



→ MHB launches its long-term environmental initiative, the River Rehabilitation Programme with the adoption of Sungai Buluh in Pasir Gudang, Johor.



# SUSTAINABILITY STATEMENT



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## INTRODUCTION

2022 has seen MHB ramp up our sustainability agenda as we further integrated sustainability considerations into our business model. Having embarked on our Task Force on Climate-related Financial Disclosures (TCFD) journey in 2021, we used the analysis of our climate-related risks and opportunities to establish the MHB Climate Framework.

This year, we have enhanced our TCFD reporting by establishing key climate metrics that will be used to measure and monitor climate-related risks and opportunities. Together with MISC, MHB has begun looking into applying internal carbon pricing as an assumed cost to emissions associated with our investments and projects.

We are actively searching for ways to reduce the carbon impact of our operations. We have identified decarbonisation initiatives that will contribute to the reduction of our greenhouse gas (GHG) emissions in the coming years. As well as that, we have expanded our efforts to our value chain by developing our GHG Scope 3 emission inventory.



## INTRODUCTION



# MESSAGE FROM THE MD & CEO



Dear Stakeholders,

**2022 has been a sustainability-centred year at MHB, as we progressed from establishing our Sustainability Framework and Governance Structure in 2021, to adopting a strategic approach in implementing our sustainability initiatives.**

At MHB, we believe sustainability does not just give us the social license that allows us to operate but ensures a great sense of responsibility is embedded in our hearts as we consistently enhance our environment, social and governance (ESG) performance when in pursuit of business goals. Our sustainability journey started way back in the years when ESG elements started becoming key considerations of business operations and decisions. We believed then, and still do today, that only socially and environmentally responsible plans and actions will allow us to continuously create values for our broad range of stakeholders.

With the accelerating demands of energy transition and industry decarbonisation globally, MHB has taken immediate steps by starting to adapt our business strategy in order to contribute to a net-zero future. We have expanded our core marine and heavy engineering offerings by diversifying into the areas of renewable energy and decarbonisation solutions such as maritime decarbonisation technologies and services, carbon capture and storage (CCS) and offshore wind farm (OWF).

MHB supports 13 out of the 17 Sustainable Development Goals (SDGs) of the United Nations (UNSDGs) via our Sustainability Framework and we are committed to continue with our contributions to the global pact through the execution of our sustainability strategies. By aligning our operations and strategies with the UNSDGs, we aspire to continuously create positive social and environmental impacts, while increasing our long-term competitiveness and financial performance.

## **TURNING RISKS INTO OPPORTUNITIES**

MHB adopted the Task Force on Climate-related Financial Disclosures (TCFD) in 2021 as one of the key initiatives that we use as a strategic tool to assess financial risks and opportunities associated with climate change. By following TCFD recommendations, we can better understand and navigate our climate-related risks and opportunities and communicate this information to our investors and other stakeholders in a transparent and consistent manner. This enables us to futureproof ourselves through building on our strengths while realising opportunities in the transition towards a low carbon world. Further details of our efforts are available in the Climate-Related Financial Risks and Opportunities section in this Sustainability Statement.

In 2022, we established the MHB Climate Framework that is in line with the TCFD recommendations as well as aligned to the MISC's Climate Framework that represents four core elements of climate management: Governance, Strategy, Risk Management and Metrics & Targets. This ensures that our TCFD reporting is enhanced by establishing key climate metrics that will be used to measure and monitor climate-related risks and opportunities.

## MESSAGE FROM THE MD & CEO

### STAMPING OUR COMMITMENT

MHB is currently developing a 2030 roadmap specifically for Scope 1 and Scope 2 greenhouse gas (GHG) emissions which will consist of short term, medium and long-term targets. Each of these phases is supported by several scopes of work involving commensurate efforts throughout various departments in MHB. This roadmap will guide MHB towards strengthening our strategy around managing Scope 1 and Scope 2 emissions.

We are pleased to share that in 2022, MHB completed the development of our Scope 3 GHG inventory based on a mix of primary and secondary data, where our material categories of products and services purchased were identified. With this inventory, we further expanded our scope of reporting to include Scope 3 emissions which are cover employee commuting and business travels in 2022. Moving forward, we will look to further improve the quality of our Scope 3 disclosure to include other categories of emissions in future reports.

MHB is also working on our Internal Carbon Pricing (ICP) mechanism which assigns a monetary value to our GHG emissions. By doing so, we are able to better understand the potential financial implications of our GHG emissions and the real costs associated with certain business decisions. It enables us to make more well-informed decisions and better allocate our resources toward achieving the decarbonisation agenda.

### STRENGTHENING GOVERNANCE & RECOGNITIONS

Our sustainability-centred business model has been acknowledged through various external validations. MHB remains a constituent of FTSE4Good Bursa Malaysia Index for the seventh consecutive year, and we have achieved a notable improvement in our ESG Ratings to be now ranked among the top 25% Public Listed Companies (PLCs) in the FTSE Bursa Malaysia EMAS Index (FBM EMAS). Our ESG rating reflects the enormous strides we have made over the past few years towards creating a sustainable future for all our stakeholders.

MHB was honoured at The Edge Malaysia ESG Awards 2022 which recognised Malaysia's best performers in ESG excellence when we were announced winners of the Silver Award under the equities category for the energy sector. We are heartened by the market's trust and confidence in our ESG commitments and ability to deliver value.

Stepping into 2023, we will continue our efforts to build the momentum of our sustainability journey to ensure that MHB delivers sustainable long-term value to all stakeholders, as we work towards a common goal of a net-zero future by 2050.

### **Pandai Othman**

Managing Director & Chief Executive Officer

# SUSTAINABILITY STRATEGY

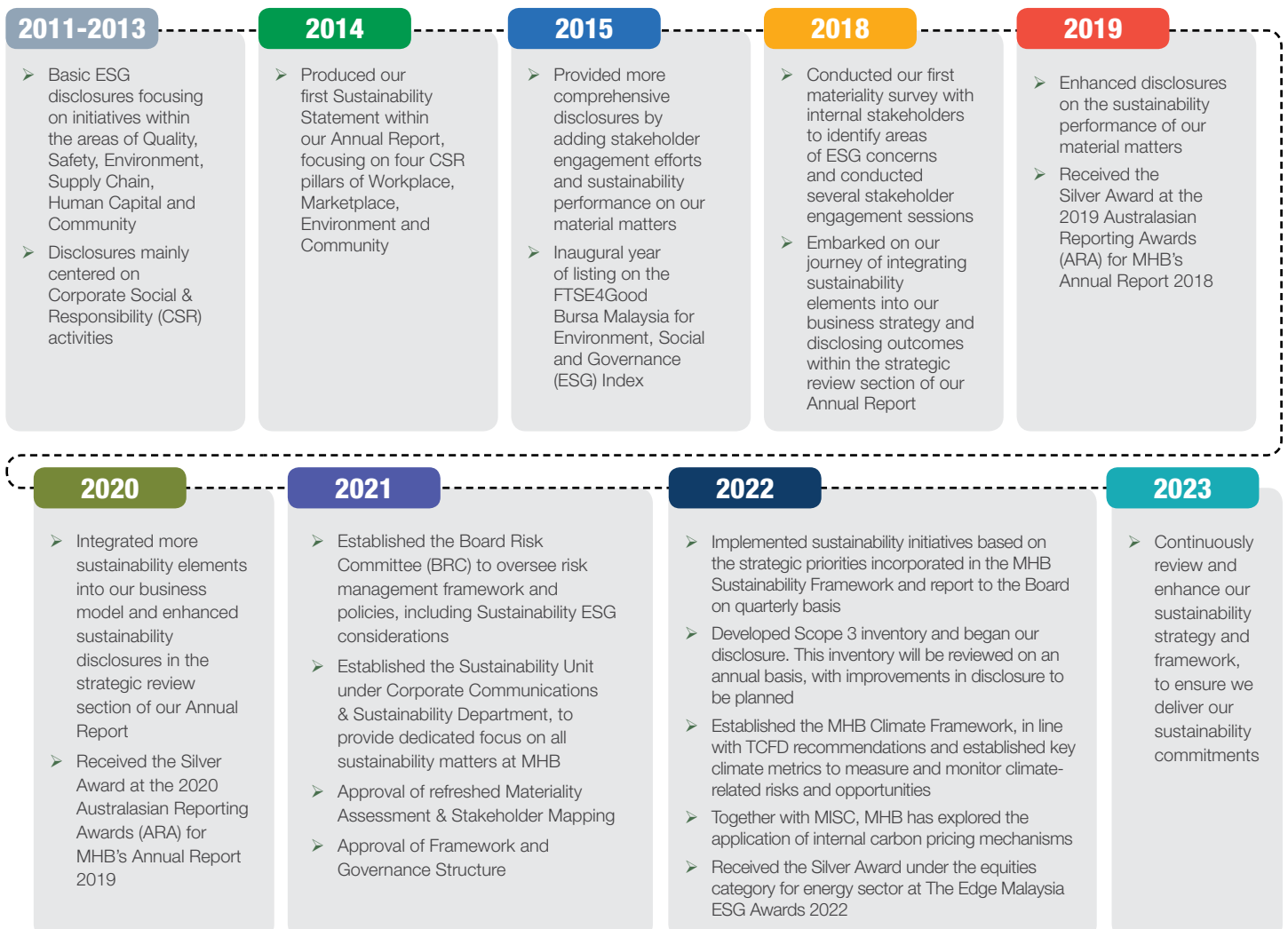
## BACKGROUND

In 2022, MHB has stepped up on our sustainability commitments to ensure alignment across all governance functions as well as embedding it within our business strategy and operations. The Board Risk Committee (BRC) oversees MHB's sustainability matters and reports to the Board of Directors (Board), thus ensuring that the Board has oversight of all sustainability issues that are relevant to MHB. In discharging their governance duties and obligations, Board members take MHB's sustainability considerations into account by addressing sustainability issues in their deliberation and decision making.

We have further refined our sustainability strategy, which is closely aligned to our parent company, MISC Group. Our sustainability strategy features the strategic priorities of our five key sustainability pillars of Financial, Environment, Social, Governance and Stakeholder Engagement, and are linked with the sustainability imperatives that underline our business model. Each of our sustainability pillars address the Material Matters that are critical for the long-term sustainability of our business. Through actions and initiatives that have been implemented under our sustainability strategy, MHB is contributing to 13 United Nations Sustainability Development Goals (UNSDGs).

The timeline below provides a brief overview of our sustainability milestones between 2011 and 2022.

## OUR SUSTAINABILITY JOURNEY



# SUSTAINABILITY STRATEGY

## SUSTAINABILITY FRAMEWORK

2022 has seen MHB gearing up on our sustainability agenda to deliver on environmental, social and governance outcomes that create value for all our stakeholders. Our Sustainability Agenda is guided by our parent company MISC Group’s sustainability strategy. MHB’s Sustainability Strategy consists of five sustainability pillars of Financial, Environment, Social, Governance and Stakeholder Engagement. Within each pillar, we have outlined our Strategic Priorities and implemented initiatives to achieve our goal. Through the implementation of the MHB Sustainability Strategy, we are contributing to 13 United Nations Sustainability Development Goals (UNSDGs).



