

- The Management Committee (MC) is responsible for reviewing the sustainability framework and approving initiatives for implementation within the Company.
- The Risk Council (RC) is a committee established to ensure the continuous identification, assessment, mitigation and monitoring of all enterprise / strategic risks of the Company. The RC holds quarterly meetings to review the key risks and ensure that mitigation plans are in place to manage such risks. The adequacy and effectiveness of the controls and the robustness of the mitigation actions are also addressed. These are then further deliberated by the BRC and finally reported to the Board every quarter.
- MHB has established Strategic Group Discussion (SGD) for Towards Decarbonisation with the aims to define focus area (s) for improvement and brainstorm as well as propose new initiatives in regards to our commitment Towards Decarbonisation. The SGD was led by General Manager, Health, Safety, Security and Environment (HSSE). HSSE currently monitors GHG performance in the yard.
- Moving forward, the Sustainability unit will update to BRC and Board on the GHG performance against set targets on a yearly basis.
- The Corporate Planning & Risk Management Division initiates company-wide strategic planning exercise annually to facilitate the conceptualisation and formulation of strategic plans for the Company. During annual strategic planning meetings, the business and climate-related risks and opportunities are considered before translating them into short, medium, and long-term business strategies for the Board's approval. Subsequently, the identified climate-related risks and mitigation strategies are refined and cascaded into the Company Risk register. These issues and strategies are monitored and brought to the RC and the BRC on a quarterly basis.

Moving forward, MHB's Board and Management will enhance the climate risk review and include climate-related metrics as part of remuneration process. In 2021, the Board approved the inclusion of climate-related strategic initiatives and annual carbon emission intensity as part of ESG-related key performance indicators into the Board and Management 2022 Scorecard.

Task Force on Climate-Related Financial Disclosures

STRATEGY

SCENARIO ANALYSIS

MHB has conducted a scenario modelling exercise for identified transition risks and physical risks to its core businesses. We select two scenarios following the TCFD's five principles of plausible, distinctive, consistent, relevant and challenging. To understand and connect the political, business and social responses to climate change to associated global carbon budgets, emissions pathways and the expected physical climate-related impacts, the climate analysis and scenarios were derived based on the following driving forces:

- a) Political and Legal aspects:
 - International climate change policy
 - Industry environment standards
 - Carbon price
- b) Technology Development:
 - Renewable energy and energy-efficient technologies
 - Carbon capture storage and utilisation technologies
- c) Economic:
 - Economic growth
 - Energy market (including renewable energy)
- d) Environmental Impact:
 - Sea level and wave pattern (wavelength & frequency) changes
 - Extreme weather condition
- e) Reputation and Social aspects:
 - Customer pressure to reduce value chain emissions
 - Demographics / global population change towards a more sustainable lifestyle
 - Talent retention and attraction

Two future climate scenarios in 2050 were considered in the climate-related scenario analysis: global warming of 1.5°C (best case scenario) and 4°C (worst case scenario).

The scenario modelling predictions were sourced from:

- Intergovernmental Panel on Climate Change (IPCC);
- Representative Concentration Pathways (RCP);
- Shared Socioeconomic Pathways (SSP);
- International Energy Agency (IEA); and
- The International Renewable Energy Agency.

SCENARIO ANALYSIS RESULTS AND RESILIENCE

In 2021, MHB participated in the four focused scenario workshops conducted by our parent company, MISC Group. The outcomes from the pilot studies set an important foundation for identifying the overall climate-related risks and opportunities for scenario analysis.

The heads of the respective businesses and functional representatives from the Risk Management, Heavy Engineering Operations, Marine Operations, Supply Chain Management, Facilities Assets & Services, Corporate Finance, Sustainability, Health, Safety, Security & Environment and Legal & Corporate Secretarial Affairs Departments participated in the workshop. The focus areas discussed during the workshop included:

- How each risk and opportunity could manifest in the respective business units and subsidiary companies.
- The likelihood of occurrence and impact of each risk and opportunity could eventuate.
- The climate strategy to be developed or existing decarbonisation pathways to be intensified to mitigate the potential risks.
- The business opportunities resulting from future scenarios that will benefit existing business revenues and new business ventures for MHB in 2050.