# SUSTAINABILITY GOVERNANCE

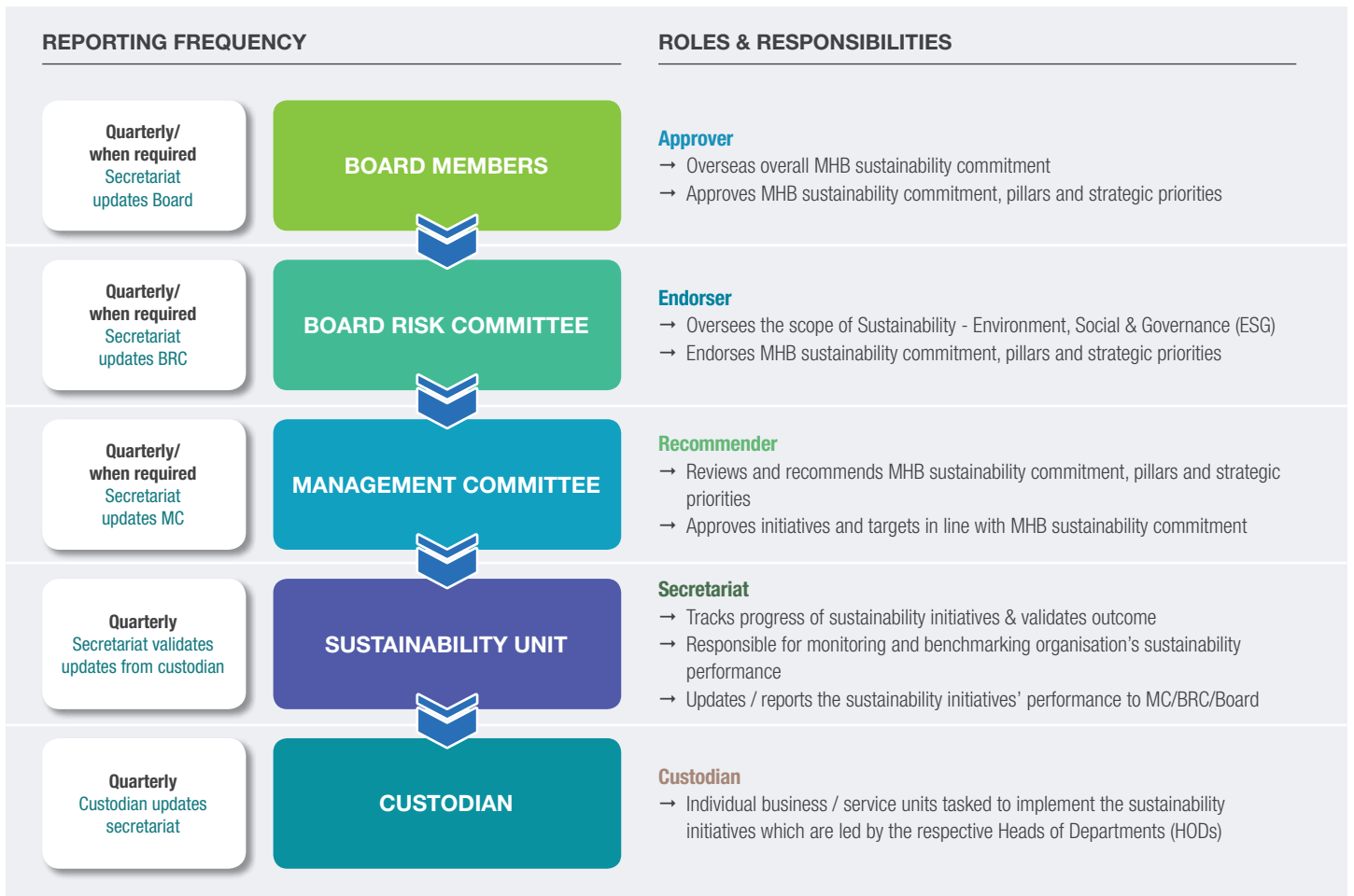
## SUSTAINABILITY GOVERNANCE STRUCTURE

MHB believes in upholding strong sustainability governance to ensure that we are continuously creating value for our ecosystem of stakeholders. We have transparent and functional sustainability governance frameworks which ensures that all decisions are made in accordance with our governance standards and supported by numerous performance indicators and other controls.

MHB's Board of Directors (Board) sits at the apex of our sustainability governance structure and holds ultimate responsibility for ensuring that all sustainability factors are considered in the development of the business strategy and that sustainability considerations are integrated into MHB's business operations and activities. The Board has approved MHB's sustainability commitment, sustainability pillars, and strategic priorities as outlined in our sustainability framework.

The sustainability oversight function is held by the Board Risk Committee (BRC) which reports to the Board. The Management Committee (MC) reviews and recommends MHB sustainability commitment, pillars and strategic priorities and approves initiatives and targets in line with our sustainability commitment. Within the organisation, the Sustainability Unit tracks the progress of sustainability initiatives and monitors MHB's sustainability performance. The Sustainability Unit provides the MC, BRC and the Board with regular updates on the performance of sustainability initiatives on a quarterly basis. Custodians from individual business units are tasked to implement the identified sustainability initiatives. They hold responsibility for the execution of MHB's sustainability programmes. MHB's sustainability governance structure ensures that a sustainability culture is embedded within our decision making processes and day-to-day operations.

### MHB SUSTAINABILITY GOVERNANCE STRUCTURE



## SUSTAINABILITY GOVERNANCE

### RISK MANAGEMENT & SUSTAINABILITY

MHB takes a proactive approach to identify, analyse and manage sustainability risks and opportunities that could materially impact our value creation abilities. We are guided by the belief that sustainability is an integral component of our business resilience and builds stakeholder trust.

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 Board Risk Committee (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.


Our assessment includes evaluating sustainability issues across our business, operation units, subsidiaries and at project-level. Our sustainability risk management approach undertakes the following actions:

- Evaluate risks and opportunities arising from environmental issues and other climate-related matters that may impact our business
- Evaluate risks related to social and governance matters that may impact our business

We continuously strive to meet the standards of global sustainability indices to improve our governance and disclosures on sustainability related risks towards meeting our stakeholders' expectations.

Our sustainability risk analysis is 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)

 Refer to our Statement on Risk Management and Internal Control on pages 267 to 275 for more information on the accountability of risk management matters at MHB.

### POLICIES AND SYSTEMS

Since 2014, MHB has been a constituent of the FTSE4Good Bursa Malaysia Index. We have continuously maintained and enhanced our ESG reporting in line with our commitment to transparent and accountable disclosures in line with regulatory requirements. The following sets out the policies and systems we have in place to manage our ESG matters in a balanced and sustainable manner. Details of our systems, policies and certifications are found throughout this Sustainability Statement.



### Environmental

- ISO 14001: 2015 Environmental Management System
- Purchasing Manual
- MHB Green Initiatives
- MHB River Rehabilitation
- Integrated Waste Management Taskforce
- Environment Minimum Standard
- Scheduled Waste Handling Intensive Training



### 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

## SUSTAINABILITY GOVERNANCE



### Governance

- 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)

## Highest Commitment to Labour Standards

### 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 has implemented our Human Rights Commitment to further show our 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 EA 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 an Executive, Piping 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 applications related to labour practices in the Company.

# APPROACH AND ACHIEVEMENTS



**FINANCIAL  
PILLAR**  
**FINANCIAL  
GOVERNANCE**

**OUR COMMITMENT**

The way we monitor and improve project financial performance

**OUR INITIATIVES**

- Quality Performance
- External Independent Audits
- Delivering on Taxation Commitments

**OUR CONTRIBUTION TO UNSDG**



Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

## APPROACH AND ACHIEVEMENTS

### - Financial

#### QUALITY PERFORMANCE

##### Execute Generative Quality Culture Programme

MHB has inculcated the importance of a quality culture among the employees. MHB has stepped up on our quality performance across all our business segments through several programmes. The objectives of all the initiatives and programmes conducted are to ensure employees are able to practice generative quality culture and always comply with all quality requirements even when no one is looking. Our focus is to embed the integrity mindset. In addition to that, we have educated our employees on quality elements such as Continuous Improvement (KAIZEN), Root Cause Analysis Method and Price of Non-Conformance. Through the Execute Generative Quality Culture (GQC) Programme which was launched in 2021, we have improved our employees' awareness of quality issues and heightened their alertness on potential cost impacts should there be any form of non-compliance in terms of quality standards. In 2022, we completed the GQC pre-survey and post-survey. Upon the completion of the analysis, we then established and implemented targeted action plans in the MMHE Quality Plan 2023. Comparing the survey results for 2021, pre-survey 2022, and post-survey 2022, data shows that we are improving and now we are at 4.48, the level of proactive. From this data, it shows that the system has been established and implemented.


##### GQC Results

2022 **4.48/5.00**

2021 **4.41/5.00**

##### Digitalisation of Quality Action Note

During the year, we also improved quality performance through the digitalisation of Quality Action Note (e-QAN). This has prevented and minimise the occurrence of non-compliance throughout the organisation. We have promoted this initiative to all operations to register any potential non-conformance observed during execution. We are promoting the use of e-QAN submissions throughout our operations via various on the ground initiatives such as conducting learn & lunch, briefing sessions at projects, quality roadshows, competitions and quizzes, sharing of communication packs and internal Office Memorandum (IOM). To ensure we are on track with our quality performance, we monitor e-QAN submissions each month. As at end FY2022, a total of 2207 QAN is registered and 211 NCR is received and only 10 NCR are issued by the customer. NCR and QAN are analysed and all quality issues are addressed during Quality Management Review Meeting 2023 and considered in Quality Plan to be rolled out during 2023.

 **Issued 211 NCR**

 **2,207 e-QAN submitted**

##### Lesson Learnt Packs for Price of Non-Conformance

Having established a Price of Non-Conformance (PONC) Investigation Committee in 2021, during the year we developed our Lesson Learnt Pack to share the findings, root cause and recommended corrective action identified during the investigations. It is to prevent the occurrence of non-conformance and similar non-conformance arising during the project operation. All lessons learnt will be developed after completion of investigation and presentation to the Management and Board. This lesson learnt is then communicated to the relevant parties involved and recorded under PONC Lesson Learnt Register. Our efforts ensure continuous improvements in the quality of our project delivery through the identification of the root cause of non-conformance cases as well as corrective and preventive actions that need to be implemented.



##### Conducting Quality Inductions to Enhance our Quality Culture

To enhance quality awareness among employees and inculcate a high quality culture, in 2022 we developed and established Quality Induction sessions for all new employees and existing employees. For new employees, we conducted quality inductions which were combined with Safety Inductions at our Centre of Excellence (CoE). As for existing employees, quality modules were included as part of MHB's Talent Management System (TMS) and these were made compulsory for all employees from the executive level and above to complete.

Incorporated Quality Induction modules as part of TMS



Conducted Quality Induction sessions for all new hires



**APPROACH AND  
ACHIEVEMENTS  
- Financial**



In 2022, we spent a total of **RM356,200** on statutory audit fees and **RM81,300** on non-audit fees

**EXTERNAL INDEPENDENT AUDITS**

Each year MHB engages external auditors to provide both audit and non-audit services when necessary. This is in line with ensuring that we can improve our investors and shareholders confidence in MHB. External independent audits provide assurance and increases the financial credibility of our business. In 2022, we spent a total of RM356,200 on statutory audit fees and RM81,300 on non-audit fees, compared to RM316,250 for statutory audit fees and RM77,000 on non-audit fees the previous year.

Our current audit partner has been with us since 2016. We rotate the lead engagement partner and engagement quality reviewer after seven years to maintain impartiality. Upon completing the maximum service period for each rotation, the lead engagement partner and the engagement quality reviewer is not allowed to lead the audit for a period of five and three years respectively. Our current external auditor, EY, has ensured that there are controls in place and taken action to mitigate any risks on their independence.

Each year, our external audits submit their independence confirmation to the Board Audit Committee (BAC) through the Audit Planning Memorandum. Our external auditor’s performance and independence are assessed each year by the BAC through the Assessment of External Auditors Questionnaires. The uses the following criteria to assesses the performance and independence of the external auditors:

- 1 Quality of the engagement team as well as sufficiency of resources
- 2 Quality of communication and interaction
- 3 Independence, objectivity and professional scepticism

MHB will continue to assess the external auditor’s performance on an annual basis in line with our Policy on External Auditors which was adopted from our parent company MISC Group’s policy.

**DELIVERING ON TAXATION COMMITMENTS**

MHB’s tax strategy is implemented via our Tax Policy which is approved by the Board of Directors (Board) as follows:

**MHB is committed to be a responsible taxpayer by:**

- Complying in good faith with all applicable tax laws, regulations, guidelines and international tax treaties, and settling tax obligations when legally duem as company and employer; and
- Maintaining cooperative working relationships with tax authorities.

**Adherence to this Policy is everyone’s responsibility, by referring all tax related matters to the appropriate parties.**



MHB’s tax function ensures that we deliver on our commitment as a responsible taxpayer in full compliance with all applicable tax requirements. The Board has oversight of MHB’s strategic tax, tax governance and tax risks.

We pay our taxes when it is legally due in a timely manner. Our tax function submits MHB Group’s direct and indirect tax returns and compliance including withholding tax as well as SST and customs duties. The tax function also provides advisory on tax planning, compliance and all other tax matters. Our Tax Compliance Control ensures that all the necessary steps are taken towards full tax compliance.

We believe in maintaining close and cordial relationships with all authorities based on mutual trust and respect. In line with this, we liaise regularly with all tax-related authorities such as Inland Revenue Board of Malaysia (IRBM), Royal Malaysian Customs Department (RMCD), Malaysian Investment Development Authority (MIDA), Ministry of Finance (MOF), and Ministry of International Trade and Industry (MITI), among others. Our tax function also works closely with IRBM and RMCD in relation to any audits conducted by them.

To ensure that MHB meets all direct and indirect tax compliances, we have put in place the following measures:

Enhancement of e-subcon system to include Withholding Tax (WHT) verification process



Review on Service Tax applicability on services rendered by subcontractors



## APPROACH AND ACHIEVEMENTS - Financial

The Tax Unit holds responsibility for tax compliance and reporting lines. Towards ensuring that tax risks are effectively dealt with, we identify all potential causes of tax risks and propose solutions to mitigate risks. Our well-resourced tax function has a team of dedicated tax personnel who are provided with technical training programmes to enhance their skillsets. These training programmes are organised by MISC Group Tax and PETRONAS Group Tax.

In 2022, our wholly-owned subsidiary, MMHE secured a tax refund from the Inland Revenue Board through the recognition of Investment Tax Allowance in relation to prior years' tax returns for marine repairs, marine conversion, engineering and construction activities. The refund amounting to RM21.1 million has contributed significantly to our profitable turnaround. On a project basis, we obtained tax exemptions for export projects on onshore and wind farm offshore projects, as well as applied for blanket tax exemption for the said projects.

Our external auditor performed their independent assurance as part of the statutory process on MHB's financial reporting for income taxes including on tax provision and tax accounting.



### FINANCIAL PILLAR CLIMATE-RELATED RISKS 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

- Enhancing our Task Force on Climate-related Financial Disclosures (TCFD) journey
- Low Carbon Product/ Services

#### OUR CONTRIBUTION TO UNSDG



Ensure access to affordable, reliable, sustainable and modern energy for all



Take urgent action to combat climate change and its impacts

#### ENHANCING OUR TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD) JOURNEY

In 2021, MHB had adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to assess the impacts of climate change on our business. This enabled us to conduct a deep dive and analyse how to effectively manage climate-related risks. We have ramped up our TCFD journey in 2022 by establishing the MHB Climate Framework which is in line with the TCFD recommendations. MHB has also enhanced our TCFD reporting by establishing key climate metrics that will be used to measure and monitor climate-related risks and opportunities. MHB's climate-related risks and opportunities are disclosed in our Climate-Related Financial Risks and Opportunities Report.



Refer to our *Climate-Related Financial Risks and Opportunities* on page 208 of this Sustainability Statement for more details on our TCFD journey.

## APPROACH AND ACHIEVEMENTS - Financial

### LOW CARBON PRODUCTS/SERVICES

#### Contributing to Maritime Decarbonisation

2022 has seen MHB stepping up on providing green solutions in line with future proofing our business for the net-zero world of 2050. Towards supporting the maritime decarbonisation agenda, we entered into strategic partnerships, specifically in retrofitting energy efficiency technologies on existing vessels to meet the International Maritime Organisation’s (IMO) Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) compliance. The following are the key partnerships formed in 2022:



MoU with Silverstream Technologies, provider for air lubrication systems that can allow vessels to reduce fuel consumption and associated emissions. MHB is able to provide the installation and retrofit services of the air lubrication system during customer vessels’ dry dockings. The solution harnesses the knowledge on hull fluid dynamics to deliver 5-10% net fuel savings depending on the vessel’s profile and emissions savings for oceangoing vessels.



MoU with Bureau Veritas Solutions that provides technical and consultation services on vessel improvements such as Hull Performance Audit to improve vessel efficiency, Technical Advisory on several solutions and retrofit strategy based on each vessel profile. MHB provides the retrofit work on existing vessels to meet IMO’s Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) compliance. These retrofit strategies can assist to reduce up to 17% Net Fuel Savings depending on the vessel’s profile.

#### Ventured into Carbon Capture and Storage

MHB has advanced into the Carbon Capture and Storage (CCS) sector. During the year, we secured a contract from PETRONAS Carigali Sdn Bhd (PCSB) to undertake the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) services for the Kasawari Carbon Capture & Storage (CCS) project, off the coast of Sarawak, Malaysia. The EPCIC contract includes the construction of a 14,000-metric tonne (MT) topside, a 15,000-MT 8-legged jacket of Kasawari CCS platform and a bridge linking to the Kasawari Central Processing Platform (CPP). Upon completion, the platform will be installed in a water depth of 108 metres (m) within SK316 area, approximately 200 kilometres (km) offshore from PETRONAS LNG Complex in Bintulu, Sarawak.

Once completed, the Kasawari CCS project will be the largest offshore CCS project in the world by volume of carbon dioxide (CO<sub>2</sub>) captured, with the ability to capture up to 3.3 million tonnes per annum of CO<sub>2</sub>. A total of about 71 to 76 million tonnes of CO<sub>2</sub> from the Kasawari CCS project will be reinjected into the M1 field via pipeline, which is approximately 138 km away from the platform. Additionally, this facility will also be the world’s largest offshore platform fabricated to capture and store carbon. The Kasawari CCS project, the first ever CCS project in Malaysia, is scheduled to start up by the end of 2025 and will be part of the overall Kasawari Gas Development Project.

#### Clean energy solutions



During the year MHB also secured a contract from Sarawak Shell Berhad (SSB) to undertake the Engineering, Procurement and Construction (EPC) services for the offshore platform of the Rosmari-Marjoram gas project, located off the coast of Sarawak, offshore Malaysia. This unmanned platform will be primarily powered by renewable energy generated from solar panels.

**With a design life of 20 years, it will cater for up to 800 million standards cubic feet of gas per day with start-up targeted for 2026 supplying natural gas to the PETRONAS LNG Complex in Bintulu, Sarawak.**

APPROACH AND  
**ACHIEVEMENTS**  
- Financial





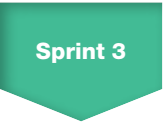
**FINANCIAL  
PILLAR**

**DIGITALISATION AND  
TECHNOLOGY**

**FINANCE TRANSFORMATION PROGRAMME**

We have accelerated the digital transformation of our finance function which involves the reorganisation and transformation of key financial services which will be centralised. Once completed, the transformation will actualise MHB’s aspiration as part of MISC Group for the finance function to become a data driven finance of the future with predictive and prescriptive capabilities anchored on a single source of truth.

Key activities completed in 2022 included Sprint 1, 2 and 3 workshops which focused on the following areas:

 <p><b>Sprint 1</b></p> <p>Designing key Enterprise Structure for all business units to safeguard MHB business processes</p>	 <p><b>Sprint 2</b></p> <p>Co-creating master blueprint and attending demonstrations on proposed solutions</p>	 <p><b>Sprint 3</b></p> <p>Fit-gap/alignment workshops and discussions on defining target architecture landscape as well as the development of standard configuration documents</p>
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As well as that, we also conducted Procure to Pay (P2P) workshops on Coupa implementation. By end 2022, we had finalised our Enterprise Architecture (EAI) for Lightspeed Integration blueprint.

**Key Outcomes from Sprint 1 - 3 Workshops:**

 <p>Global business blueprint</p>	 <p>Configuration document</p>	 <p>Functional/technical specification documents</p>
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 Refer to our Chief Financial Officer’s Review on page 76 for more details.

## APPROACH AND ACHIEVEMENTS - Financial

### ADVANCED SUPPLY CHAIN MANAGEMENT VIA THE PANTHERA PROJECT

Towards achieving procurement excellence, MHB has continued to implement the PANTHERA project. During the year, we completed six manuals, and brought on board more than 8,000 suppliers on to the Vendor Onboarding (VOB) Tier 1. Data mining was also completed for past projects namely Bekok, Kasawari, Tembikai Non-Associated Gas (TNAG) and the Bokor CPP project. The platform is scheduled to go live in May 2023.



Refer to our Chief Financial Officer's Review on page 76 for more details.

### DIGITAL SOLUTION FOR CONTRACT MANAGEMENT PROCESSES

We had embarked on the APPLE Programme in 2021 as a digital solution for our contract management processes in line with parent company MISC Group's direction. The solution went live in November 2022 with a total of six contracts on board.

#### 6 Contract Types Configured:

	Subcontract Agreement		Marine Agreement
	Letter of Award		Non-Disclosure Agreement
	ICT		EPC/EPCIC

## APPROACH AND ACHIEVEMENTS - Environment



### ENVIRONMENT PILLAR TOWARDS DECARBONISATION

#### OUR COMMITMENT

Transition to low carbon operations

#### OUR INITIATIVES

- Managing Greenhouse Gas (GHG) Emissions
- Managing Air Emissions
- Managing Carbon Intensity
- Environmental Monitoring Programme
- Renewable Energy Use
- Reducing Energy Consumption

#### OUR CONTRIBUTION TO UNSDG



Ensure access to affordable, reliable, sustainable and modern energy for all



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



Take urgent action to combat climate change and its impacts

## APPROACH AND ACHIEVEMENTS - Environment

MHB is committed to transition towards decarbonised operations by 2050 in alignment with MISC Group's goal of net-zero GHG Emissions by 2050. Our net-zero commitment is aligned with MISC Group and forms the basis of our climate action plan. It also supports Malaysia's National Policy on Climate Change which is to ensure climate-resilient development to fulfil national aspirations for sustainability. MHB's net-zero commitment based on the key principles which is development on a sustainable path, conservation of environment and natural resources, coordinated implementation, effective participation, responsibilities and capabilities.

In 2021, MHB formed our Technical Advisory Committee to provide support, guidance, and oversight of initiatives we had identified as part of our Towards Decarbonisation strategic priority. 2022 has seen us implementing initiatives to step up on our journey towards decarbonised operations by 2050.

We are developing a 2030 roadmap for Scope 1 and Scope 2 greenhouse gas emissions which will consist of short-, medium- and long-term targets. The roadmap will guide MHB towards strengthening its strategy around managing Scope 1 and Scope 2 emissions.

### GHG INVENTORY & OPERATIONAL BOUNDARIES

Our Scope 1 and 2 GHG Inventory excludes assets and businesses where MHB holds a minority equity stake and therefore has no operational control over. However, this is included in our Scope 3 GHG Inventory where appropriate.

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 for Scope 2. In 2022, MHB has completed the development of our Scope 3 inventory (indirect emissions that are not under our control).

### MANAGING GHG 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). We send on the reports of our GHG emissions to our parent company MISC Group to ensure that we are on track to achieve net-zero by 2050. As part of PETRONAS group, and to support our customers' decarbonisation journey, we provide them with our GHG related data for their reporting. Most of our GHG emissions arise from the consumption of petrol, diesel and gas. We are trying to reduce our consumption of these fuels as part of our refuse, reduce, reuse and recycle/recover (4R) initiative within the Circular Economy strategic priorities.

In 2022, MHB has completed the development of our Scope 3 GHG inventory and have identified our material categories of products and services purchased. We have expanded our scope of reporting to include Scope 3 emissions due to employee commuting and business travels in 2022. We will further improve our Scope 3 disclosure to include other categories of emissions in future reporting.