1.5 DEGREES SCENARIO

This scenario correlates and is aligned with the Paris Agreement to keep average global warming to well below 2 degrees Celsius and continue all efforts to limit the rise in temperatures to 1.5 degrees Celsius. In this scenario, global governments are collaborating on carbon regulations and policies. There is higher GDP growth and a significant transition to renewables with continued energy demand growth. Increased interest and demands are made from various stakeholder groups regarding climate change. Extensive research and development are conducted on alternative energy, renewables, carbon removal and rapid technological improvements on emissions reductions. There is a continued adoption and awareness of changing environmental regulations on carbon pricing and other legal frameworks, supported by climate action across industries.

In this scenario, MHB is impacted predominantly by climate-related transition risks. These risks range from increasing environmental / carbon policies and legislation to a faster energy transition to renewables, cleaner and / or non-fossil fuelled energy sources. Potentially, our Marine and Heavy Engineering segments would be affected by reduced demand on traditional heavy engineering fabrication as a growing shift of market transitioning from oil & gas to renewable energy.

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Beyond the medium-term horizon, our Marine Repair and Heavy Engineering segments will have potential opportunities for increased revenue through existing business operations to:

- Offer modifications, retrofits and conversions to vessels and floaters, so they comply with EEXI, CII and other future potential legislation
- Provide fabrication services to incorporate carbon capture and storage onto oil and gas offshore assets
- Provide fabrication services for renewable energy production

4 DEGREES SCENARIO

In this scenario, global climate action institutions are fragmented with most countries not supporting the transition to 'Net Zero'. Increased competition for scarce resources drives inequality and lower growth for renewables. There is a lack of concerted action and delayed technological progress towards effective solutions. New technologies to reduce GHG and slow down the effects of climate change are adopted at a slow pace. There is a lack of information surrounding future risks with carbon prices increasing less rapidly and unclear legal frameworks. Sea level rise worsens with unpredictable sea wave patterns and greater frequency of extreme weather.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

MHB has defined its short, medium, and long-term periods in identifying climate risks and opportunities:

- Short-term – within the next five years
- Medium-term – within the next 10 years (~ 2030)
- Long-term – within the next / beyond 30 years (~ 2050)

During our 2021 TCFD workshops, we identified several climate-related risks and opportunities, which are potentially financially material. These climate-related risks and opportunities were mapped across MHB's value chain including our suppliers and customers. MHB acknowledges that its operations are directly affected by the physical and transitional risks resulting from climate change. More thorough analysis will be conducted to quantify the financial impacts across time horizons for climate change risks.

Risk Type	Potential Risks & Opportunities	Impact on MHB	Opportunities for MHB
Physical	<ul style="list-style-type: none"> • Increase in extreme wind and precipitation (acute) 	<ul style="list-style-type: none"> • Increased asset maintenance cost and capital expenditure (CAPEX) to withstand the increasing intensity of extreme weather • Disruption to operations • Increased risk of personnel and asset damage incidents 	<ul style="list-style-type: none"> • Increased revenue from repair and refurbishment / maintenance services (Marine business segment) • Increased collaboration across the supply chain or research and development of asset development initiatives to better withstand extreme climates and climate-related risks
Physical	<ul style="list-style-type: none"> • Sea level rise (chronic) 	<ul style="list-style-type: none"> • Increased costs associated with direct damages and delays from sea levels rising, as well as other effects. This may also be indirect in the form of mitigation plans, additional R&D and flood protection infrastructure 	<ul style="list-style-type: none"> • N/A