*Refer to page 131 of Promoting Circular Economy on how we are practicing our 4R initiatives.*

## APPROACH AND ACHIEVEMENTS - Environment

### MHB Total GHG Emissions (Tonnes CO<sub>2</sub>e)

Year	2019	2020	2021	2022
Scope 1	8,200	9,672	6,275	8,258
Scope 2	39,309	36,031	25,958	28,253
Scope 3				
Breakdown by category:				
Category 6 (Business Travel)	-	-	-	266.5
Category 7 (Employee commuting)	-	-	-	*5,288

Scope 1:

**Direct** emissions from fuel combustion

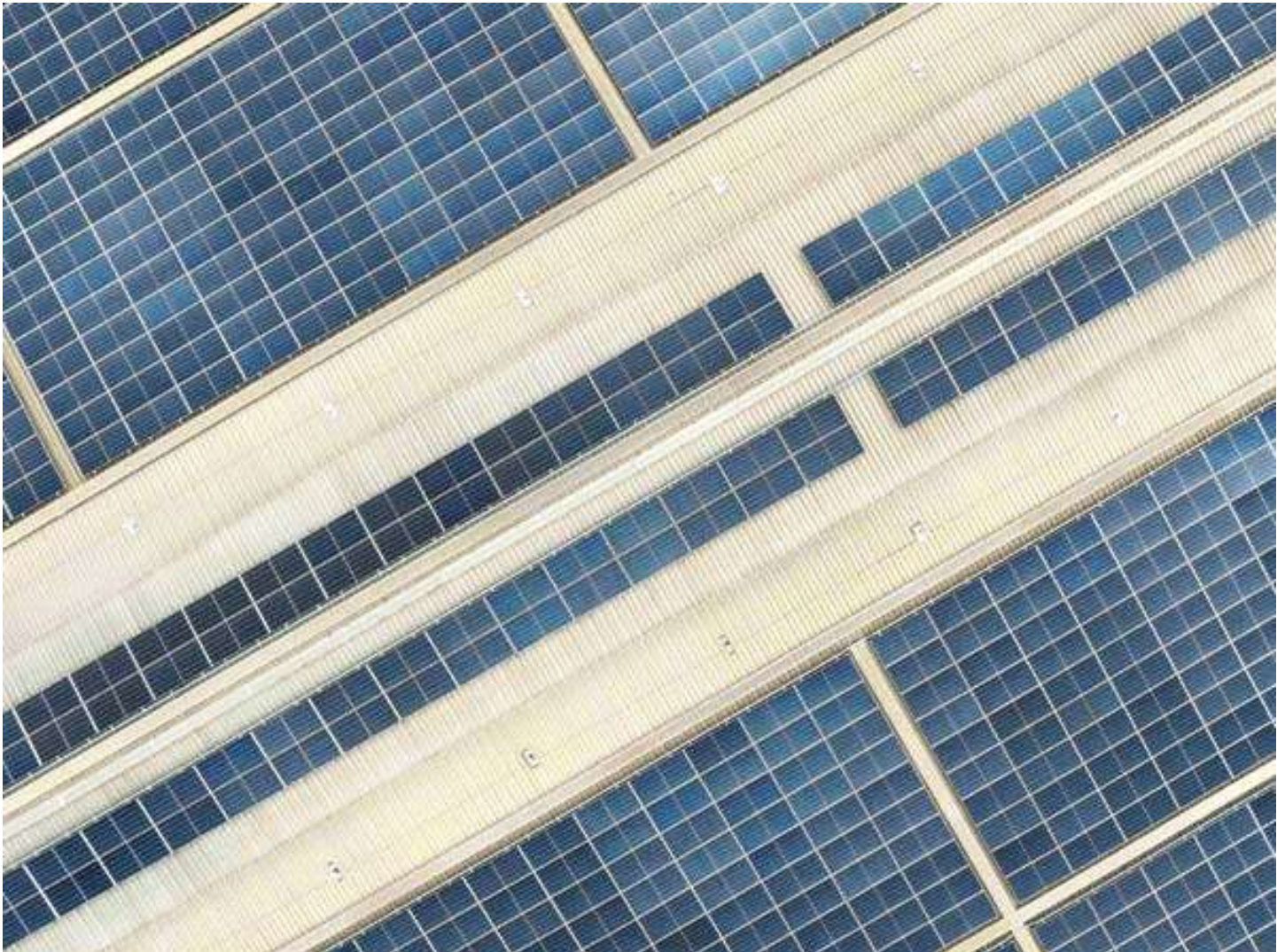
Scope 2:

**Indirect** emissions from purchased electricity

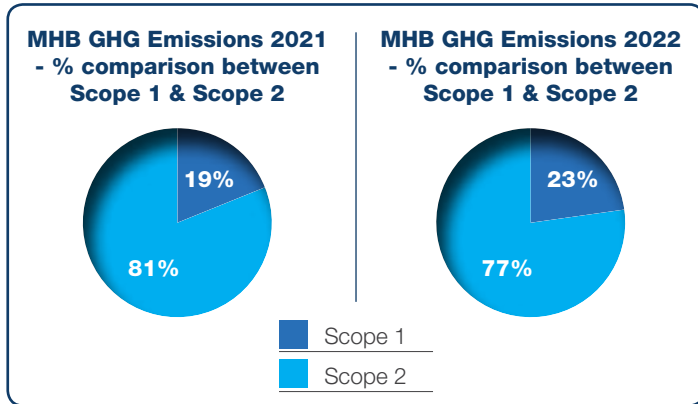
Scope 3:

**Indirect** emissions from a company's value chain

\* Estimated average emission of MHB employee population based on projection from available number of employee commuting data



APPROACH AND ACHIEVEMENTS - Environment



MANAGING AIR EMISSIONS

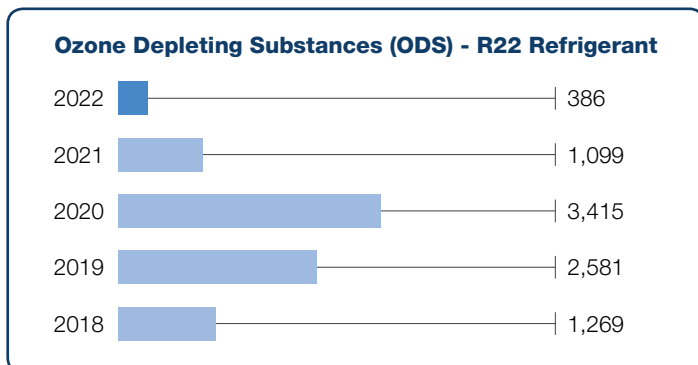
Air emissions can have a significant impact on the environment, including air quality and public health. MHB monitors our air emissions to ensure that we are in full compliance with the Environmental Quality (Clean Air) Regulations 2014. Besides general air emission controls, we also monitor our air pollution control system (bag filter operators) emissions. Within our workforce, we have a Certified Environmental Professional in Bag Filter Operation (CePBFO) as part of the compliance to legal requirements in which to provide assurance on the emission releases during operation hours to comply with emission standards.

The decrease in the consumption of Refrigerant-22, was due to the initiative to support the Malaysia Government on the Hydrochlorofluorocarbon (HCFC) Phase Out Management Plan – Stage 2 (2017 – 2022). Malaysia has been an active player in the International Environmental Agreement and acceded to the Vienna Convention and ratified the Montreal Protocol on Substances that Deplete the Ozone Layer in August 1989. (Source: Malaysia HPMP Stage 2 – 2017-2022, Department of Environment, Malaysia).

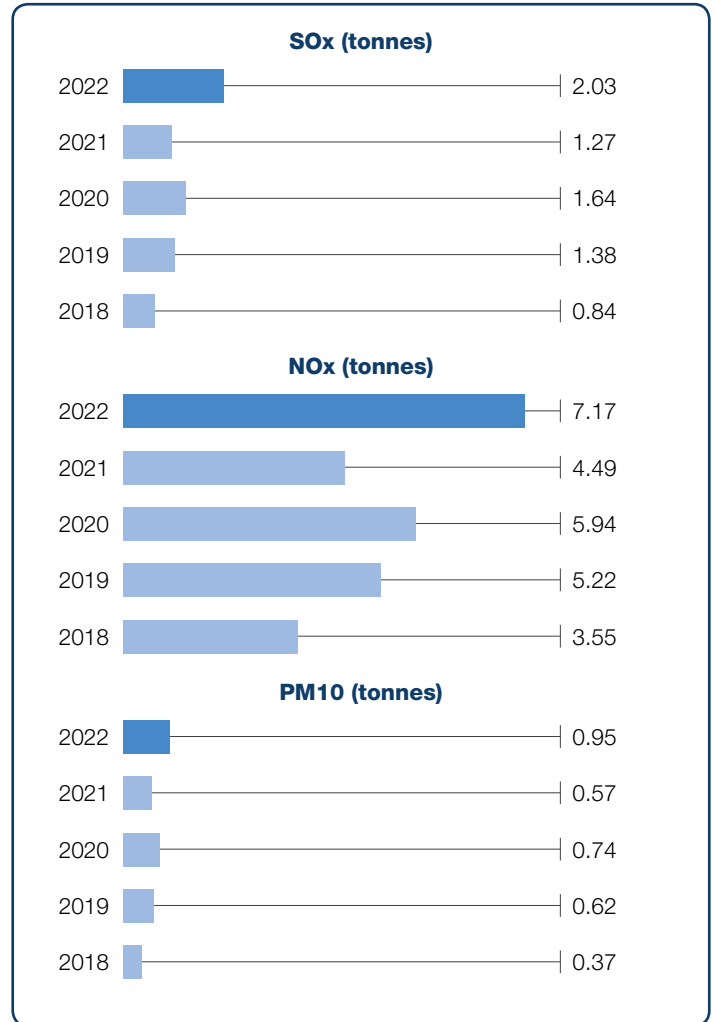


MHB Air Emissions

Refrigerant Consumption (tonnes CO<sub>2</sub>e)



SO<sub>x</sub>, NO<sub>x</sub>, PM<sub>10</sub>



MANAGING CARBON INTENSITY

Carbon intensity is a measure of the amount of CO<sub>2</sub> and other GHG emitted per unit of energy produced or consumed. MHB is committed to reducing our carbon intensity in line with our ambition towards achieving net-zero operations by 2050.

We measure the carbon intensity of our operations to track our progress towards reducing GHG emissions. It also helps us identify areas for improving our energy efficiency, reducing waste and increasing the use of renewable energy sources. This in turn leads to cost savings and increased competitiveness.

## APPROACH AND ACHIEVEMENTS - Environment



### MHB Carbon Intensity 2022

Period	Revenue	Man-days	Carbon Intensity	
			tCO <sub>2</sub> e/revenue (RM million)	tCO <sub>2</sub> e/thousand man-days
H1	810,819,058	8,698,228	21.28	2
H2	793,616,650	10,585,677	24.26	2
Financial Year	1,604,435,708	19,283,905	23	1.91



### MHB Carbon Intensity Trends

	2022	2021	2020	2019
tCO <sub>2</sub> e/revenue (RM million)	23.00	23.01	29.17	7.89
tCO <sub>2</sub> e/thousand man-days	1.91	2.14	2.00	3.46

## ENVIRONMENTAL MONITORING PROGRAMME

MHB's Environmental Monitoring Programme enables us to assess the impacts of our activities and operations on our surrounding environment. By gathering data and information on this front, we are able to identify how to reduce and mitigate the environmental impacts of our business. As well as that, it also ensures that we are in compliance with all the relevant laws and regulations.

Our Environmental Monitoring Programme assesses 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 each month and our ground water each year.

All the samples collected are sent to an accredited laboratory to be tested. The results are then compiled into environmental data and reports which we share regularly with the Department of Environment (DoE), Malaysia. Our laboratory partner ALS Technichem (M) Sdn Bhd is certified under Skim Akreditasi Makmal Malaysia (SAMM) that meet the requirements of ISO/IEC 17025 - Testing and calibration laboratories.

## Incorporating Environmental Risks into Our Integrated Management System

In 2022, MHB had incorporated Environmental Risk Assessment (ERA) into our business processes. ERA is a process that evaluates the likelihood or probability that adverse effects may occur to environmental values, as a result of nature business of MHB. Environmental risk is a support tool for policy evaluation and resource management decision-making. It is also providing a mechanism for management to communicate forecasted risks associated with decisions, such that stakeholders and the public are informed of the implications for environmental values.

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 manage and minimise the impact on our organisation's activities have on an environment, prioritised to ensure compliances with law and regulations and to mitigate risks or harmful effects on the natural environment of the MHB's local surroundings.


APPROACH AND  
ACHIEVEMENTS  
- Environment

RENEWABLE ENERGY USE

MHB hosts Malaysia’s largest rooftop solar panels installed in a single compound. As at end 2022, these covered a total area of 440,496 sq ft and generate 10,000 MWh clean energy annually. Moving into 2023, we plan to add additional solar panels to MHB’s Centre of Excellence as part of our commitment to transition to low carbon operations.

Our solar panel installation reduces 6,286 tonnes of carbon emissions annually, equivalent to the impact of taking more than 1,000 five-seater sedans that each drive around 18,000 km off the road per year. On top of that, it reduces 132,000 tonnes of carbon emissions throughout a span of 21 years, equivalent to planting 2 million trees and generates clean energy that can light up as many as 725 units of double-storey homes for a full year.

**Malaysia’s Largest Rooftop Solar Panels Installed in a Single Compound**






<p><b>Total Solar Panels</b></p> <p><b>18,720 units</b></p>	<p><b>Size of the Solar Panel (Area)</b></p> <p><b>440,496 sq ft</b></p>	<p><b>Maximum Potential Output of Power</b></p> <p><b>8.3 MWp</b></p>
<p><b>Clean Energy Generated Annually</b></p> <p><b>10,000 MWh</b></p>	<p><b>Clean Energy to be Generated in 21 years</b></p> <p><b>197,000 MWh</b></p>	<p><b>Estimated Savings of</b></p> <p><b>RM30 million in 21 years</b></p>

REDUCING ENERGY CONSUMPTION

MHB’s yard operations are energy intensive by nature as they encompass activities such as compressor houses, dry dock pumps, operations of machineries and street lighting, amongst others. The main energy resources we use on our yard is electricity, gas, petrol and diesel. While our solar panels are able to generate some of the electricity we need for our operations, we still need to use energy from the grid as well. Our energy management initiatives aim to reduce our consumption of energy. This enables us to obtain cost savings and also reduce our carbon footprint.

Our electricity saving initiatives aim to reduce our Scope 2 GHG emissions i.e. indirect emissions from electricity consumed. We have continued to replace conventional compact fluorescent light (CFL) with light-emitting diodes (LED). Not only are LED lights energy efficient, LED lighting also contains non-toxic chemicals which makes it a much more environmentally friendly option than fluorescent lights or High Pressure Mercury Vapour (HPMV) lights, which contain hazardous substances such as mercury. LED also has better luminous efficiency and a much longer lifespan than CFL. By end 2022, we have replaced 60% of the total number of 14,005 units of CFL lights to LED lights in our yard.

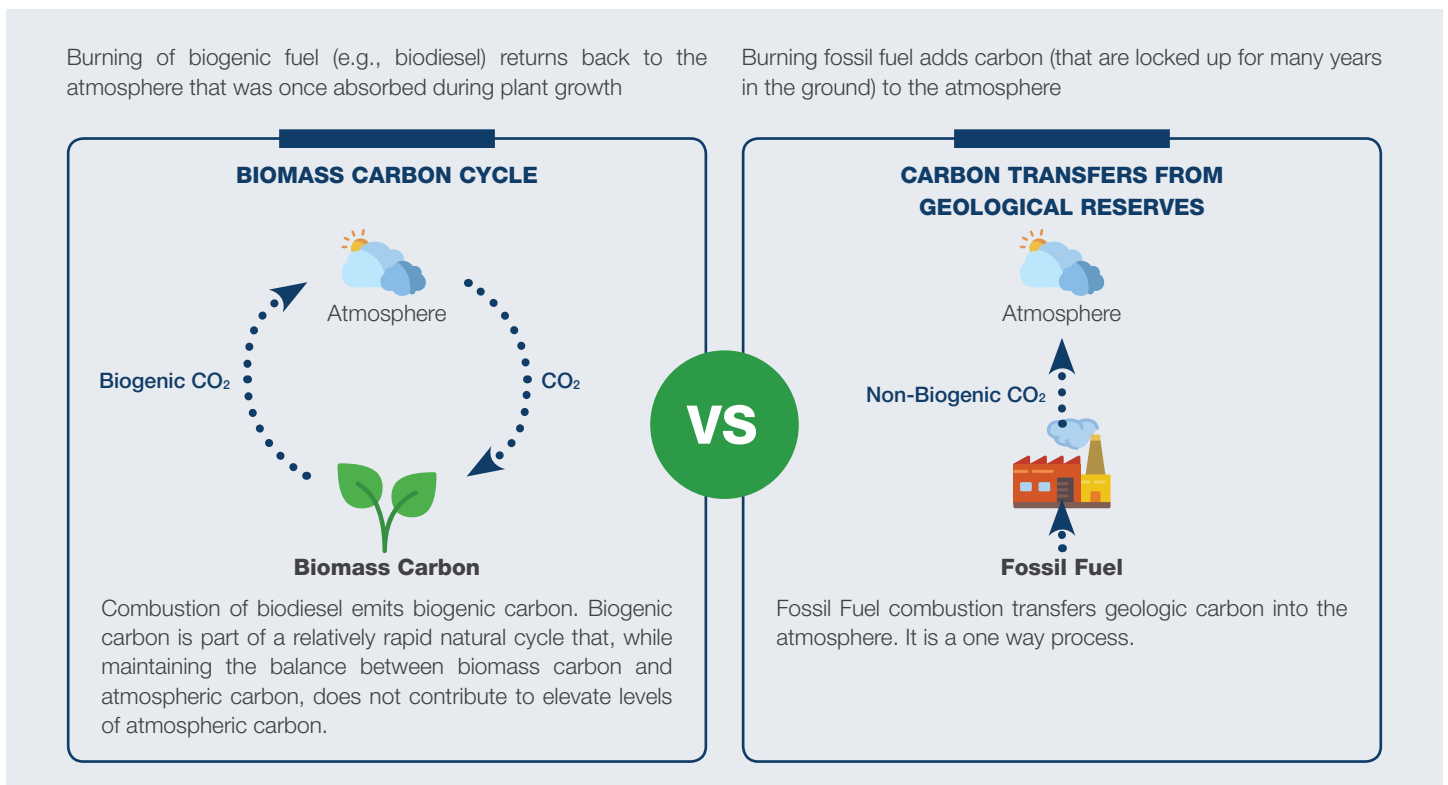
	Office Building	Streetlight	Workshop High-Bay
Need to replace	<b>11,650</b>	<b>200</b>	<b>2,155</b>
Replaced	<b>8,033</b>	<b>32</b>	<b>404</b>
Total %	<b>69%</b>	<b>16%</b>	<b>19%</b>

**OVERALL % REPLACED - 60%**

## APPROACH AND ACHIEVEMENTS - Environment

Streetlights and new offices are installed with motion sensor lights which aid in the reduction of our electricity consumption and by stages, we replaced the conventional lighting with motion sensor at the rest rooms. We also encourage our employees to use electricity efficiently. All office personal computers are set on sleep mode for this purpose. As well as that, regular reminders are given to turn off lights and air-conditioners during lunch hour at the office. As for our workshops and warehouses, we use a transparent roof to maximise natural lighting at the area.

In MHB, we started to monitor biogenic CO<sub>2</sub> in our operations which consume biodiesel. GHG Protocol has set a requirement for separate reporting of biogenic CO<sub>2</sub> emissions from Scope 1 GHG emissions due to the difference in carbon source between biogenic fuel and fossil fuels. Same reporting requirement has been set by Intergovernmental Panel on Climate Change (IPCC), World Resources Institute (WRI) and United States Environmental Protection Agency (US EPA).



As of 2020, we have replaced our use of diesel fuel with environmentally friendly biodiesel fuel which is made from renewable resources such as vegetable oils and animals fats, thus making it a more sustainable option. Biodiesel burns cleaner than traditional diesel, and emits less carbon monoxide, particulate matter and unburned hydrocarbons. The lowering of our carbon footprint has also led to a reduction in air pollution at our yards, making for a healthier workplace environment. Biodiesel which is used in our equipment and machines also have higher lubricity than diesel fuel, which leads to better engine performance and a longer engine life.

	2022	2021	2020	2019	2018
Electricity Consumption (MWh)	42,358	42,687	52,677	57,470	39,586
Gas Consumption (tonnes CO <sub>2</sub> e)	2,268	1,186	1,028	976	981
Petrol Consumption (litres)	20,571	13,080	23,303	30,796	35,255
Diesel Consumption (litres)	-	-	-	1,553,678	934,774
Biodiesel Consumption (litres)	2,318,251	1,450,717	1,868,747	-	-

APPROACH AND ACHIEVEMENTS - Environment



ENVIRONMENT PILLAR PROMOTING CIRCULAR ECONOMY

OUR COMMITMENT

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

OUR INITIATIVES

- Sustainable Water Management
- Using Biodegradable Products
- Resource & Waste Management and 4R Practice
- Strengthening the Industrial Ecology in Reducing Waste

OUR CONTRIBUTION TO UNSDG



Ensure availability and sustainable management of water and sanitation for all



Ensure sustainable consumption and production patterns

The circular economy leverages on the Waste-to-Value (WtV) concept as an economic model. It aims to reduce waste and promote sustainability by keeping resources in use for as long as possible. This is accomplished by designing products and processes that minimise waste and allow for materials to be reused, recycled or repurposed. The circular economy is important as it helps to mitigate environmental impact, conserve natural resources, and promote economic growth by creating new opportunities. Additionally, it helps address the challenges posed by finite resources, increasing waste and changing human behaviour.

As the world gears up its journey towards a net-zero economy by 2050, the WtV concept is becoming an increasingly more important lever that policy makers and industries are relying on eliminating waste and pollution, keeping materials and products in use and regenerating natural systems.

SUSTAINABLE WATER MANAGEMENT

A key natural resource MHB uses in our business operations is freshwater. A large amount of water is used during yard activities such as ballast and deballast, water pressure testing, hydro jetting and chemical cleaning as part of our vessel servicing jobs. We have in place a sustainable water management programme which ensures that we responsibly manage our use of water. These include the management of treated water from our industrial wastewater system and sewage treatment system. We also have in place awareness programmes that reinforce the importance of using water resources efficiently and to reduce any unnecessary use of water.

Wastewater used in performing vessels servicing jobs are collected from the operating workshops via the Industrial Effluent Treatment System. The system is operated by a Certified Environmental Professional in the Operation of Effluent Treatment System (CePIETSO) for Biological Process and Physical-Chemical Process as well as a Certified Professional in Sewage Treatment Plant Operator (CePSTPO). Both influent and effluent are recorded, and the final discharge is then sent to an accredited laboratory for testing to check on effluent quality for parameters listed in the Fifth Schedule of Environmental Quality (Industrial Effluent) Regulations 2009.