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Risk Type	Potential Risks & Opportunities	Impact on MHB	Opportunities for MHB
Regulatory (Transitional)	<ul style="list-style-type: none"> Increasing environmental / carbon policies and legislation 	<ul style="list-style-type: none"> Higher capital and operational costs associated with implementing compliance measures 	<ul style="list-style-type: none"> Increased funding / incentives from banks and financial providers (e.g. Sustainability - Linked Loan, tax incentives) for first movers to develop and take up new technologies Increased demand for refurbishment services by ship owners to comply with EEXI, CII and other future potential legislations leading to revenue opportunities for MHB
Technological (Transitional)	<ul style="list-style-type: none"> Development of new technologies for low-carbon solutions 	<ul style="list-style-type: none"> Increased reliance on outsourced technological solutions Increased costs and CAPEX to adopt / deploy new practices and processes Risk of new technology or technological uncertainty: technologies may not perform as expected nor provide solutions to meet emerging regulations 	<ul style="list-style-type: none"> Increased revenue from refurbishing vessels in the areas of retrofitting carbon capture and low-carbon technology (Marine Repair segment) Increased funding / incentives from financial providers for first movers to develop and take up new technologies Increased diversification into new business areas (such as renewables, including windfarm installations / retrofit hydrogen and /or ammonia fuel tank for existing vessels / design and fabrication for integrated modular solution in hydrogen / ammonia fuel production / service and repair proprietary low carbon technologies opportunities)
Technological (Transitional)	<ul style="list-style-type: none"> Training for the right expertise and skills required to manage new technology 	<ul style="list-style-type: none"> Lack of capabilities to manage changes in regulatory and customer demands for handling of new materials, processes and technological advancements Increased costs for third-party expertise to manage climate-related risks as MHB has unique requirements for capabilities required for maintenance / installation of new technologies Increased costs of reskilling the existing workforce/ acquiring new talents to meet new technologies skillsets requirements 	<ul style="list-style-type: none"> Increased requirements for better trained capabilities and resources will offer better customer solutions and increase preparedness for new regulations Increased focus for green technology and carbon reduction opportunities could attract (and retain) talents, customers and investors Increased need for niche and structured training opportunities, specifically that which is climate-related, such as ammonia, material consideration in project design and environmental impact in purchasing

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Risk Type	Potential Risks & Opportunities	Impact on MHB	Opportunities for MHB
Market (Transitional)	<ul style="list-style-type: none"> Shift in customer expectations 	<ul style="list-style-type: none"> Loss of revenue from being unable to meet rapid shifts in customer demands Increased costs and resources required to monitoring of shifts in demands and requirements put forward from their customers (e.g. market research, carbon emissions) 	<ul style="list-style-type: none"> Increased need to meet customer expectations (in relation to climate-related risk management) could lead to better trust in company and reputation benefits leading to higher customer retention and revenues over the long-term resulting in sustainable earnings and increased opportunities to propose low-carbon solutions / existing new technologies to customers and receive buy-in resulting in cost sharing Increased annual cost savings in terms of reduced fuel and electricity consumption cost Increased stakeholder engagement opportunities or frequency of engagement opportunities to identify changing customer expectations as markets shift towards sustainability. This is perceived as an opportunity as it allows better trust-building with stakeholders which may have secondary benefits in disclosures for reporting purposes
Market (Transitional)	<ul style="list-style-type: none"> Changing investor trends 	<ul style="list-style-type: none"> LNG is a transitional fuel with usage declining leading to less LNG Carriers for servicing / maintenance as it is negatively viewed from potential investors and may eventually become obsolete 	<ul style="list-style-type: none"> Increased further developments and creation of business opportunities Increased trust from meeting customer expectations leading to higher customer retention and revenues over the long-term resulting in sustainable earnings Increased reputation and branding from being a responsible organisation that manages climate change in a credible, transparent and efficient manner may be a significant opportunity to retain current customers and attract new customers in the future
Market (Transitional)	<ul style="list-style-type: none"> Market interest shift towards a low-carbon economy 	<ul style="list-style-type: none"> Reduced demand on traditional heavy engineering fabrication as a growing shift of market transitioning from oil & gas to renewable energy Increased unavailability or difficult sourcing of greener materials (e.g. 'green steel') Increased uncertainty in the oil industry that could affect oil majors' CAPEX spending decision leading to the postponement of offshore projects final investment decisions (FIDs) 	<ul style="list-style-type: none"> Increased revenue from new business opportunities that contribute to a circular and net-zero economy Increased annual cost savings in terms of reduced fuel and electricity consumption costs. Increased collaboration opportunities with stakeholders and customers in low-carbon spaces, as well as renewable sectors Ability to demonstrate how MHB is integrated into customers' Net-Zero plans and in turn drive internal transitions as well. This is an opportunity not solely limited to decarbonisation perspectives but translating how Net-Zero translates into business plans as well. This may include new business opportunities such as carrying low-carbon fuel