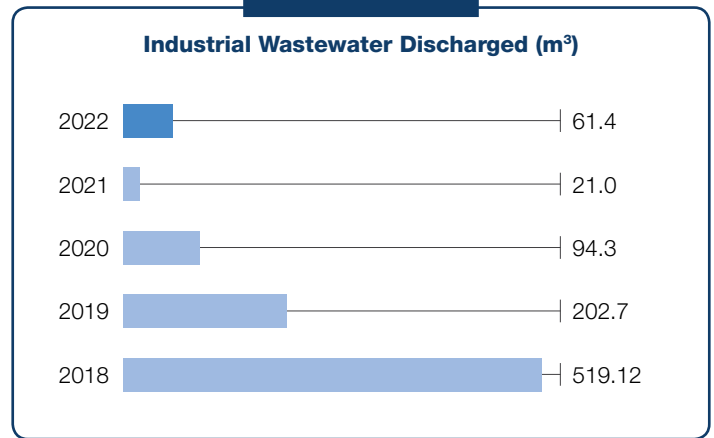
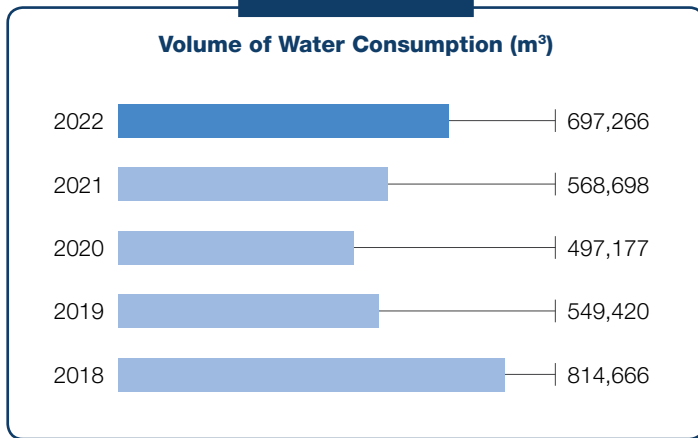
We are heading towards Guided Self-Regulation (GSR), a method adopted by Department of Environment (DoE) to develop an industrial society that have an intrinsic culture of pride in environmental excellent. We followed the Environmental Mainstreaming Tools (EMT) as reference to fully comply to the international and local regulations. Effective environmental management results from collaborative efforts from all key personnel in the organisation, from top Management to general workers in carrying out tasks and roles successfully. It allows the organisation to operate in an environmentally sound manner.

In 2022 we have ensured that our wastewater discharge is in compliance with the standards of the Acceptable Conditions for Discharge of Industrial and Sewage Effluent. We are also compliant with the requirements of the Environment Quality (Industrial Effluent) Regulations 2009 and Environment Quality (Sewage) Regulations 2009 of Environment Quality Act 1974 (EQA 1974).

## APPROACH AND ACHIEVEMENTS - Environment



### Water Consumption & Industrial Wastewater Discharged



### USING BIODEGRADABLE PRODUCTS

Our business uses biodegradable products as part of our commitment to the circular economy. Using biodegradable products can contribute to the circular economy by reducing waste and promoting sustainability. Biodegradable products are made from materials that can naturally break down into their constituent parts, allowing them to be safely reintegrated into the environment. This helps to reduce the amount of waste that ends up in landfills and the environment, and it also conserves resources by reducing the need to extract new materials.

By using biodegradable products, MHB is helping promote the principles of the circular economy, and contribute to a more sustainable future for all. Among the biodegradable products we use at MHB are biodegradable degreasers for chemical cleaning of tanks, valves and boiler soot. We are continuously looking for other eco-friendly and recycled products that we can use in our operations.

### RESOURCE & WASTE MANAGEMENT AND OUR 4R PRACTICE

MHB is committed to using 4R waste management principles and has set waste targets to be achieved by 2025 as illustrated below.

#### MHB Waste Target

**Target 1: Hazardous Waste 4R**

To maintain MHB 4R rate at **>97%** yearly

**Target 2: Non-Hazardous Waste 4R**

To increase MHB 4R rate from **8%** in 2021 to **72%** in 2025

## APPROACH AND ACHIEVEMENTS - Environment



\* Managed by other means : Scheduled wastes being disposed at prescribed premises that can recover or treat the waste and recycle for other purposes

### AN OVERVIEW OF HOW MHB PRACTISES 4R IN HAZARDOUS WASTE MANAGEMENT

#### Source of Waste

##### Marine Operations

**Marine Services Examples;**

- Blasting of vessels
- Painting of vessels
- Chemical cleaning
- Bunkering
- Pipe repair, fabrication and installation
- Maintenance

##### Heavy Engineering Operations

**Heavy Engineering Operations examples;**

- Blasting of pipes/valves
- Painting
- Fabrication & installation
- Acid Cleaning
- Hydrotesting
- Acid Pickling
- Maintenance

#### Type of Waste

##### Spent Abrasives

Spent Garnet   Spent Copper Slag   Spent Glass Duragrit

##### Other Solid Wastes

e-Waste   Empty Paint Cans   Contaminated Filter

##### Liquid Wastes

Spent Lubricating Oil   Waste of Paint   Spent Acid

#### Management of Waste

Spent copper slag and spent garnet undergo **co-processing** activity at cement plant and spent dura-grit used for road base material.

In-house industrial effluent treatment from chemical cleaning activities and off-site recovery (prescribed premise) for wastewater from other activities.

Some of the waste are sent to **prescribed premises** for recycling, recovery or treatment. Except for clinical waste that need to be incinerated.

## APPROACH AND ACHIEVEMENTS

### - Environment

#### REFUSE



##### Eliminating Non-Essential Single-Use Plastics

The use of polystyrene has long been banned by MHB while the use of single-use plastics has been stopped during the MHB Green Initiatives Campaign in 2020. Year on year, we have been continuously enhancing our people's awareness of our stand.

We have planned for plastic phase-out initiatives in our premises for the next circular economy focus, following the stakeholders' direction in reducing the impact of plastic on our environment. Decision that we make today will affect the choices of future generation. Plastic phase-out is one of the greatest environmental challenges that require a lot of effort from our people.

##### How MHB Applies Green Nudging

As part of our awareness campaign, talks titled 'Green Nudging for Pro-Environmental Behaviour' and 'Microplastics Pollution: A Nightmare or Reality' were presented by invited speakers from DoE, Faculty of Forestry and Environment, Universiti Putra Malaysia (UPM) on 22 April 2022 and 9 June 2022 respectively. The awareness talks which were opened to MHB employees received an overwhelming response from our workforce.

MHB is using the green nudging technique at our premises to change our people's behaviour towards making more pro-environmental decisions in the workers' daily lives. We have introduced 'no single-use plastic' day at our canteen which left the customers with no option but to bring their own bag and containers.

We have adapted revolutionary environmental awareness strategies in our operations and believe that green nudging techniques can help increase awareness levels rapidly. Nudges are usually subtle in nature; people do not realise that they are being nudged into making a certain decision or choice.

For example, our staff are obliged to complete their annual individual performance by attending specified hours of awareness campaigns or talks by our internal Health, Safety and Environment (HSE) Department. On top of that, HSE tokens are distributed to the our people as recognition of pro-environmental behaviour when they show their best management practices in the workplace.

The effort continued with volunteering programmes such as Yard Clean-up and Love the Shore Eco-Ride which received full support from our workers. Both programmes emphasised on the importance of reducing and stopping ocean pollution and marine debris awareness. By organising more campaigns and programmes like these, we get the act together to continuously improve our environmental conservation efforts.

#### REDUCE



##### Reducing Paper Consumption

MHB has in place a number of measures that aim to reduce our paper consumption. We conduct virtual or face-to-face discussions in meeting room without the need to print out the discussion material. Most meeting rooms on our premises have been equipped with a big screen for discussion purposes. All printers are automatically set for print on both sides to reduce the consumption of paper. Since MHB has previously participated in Green Seal Office Partnership Programme, we are still supporting the Forest Stewardship Council® (FSC®) Certified paper in our daily routine. FSC® certifies paper that is made of responsibly sourced wood fiber which earns the FSC label.

##### Reducing Food Waste Generation

We encourage our employees to reduce food waste as much as possible. It is estimated that food waste generate rate is currently between 5 MT to 6 MT per day. Among the ways we are trying to reduce food waste is by encouraging workers to bring home-cooked meals and reduce leftovers from the meal they have consumed.

##### Waste Management at MHB

MHB has in place comprehensive waste management practices in line with our commitment to promote the elimination of waste. When the pandemic started in 2020, the whole world found it had to adapt to the challenge of waste management during lockdowns. MHB was also subject to challenges during this period in terms of managing the scheduled waste generated from our operations. With the pandemic now a thing of the past, these challenges have eased.

In 2022, our scheduled waste generation multiplied rapidly due to the higher number of incoming projects. We faced certain challenges in scheduled waste management as we had limited options in terms of sending our scheduled waste for off-site recovery or treatment plants that could process our scheduled waste. Some of these recovery or treatment facilities did not survive economic hardships they encountered during the pandemic and had shut down their operations. During the year, MHB received total of three visits from DoE and were given compounds on scheduled waste non-conformances during the first and second visits.

## APPROACH AND ACHIEVEMENTS - Environment

We rose to the challenge and rapidly improved our strategies in managing scheduled waste. By the end of the year, we had succeeded in maintaining our current operation needs within a fast-changing environment. We explored other opportunities that could help us better manage our scheduled waste, as well as providing our people with awareness training on scheduled waste handling. A total of 7 enforcements and 11 training sessions were rolled out to our yard workers and office-based staff. We plan to continue with these in 2023.

Series of engagements and discussions with the DoE, Johor were conducted to show our commitment in complying with the local regulations. Discussion on the waste management improvement plan was presented to Director General of DoE Malaysia, intended to upgrade current process of managing waste, shift to a high standard of waste management. We believe with the appointment of technical advisor (former Director General of DoE) can help us in achieving the Pride of Environment Excellence.

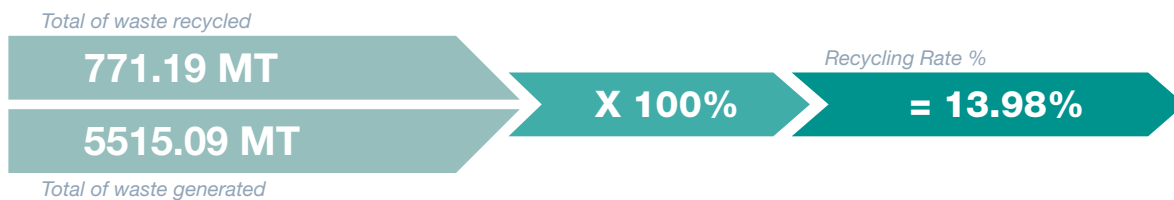


### Scheduled and Non-Scheduled Waste at MHB

	2022	2021	2020	2019	2018
<b>Scheduled Waste</b>					
Landfill (MT)	175.92	0	47.84	24.74	13.87
Managed by other means (MT)	20,729.90	11,649.98	13,888.91	23,094	27,635
<b>Non-Scheduled Waste</b>					
Landfill (MT)	4,743.90	3,745	5,178	5,631	5,232
Recycled (MT)	124.93	145.4	173.91	225.36	498.87
Iron / Steel from Yard Cleaning - Recycled (MT)	646.26	-	-	-	-
<b>Total non-scheduled and scheduled waste to landfill (MT)</b>					
Scheduled Waste	175.92	0	47.84	24.74	13.87
Non-Scheduled Waste	4,743.90	3,745	5,178	5,631	5,232
Food Waste	68.32	-	-	-	-

We have developed the baseline data for waste generation in 2020 and have set our waste recycling targets for the future. Our Management targets are based on our life cycle analysis of waste.

### How We Calculate Our Domestic Waste Target



## APPROACH AND ACHIEVEMENTS - Environment

### REUSE



#### Handling Surplus and Scraps

At MHB, we reuse our project by-products and scraps as much as we can. In 2021, we had completed material management site-tracking and reconciliation reports for the Heavy Engineering Operations and Marine Operations. These reports were able to give us insights into how we could reduce our surplus and scrap waste by effectively monitoring our material consumption.

We have a master surplus list which is available to be accessed by our employees which provides information on surplus material available on our yards which can be used by other units or for other purposes. This has enabled us to use our surplus materials more efficiently. Besides reducing waste at our yards, it has also helped bring down material costs.

In 2022, we have created more awareness within our workforce on the importance of material management site tracking and reconciliation reports in order to reduce waste. Our Engineering and Design team and Project Managers have been tasked with the responsibility of ensuring that our engineers have control in mitigating scrap wastage.