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Risk Type	Potential Risks & Opportunities	Impact on MHB	Opportunities for MHB
Reputation and Social (Transitional)	<ul style="list-style-type: none"> Being perceived as advanced or a laggard in climate change action / failure to comply with regulation 	<ul style="list-style-type: none"> Reputation impact associated with climate risks Reduced customer confidence if perceived as a laggard in climate change action 	<ul style="list-style-type: none"> Increased revenue from renewable business segment as a result of business diversification and boost market perception and sales if products are aligned towards low carbon economy Drive sustainability programmes as well as training and education surrounding sustainable lifestyles in order to embed a culture of environmental sustainability
Reputation and Social (Transitional)	<ul style="list-style-type: none"> Talent retention and attraction 	<ul style="list-style-type: none"> Increased risks arising from existing employees being more conscious about ESG aspects and wanting to develop a professional career in more environmentally responsible companies and/or lack the necessary skills and experience to fit into new requirements of changing regulations. For example: changing technology of engineering design, as well as other technological changes to sustainable offshore solutions, could lead to higher and more stringent knowledge requirements which MHB needs to adhere to 	<ul style="list-style-type: none"> Taking a stewardship position and driving advancements in decarbonisation technology will attract and retain talents From a business perspective, new business opportunities as part of the low-carbon economy and energy transition movements will assist in retaining and attracting a higher quality talent pool, which has secondary effects of improved corporate culture and employee satisfaction

Physical Risks (Acute)

Acute physical risks, such as hurricanes and typhoons, can potentially impact MHB's business and operations as well as the safety of personnel and assets. Any interruptions in the value chain could result in a material adverse effect on our financial and operational results and our reputation in the marketplace.

MHB has established an Emergency Preparedness and Response Plan to govern crises at the corporate level. Under the Emergency Preparedness and Response Plan, the Crisis Management Team (CMT) is responsible for:

- Identifying, evaluating and proactively addressing crises
- Providing appropriate recommendations for managing strategic issues of concern affecting people, the environment, assets and reputation

All operational-level emergency plans have clear linkages to the Emergency Preparedness and Response Plan.

Physical Risks (Chronic)

Chronic physical risks are the impacts of increasing mean temperatures and rising sea levels on yards. We understand that the conditions and severity of these risks may change over time. MHB continues to monitor these risk indicators / signposts and develop specific measures as part of its strategy to ensure the resilience of the business.

Regulatory

Legal and compliance risks associated with current or emerging regulations are included in MHB's climate-related risk assessments. The compliance requirements and costs associated with relevant regulations in the countries in which we operate are considered as part of our compliance programmes and processes to ensure compliance with the requirements. MHB continually monitors any new or emerging regulatory developments as part of its risk assessment process via the following activities:

- Annual sharing sessions by industry experts and analysts to share insights on market outlook including any new or emerging regulatory developments

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- Participation in oil & gas industry forums to exchange ideas and keep abreast of developments in the climate-related legislations
- Engagement with various stakeholders including but not limited to regulatory bodies, classification societies and customers

Technology Risks

We diligently innovate our service offerings to remain competitive and exceed customers' expectations. Initiatives undertaken for our yards with green technologies include energy efficiency measures and an emissions reduction system.

MHB has also collaborated with partners to provide low-carbon technological advanced solutions to customers, which include:

1. Participated in twelve (12) tenders for the offshore wind sector in 2021
2. Supplied manpower for an offshore wind project to a customer in Taiwan
3. Inked three (3) Memorandum of Understandings with international partners with technological know-how in energy transition products and services
4. Participated in a research consortium that supports shipping and marine requirements for Liquid Carbon Dioxide (LCO₂) shipping

Market Risks

MHB's climate-related risk assessments include market risks such as changing customer preferences for low-carbon and environmentally-friendly solutions. MHB monitors market and industry trends to recommend relevant strategies and solutions to customers.

In addressing the market risks on the potential market resizing of oil and gas business opportunities towards renewable energy typed opportunities, our MHB Sustainability framework was developed to enable us to explore and develop low-carbon services as new income streams that will support both the Circular and Net-Zero Economy in the years leading to 2050.

Reputation Risks

Reputational risks, including those related to climate challenges, are always included in MHB's risk assessments. MHB operations include both the Marine & Heavy Engineering Operations; which are highly scrutinised by the stakeholders in terms of transparency on its environmental stewardship efforts.

In 2022, MHB will introduce several measures and initiatives to address reputational risks including:

- Setting GHG emissions reduction goals
- Communicating sustainability efforts and achievements to internal and external stakeholders

CLIMATE STRATEGY

At MHB, we believe that climate action must be taken to realise the 1.5 degrees scenario. Our climate strategy responds to the risks and opportunities posed by climate change in two parts:

- A transition plan for short and medium-term risks; and
- A longer-range climate strategy to mitigate our long-term financial impacts and position ourselves competitively in the low carbon economy.

Transition Plan (Short – Medium Term)

MHB has a decarbonisation initiatives to contribute to MISC Group's Net-Zero commitment by integrating climate factors across MHB's business strategy and financial planning (including usage of internal carbon pricing) and deploying low carbon technologies for our yards. Our commitment is closely aligned to our parent company, MISC Group. Our initiatives are as follows:

- Increase use of renewable energy where possible
- Explore and build strategic partnerships with key technology providers of carbon removal technologies for assets both in the Marine and Heavy Engineering Operations
- Explore new businesses focusing on Renewable Energy
- Continuously improve our business' technical and operational efficiency

Our Long-Term Plan

As part of our long-term plan to stay resilient to climate change, MHB's existing business model would continue to evolve in the following two dimensions:

- 1) Decarbonise our operations to meet the growing demands of the market for the sustained growth of our existing portfolio
- 2) We will be exploring new income streams that can support the value chain of renewable energy

Task Force on Climate-Related Financial Disclosures

Net-Zero GHG Commitment

MHB is committed to reducing its GHG emission as part of MISC Group Net-Zero GHG emissions by 2050. This commitment covers our own operations and those impacted across our value chain. Our climate strategy includes continuously deploying digital energy-efficient technologies and increase operational efficiencies.

MHB contributes to the MISC 2050

MISC 2050 is our long-range business strategy that will enable MHB businesses to explore, innovate, and be part of the supporting value chain of Renewable Energy.

As our business evolves to be part of the renewable energy value chain, we see synergy to explore Waste-to Value opportunities. In the context of climate change, we believe we can explore the opportunities to convert renewable waste materials into useful resources that will fuel the circular economy. We also believe MHB is well positioned to construct eco-friendly sea-worthy assets that can support the ocean economy.

Moving into 2022, our fundamental objective is to identify new business opportunities within Renewable Energy such as the windfarm sector and Waste-to Value Chain, that will allow us to build new businesses and asset portfolios to be added to our present business portfolio.