As a result of our efforts, MHB recorded a surplus utilisation rate of 61% yard-wide in 2022. The surplus materials used an estimated value of RM3.08 million, which also represents cost savings made throughout our yard.

In 2022, we extended our surplus materials reuse concept to non-project use. As a result, FAS recorded 11.91% usage of surplus for their routine maintenance and new-build yard equipment.

### RECYCLE



#### Recycling Hazardous Waste

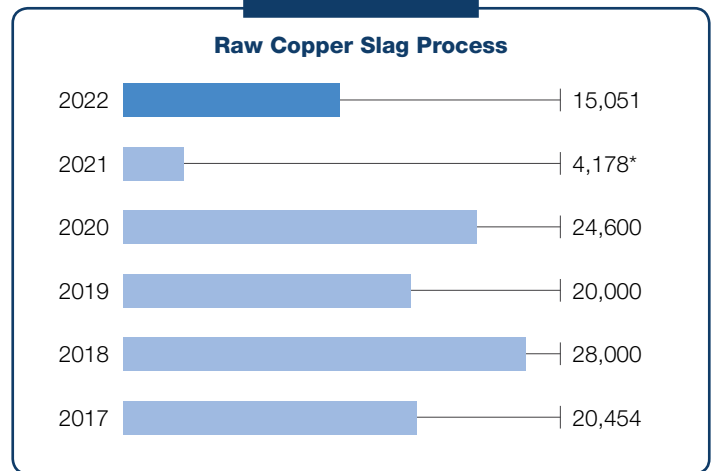
The main hazardous waste generated by our operations is copper slag which is a by-product of copper extraction by smelting. During the process, impurities that become slag float on molten metal and are quenched in water. This then produces angular granules that are used for surface blast-cleaning. The spent copper slag from blasting activity can be used in the concrete industry for co-processing.

Co-processing refers to the substitution of fossil fuel and primary raw material by waste derived materials in industrial processes. Co-processing and incineration are two different approaches and technology. Incineration is primarily a disposal technology to reduce waste volume, the potential negative impact of waste material, and to a certain extent to recover energy. Co-processing leaves no residue while incineration leaves ash that needs to be landfilled. Furthermore, there is no secondary waste generation in co-processing while incineration will generate secondary waste as the process requires chemical input.

By using co-processing, MHB is positively impacting the environment and our local communities through the following ways:

- Reducing CO<sub>2</sub> emissions, replacing fossil fuels by alternative fuels
- Contributing to a Zero Waste Future by reducing quantities of waste going into landfills or illegal dumps, where they can contaminate land and water, and generate the greenhouse gas methane
- Offering a local waste management solution
- Preserving natural resources as primary raw materials are replaced by alternative raw materials
- Re-purposing residues from other local industries

In 2022, a total of 99% of our spent copper was sent for recycling.



\* The abrupt reduction of raw material used for blasting in 2021 was 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.

## APPROACH AND ACHIEVEMENTS - Environment

### Recycling Non-Hazardous Waste

We recycle as much of our general non-hazardous waste as we can. By doing so, we reduce the need to extract and process raw materials, thus conserving finite resources such as minerals and forests. Recycling also contributes to reducing GHG emissions, saves energy and reduces pollution. In 2022, MHB sent 13% of our non-hazardous waste to be recycled.



#### Recycled Waste at MHB

	2022	2021	2020
Aluminium, glass and Iron (MT)	646.26	51.33	48
Plastic (MT)	78.91	3.55	160
Paper (MT)	19.46	8.61	8,510
Wood (MT)	26.56	81.81	158

\* Reporting unit has been restated after internal verification

### Recycling Spent Dura-Grit for Other Industries Use

In 2022, 500 metric tonnes of Crystal Blade Glass Abrasive were used for our Heavy Engineering project to support our sustainability plan of moving towards an eco-friendlier operation. The abrasive named as dura-grit - is a solid form of material made from recycle crushed glass, used mostly for blasting on stainless-steel materials.

The spent dura-grit accepted for co-processing but prior to that, it must be sent for blending process to get the desired characteristics for cement ingredients. Another option that we managed to explore is that the spent dura-grit can also be act as sand replacement for road base constructions.

Pursuance to that, we studied the waste composition and did random sampling to the waste and sent the spent dura-grit from the blasting process for the Special Management of Scheduled Waste Testing by SIRIM Berhad's Laboratory to ensure it does not exhibit any of the hazardous characteristics – corrosivity, ignitability, reactivity, toxicity (Toxicity Characteristics Leaching Procedure (TCLP) and Total Threshold Limit Concentration (TTL)) and carcinogenicity. We get clearance from the DoE to classify its status as to whether it is falls under the hazardous category or non-hazardous category. On 19 October 2022, MHB obtained a letter from the DoE clarifying that spent Dura-grit is classified as non-scheduled waste and can be use as alternative for sand replacement or any activity that can accept it.

## APPROACH AND ACHIEVEMENTS - Environment



### ENVIRONMENT PILLAR 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
- Staff, customers, vendors and subcontractors

#### OUR CONTRIBUTION TO UNSDG



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss



#### BIODIVERSITY IMPACT FROM MHB'S OPERATIONS

The past few years has seen the advent of the Blue Economy. This refers to the sustainable use of ocean resources for economic growth, improved livelihoods and jobs, while preserving the health of ocean ecosystems. It encompasses a range of economic activities, including shipping and oil and gas (O&G) exploration and production. As a fast growing business that services marine and O&G industry, MHB's operations have potential impacts on the biodiversity of marine and terrestrial ecosystems.

Having identified our plan to reduce our ecological impacts in 2021, 2022 has seen MHB step up on our environmental stewardship through the rolling out of several new initiatives. Programmes and initiatives that we rolled 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.

## APPROACH AND ACHIEVEMENTS - Environment

### REDUCING POLLUTION VIA CLEAN-UP DAYS

As a responsible corporation, we are committed to reducing and negating any potential pollution our activities have on our terrestrial ecosystems. Within our yards, we either dispose or recycle our waste in a safe, ethical and responsible manner, to help reduce our negative impacts on the environment.

During the year, we conducted two key clean-up activities namely the Yard Clean-up Day and Love The Shore Eco-Ride. We have contributed our data from these activities to the Ocean Conservancy Global Database, which is the world's largest database on marine debris. Ocean Conservancy is using the vast repository of information it has to help inform solutions across the world to the ocean plastic problem. We monitor the amount and types of litter we collect and forward on this data to Ocean Conservancy.



#### Yard Clean-up Day: Ending the Flow of Trash at the Source

For more than 35 years, organisations and individuals around the world have come together to celebrate the International Coastal Cleanup® (ICC) on the 17 of September each year. As MHB is located on the coast, in 2022 we joined the ICC's global event as a member of the global community working to make a difference for our oceans. On 30 September 2022, we gathered 35 volunteers from various department to participate in the Yard Clean-up Day Programme at MMHE West yard, Pasir Gudang, Johor.

Volunteers were divided into five teams covering five main areas at MMHE West yard as follows:

- **Team 1** - cleaned the West Finger Pier shoreline, workers' toilet and workers' rest area
- **Team 2** - cleaned the area at boundary area and carpark
- **Team 3** - cleaned Dry Dock No. 2, and Workshop area
- **Team 4** - cleaned along the way from Dry Dock No. 1 to Dry Dock No. 3
- **Team 5** - cleaned the area from canteen and surau

Each group was required to download a digital application called Clean Swell created by Ocean Conservancy. During the clean-up, participants logged in the waste they collected on the app and segregated the recyclable waste for recycling. By using the Clean Swell application, we can get real-time data on the total number and types of marine litter collected during the cleaning exercise. This data is contributed to the Ocean Conservancy Global Database which is used for further research on marine plastic litter.

Wrapping up the Yard Clean-up Day, the volunteers successfully logged in total of 5,621 number of trash which was equivalent to 151.08 kgs of non-recyclable trash and 95 kgs of recyclable trash.

At MHB, we are promoting the mindset that cleaning the yard area is not only the responsibility of a cleaning team, but also the responsibility of the whole yard community.

## APPROACH AND ACHIEVEMENTS

### - Environment

#### Waste Collected



#### Yard Cleanup Day

Clean Swell Application – Ocean Conservancy

#### Item categories

Most Common Waste	Quantity
Grocery bags (plastic)	440
Other bags (plastic)	197
Beverage bottles (glass)	14
Bottles (plastic)	594
Beverage cans	118
Beverage sachet / pouches	32
Bottle caps (metal)	5
Bottle caps (plastic)	85
Cigarette butts	1,874
Cups, plates (paper)	16
Cups, plates (foam)	35
Cups, plates (plastic)	224
Food containers (foam)	28
Food containers (plastic)	100
Food wrappers	133
Lids (plastic)	170
Straws / stirrers (plastic)	258
Utensil (plastic)	110
<b>Fishing &amp; boating</b>	
Fishing line, nets, traps, rope etc.	6
Foam dock pieces	14
<b>Illegal dumping</b>	
Construction materials	31
Tires	4
<b>Packaging material</b>	
Foam packaging	49
Other plastic bottles (oil, bleach etc.)	15
Strapping bands	2
<b>Other items / debris</b>	
Balloons	1
Clothing	18
E-cigarettes	7
Electronic waste (phone, batteries)	12
Footwear (shoes, slippers)	8
Paper bags	1
Tobacco products (lighters, cigar tips, wrap)	100
Toys	3
Other plastic waste	88
Other waste (metal, paper etc.)	13
<b>Personal hygiene</b>	
Gloves & masks	562
<b>Tiny trash (under 2.5 cm)</b>	
Plastic / foam pieces	254
<b>Total of item collected</b>	<b>5,621</b>

#### MHB Love The Shore Eco-ride: Ride With Purpose!

80 MHB cyclers, together with more than 30 people from the local community including volunteers, undertook a shoreline clean-up activity at Kampung Tanjung Langsat, Pasir Gudang, Johor.

Escorted by the Royal Malaysia Police (RMP), the eco-ride journey looped for 22 km from the MMHE Centre of Excellence (CoE) to Kampung Tanjung Langsat covering two areas; the mosque and the jetty in Kampung Tanjung Langsat.

The shoreline clean-up was done during the low tide which enabled participants to collect a total of 144 kg recyclable waste including plastic bottles, aluminium cans, plastic food containers and wrappers. In terms of non-recyclable waste, fishing gear and equipment were found along with microplastics.

Plastic pollution poses a significant threat to marine ecosystems. According to the World Marine Litter Database, 12.2 million tonnes of plastic are dumped into oceans each year, with 80% of them from land-based sources.



#### Waste Collected

Trash items	Collection
Cigarette butts	53
Beverage cans	24
Food wrappers	197
Bottle cap (plastic)	97
Bottle cap (metal)	2
Utensils	18
Plastic bottle	148
Beverage cans	4
Beverage bottle (glass)	2
Other plastic bottle (oil, bleach)	2
Grocery bag (plastic)	173
Fishing gear	18
Glove / mask / PPE	23
Tiny trash < 5cm	60
Toys	6

## APPROACH AND ACHIEVEMENTS - Environment

Trash items	Collection
Straw	76
Lid	14
Tires	1
Clothing	10
Sachet / pouches	16
E-cigarette	6
Construction materials	9
Tobacco packaging	6
Cups, plates (plastic)	21
Cups, plates (paper)	12
Other trash (metal, paper etc.)	170
Foam pieces	33
Containers (foam)	47
Containers (plastic)	22
Other plastic wastes	29
Strapping band	7
Line, nets, traps, ropes	25

### MHB RIVER REHABILITATION PROGRAMME

A signature initiative that MHB launched in 2022 was our River Rehabilitation Programme as our long-term environmental initiative. We have adopted Sungai Buluh in Pasir Gudang, Johor through a collaborative partnership with Pasir Gudang City Council and Universiti Teknologi Malaysia (UTM). As well as that, we have also roped in the local community living within the vicinity of Sungai Buluh in this effort.