RISK MANAGEMENT

MHB evaluates climate risk as part of its:

- Strategic risk business planning
- Enterprise Risk Management (ERM) programme, which covers operational focus on reducing the business's direct and indirect impacts on climate change

STRATEGIC RISK

Beginning 2022, as part of our strategic business planning exercise and our efforts to continuously conduct external environment analysis, we will be considering the impact of climate-related scenarios on our business outlook. Material risks and opportunities are translated into strategic priorities as part of our rolling five-year strategic planning cycle.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) provides a guide for systematically identifying, assessing, treating, monitoring and reviewing risks. It aims to reduce the likelihood and impact of identified risks that may affect the achievement of business objectives.

Risk management activities are undertaken at the corporate and business unit/subsidiary levels. Risk reports are reviewed and monitored by Corporate Planning & Risk Management Division regularly before being escalated to the Risk Council and before deliberation by the BRC.

As part of MHB's ERM process, the business units, service units and key subsidiaries are required to perform an annual review of their risk profiles, with emphasis on linking risks to MHB's business objectives.

MHB prioritises risks and opportunities, including those related to climate challenges, by evaluating them based on both quantitative and qualitative criteria. We also assess the severity of the potential impacts of the risk and the scale of the opportunities. MHB has adopted the PETRONAS Resiliency Model (PRM), which provides an integrated view for managing risks. It is also guided by international best practice as per ISO 31000 and the Malaysian Code of Corporate Governance (MCCG) 2021.

On an operational level, risk registers will be developed and maintained from 2022 to measure the environmental impact, including climate change from MHB's activities. The registers will be assured by MHB's - Health, Safety, Security and Environment (HSSE) to verify their completeness and that controls are implemented effectively. MHB Group's GHG emissions performance, including the evaluation of carbon reduction targets set at the strategic level, is presented to the BRC and Board, on a quarterly basis.

Moving forward, MHB will enhance climate-related risks and opportunities in the existing risk register review process. This process will include formalising climate-related risks into ERM and setting key risk indicators associated with climate-related risks.

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METRICS AND TARGETS

In 2021, MHB recorded a 43.5% reduction in total greenhouse gas (GHG) emissions compared to 2020, 19.9% reduction from the baseline year of 2016.

With the establishment of MHB Sustainability Framework in 2021, we have set short, medium and long-term carbon emission targets as one of our key activities during the year. These targets formed part of the Towards Decarbonisation strategic priority under the Environment Pillar.

GREENHOUSE GAS METRICS AND TARGETS

MHB has set the following GHG targets and commitments:

MHB as a subsidiary of MISC, supports the Group's commitment to Net-Zero Greenhouse Gas emissions by 2050. Our greenhouse gas (GHG) emissions monitoring and reporting is guided by the following key standards and references:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), Third IMO GHG Study 2014.
- MHB also initiated the calculation of Scope 3 emissions for MHB supply chain from upstream to the downstream and targeted to complete in 2022.

FUTURE ACTIVITIES

MHB plans to strengthen the management of climate-related risks in response to TCFD recommendations. Evaluating climate-related risks quantitatively, when conducting scenario analysis, will allow us to measure the financial impacts of both the physical and transitional risks and opportunities more precisely. We will be expanding the scope of our TCFD initiatives in 2022.

Moving forward, MHB will enhance climate-related risk integration measures into the existing risk management process. Integrating a formalised climate scenario analysis process into strategic business risks will provide a holistic approach to risk management and the comprehensive identification of climate-related risks and opportunities.

We will engage with customers, suppliers and other stakeholders throughout the value chain to strive for a mutual understanding of our approach in addressing climate change. We will continue to make further enhancements to provide consistent and transparent annual disclosures to our stakeholders, in line with the TCFD Framework.

Climate-Related Data Performance Section

Indicator	2021	2020	2019
Scope 1 CO ₂ e	6,275	9,672	8,201
Scope 2 CO ₂ e	25,958	36,031	39,309
Purchased electricity MWh	37,950	52,677	57,470
Renewable energy MWp	8.3	0	0
Total	100%	100%	100%



We work hand-in-hand with our partners in ensuring that we deliver quality to our clients