#### Why River Rehabilitation

Rivers play a crucial role in the ecosystem as they provide habitats for a variety of wildlife and support important ecological processes. By rehabilitating rivers, we can help restore their health and improve their ability to support diverse plant and animal life. As rivers are often subject to pollution from various sources, the rehabilitation of rivers will improve water quality and reduce the risk of waterborne illnesses for humans and wildlife. Healthy rivers can support a host of recreational activities for the local community such as fishing, picnicking and swimming. This will not only boost the local economy but also provide new opportunities for community development and bonding. As well as that, the rehabilitation

of rivers also helps mitigate and adapt to climate change by increasing their resilience to rising sea levels and extreme weather patterns, thus reducing the risk of damage to communities and infrastructure.



### MHB Launces its River Rehabilitation Programme with the Adoption of Sungai Buluh

Launched in December 2022, MHB River Rehabilitation Programme aims to improve river health with ecological rehabilitation while raising local communities' awareness through engagement and environmental education, and ensuring sustainable development and improvement in their quality of life. The collaboration was officiated through the signing of Memorandum of Understanding (MoU) between Managing Director & Chief Executive Officer (MD & CEO) of MHB and Mayor of Pasir Gudang City Council. MHB is the first corporation to collaborate with Pasir Gudang City Council on a long-term environmental conservation initiative in Pasir Gudang.

Through the River Rehabilitation Programme, MHB has established a strategic three-year roadmap to drive key initiatives in supporting four core elements as follows:

- Stakeholder awareness and education
- River revitalisation
- Greening and decarbonisation
- Capacity building and training

Through the programme, MHB is also supporting Pasir Gudang City Council's Local Agenda 21, an effort to effect sustainable development through the participation of the private sector, local authorities and local communities. We are committed to work together with all our stakeholders to sustain optimum river management through our rehabilitation and conservation programme. Aligned with our mission as a responsible organisation, MHB is passionate about developing a sustainable future and creating positive impacts for the environment and our community.

**APPROACH AND ACHIEVEMENTS**  
**- Environment**



Aside from keeping our rivers and environment clean, we believe that the programme will solidify our long-standing relationship with community in the area that we operate which will further strengthen our social license to operate.

Aside from river cleaning, other interesting activities were conducted during the launching ceremony such as tree planting and geo-tagging, eco-hunt and urban farming. More than 500 participants from various age groups, including children, took part in MHB River Rehabilitation Programme.

**MHB MANGROVE CONSERVATION PROGRAMME**

We have continued our collaboration with the Department of Forestry Malaysia on our mangrove conservation initiative.

**Why Mangrove Conservation**

Mangrove forests are unique ecosystems that are home to a diverse range of species, many of which can be found nowhere else on earth. Preserving mangrove forests is essential to maintain its rich and unique biodiversity and support the health of local ecosystems. As mangroves act as a natural barrier against storms, tides and erosion, it is an important means of coastal protection for local communities in the area as well as infrastructure from the impacts of rising sea levels and severe weather events. Mangroves also play a critical role in carbon sequestration (storing carbon) to mitigate the impacts of climate change by slowing down global warming. Mangroves also help to improve water quality in the area by filtering pollutants and excess nutrients which can have a positive impact on the health of local marine life.

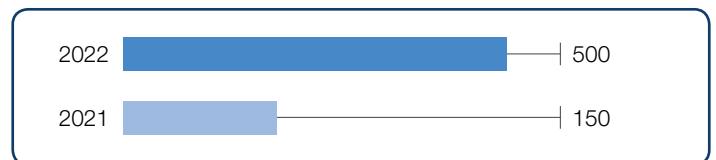
**MHB Plants 500 Mangrove Trees Supporting Global Decarbonisation Efforts**

During the year, MHB planted 500 mangrove tree saplings along the Bagan River at the Banjar Utara Forest Reserve located at Kampung Bagan Pasir, Tanjung Karang, Selangor. Collaborating with the Selangor State Forestry Department, through this effort we contributed to the national agenda Malaysia's 100 Million Tree Planting Campaign 2021 – 2025 under the Greening Malaysia Programme.

As part of MHB's sustainability framework and echoing global decarbonisation effort to address climate change and improve the quality of life, more than 35 volunteers from MHB and customer representatives participated in this 'Mangrove Planting with MHB' programme.



**Number of mangrove trees planted**



## APPROACH AND ACHIEVEMENTS - Environment

### CONTRIBUTING TO MISC HEART OF THE OCEAN PROGRAMME

As part of the MISC Group, MHB takes part in the MISC Heart of the Ocean (HOTO) Programme, initiatives conducted under the HOTO Programme seeks to improve ocean health by conserving marine biodiversity and reducing the impact of human activities on the ocean. The programme was inceptioned in 2020 under MISC's Biodiversity Conservation strategic initiative and is in line with our commitment to ensure the sustainable use of the ocean and the preservation of marine diversity as outlined in UNSDG 14 - Life Below Water.

In 2022, MHB took part in two key engagements as part of the MISC Family – raising biodiversity awareness in conjunction with World Ocean Day and taking part in the Mersing Island Initiative on Reef Conservation.

### MHB celebrates World Ocean Day 2022 and World Environment Day 2022

As part of the global movement to encourage proactive action to protect the planet by sustainable living, the world celebrates World Environment Day on 5 June and World Ocean Day on 8 June every year.

As part of the MISC Group, MHB celebrated the World Ocean Day with the tagline 'One Ocean, One Climate, One Future – Together' on 8 June 2022 to launch World Ocean Day 2022 followed by a Pirate Race Eco-Challenge game.

The day was also celebrated with our MISC Group family where in the evening the whole group was invited to a virtual premier screening in conjunction with World Ocean Day.

On 9 June 2022, we celebrated World Environment Day by starting off with a sharing session by a Senior Lecturer from DoE, Faculty of Environment and Forestry, UPM.

Attended by more than 300 employees, topic of Green Nudging for Pro-Environmental Behaviour was shared. The sharing session gave the audience a new perception of environment through green nudging technique. It capitalises on consumers' desire to maintain 'green behaviour' or an attractive self-image through using a more salient eco-product. For example, the replacement of single use plastic with recyclable bags. People are left with only one option which is to buy the recyclable bag when the shopping mart has stopped the use of single use plastics. The green nudging practice is believed to be the key to change the habits of people towards 'greener behaviour'.



### Mersing Island Initiative on Reef Conservation

In 2022, MHB employees had the opportunity to participate in the MISC's Heart of the Ocean Programme 2022, which took place in Sibul Island, Mersing, Johor across various dates which were 5 - 7 August 2022 and 23 - 25 September 2022.

Plenty of activities were arranged on the island such as reef monitoring, beach clean-up and community host assessment. For the reef monitoring, the participants geared themselves to snorkel and conduct reef monitoring. For many of them, this was their very first experience. They immersed themselves in the beauty of the coral survey sites where they spotted various beautiful corals and fish while assessing reefs health.

They then moved on to Kampung Sibul, located 20 minutes away from the reef monitoring site where they took part in a beach clean-up at Kampung Sibul Beach. As well as that, the community host assessment was conducted. The villagers welcomed our people warmly and shared their stories and experiences of their daily lives as islanders. It was an eye-opening experience for most participants to better understand village life and community spirit.

## APPROACH AND ACHIEVEMENTS - Social



### **SOCIAL PILLAR WORKPLACE HEALTH AND SAFETY**

#### **OUR COMMITMENT**

To promote a safe and healthy environment

#### **OUR INITIATIVES**

- Health, Safety and Environment (HSE) Framework
- Integrated Management System for Health & Safety
- Engagement and initiatives to elevate and improve Health & Safety culture and performance

#### **OUR CONTRIBUTION TO UNSDG**



Ensure healthy lives and promote well-being for all at all ages

## APPROACH AND ACHIEVEMENTS - Social

Through initiatives under our Health and Safety strategic priority, MHB is contributing to the health and well-being of our employees, vendors/ subcontractors and local communities. As a responsible business, MHB is supporting the development of healthy societies by ensuring safe working conditions and implementing robust occupational health and safety practices.

Health and safety are our topmost priority and our unwavering commitment in upholding the highest standards of health and safety has enabled us to strengthen our relationships with our workforce, supply chain and surrounding communities. Throughout our organisation, we ensure that all our workplace conditions, activities and services are in compliance with all applicable laws, regulations, internal standards and procedures.








### HEALTH, SAFETY AND ENVIRONMENT (HSE) FRAMEWORK

In 2022, MHB revised our Quality, Health, Safety and Environment Framework by dividing Quality and Health, Safety and Environment (HSE) into two distinct categories for a more focused approach to managing quality and managing health and safety imperatives.

We view HSE as a paramount importance and are committed to strengthening the implementation of HSE initiatives across the Group in order to create a culture of healthy living and work safety.

### OUR HSE COMMITMENT

We have updated our HSE Policy to reflect our commitment to achieving HSE Excellence. Our updated HSE Policy covers the following areas:

 <p>Take appropriate practical measures to prevent and mitigate the risk of injuries, occupational illness and damage to property</p>	 <p>Communicate and engage effectively with key stakeholders on relevant HSE matters</p>
 <p>Ensure the measures are taken to protect the environment and natural resources are used sustainably</p>	 <p>Ensure that appropriate contingency measures are in place to deal with emergencies</p>
 <p>Ensure that the facilities and assets that we design, build, own or operate, and the products and services we provide are reliable and in accordance with applicable international standards, legal requirements and industry best practices</p>	 <p>Ensure continual improvement in our HSE practices and performance, leveraging on people, process, and technology</p>
 <p>Provide appropriate resources and organisation to achieve our HSE objectives</p>	

## APPROACH AND ACHIEVEMENTS - Social

### Integrated Management System for Health & Safety

In line with our updated HSE Policy, we have refined our Integrated Management System (IMS) towards ensuring that MHB operates with a high degree of efficiency as we continuously provide healthy and safe working conditions towards enhancing our reputation as a responsible employer and service provider.

Our IMS has been updated with one manual which is the Quality, Health, Safety and Environment Manual (QHSEM) that reflects our renewed commitment.



All our HSE plans and activities are devised and implemented in accordance with the following international standards and certifications:

### Compliance with International Standardisation and Classification Bodies

- International Maritime Organisation (IMO)
- International Association of Classification Societies
  - American Bureau of Shipping
  - Nippon Kaiji Kyokai
- American Petroleum Institute (API)
  - API Spec Q1 Specification for Quality Management System Requirements for Manufacturing Organisations for the Petroleum and Natural Gas Industry
  - API Spec 2B Specification for the Fabrication of Structured Steel Pipe
- The American Society of Mechanical Engineers (ASME) for manufacturing U, U2 and R stamp coded Pressure Vessels

### MHB's Management System Certifications

**ISO 9001: 2015**  
Quality Management System

**ISO 14001: 2015**  
Environmental Management System






**ISO 45001: 2018**  
Occupational Health & Safety Management System



## APPROACH AND ACHIEVEMENTS - Social

### MHB's HSE Plan for 2022

Having identified a more focused approach to HSE in 2022, we implemented the following HSE Plan for the year.

 <b>Enrich HSE Leadership &amp; Commitment</b>	 <b>Intensify HSE Assurance &amp; Compliance</b>	 <b>Foster Awareness &amp; Proactiveness in HSE</b>	 <b>Strategise HSE Operational Programme</b>	 <b>Contract &amp; Contractor Management</b>
<ul style="list-style-type: none"> <li>HSE Management Committee Meeting - Management Review</li> <li>HSE Management Committee Walkabout and/or Engagement at site through the How Are You (HAY) programme</li> <li>Continuation of individual HSE Key Performance Indicators (KPI) for 2022</li> </ul>	<ul style="list-style-type: none"> <li>Respond to non-compliance issued by local authority such as DoE, Department of Environment Safety and Health (DOSH) and others</li> <li>Achieve customer feedback rating 7 and above</li> <li>Conduct Internal audit (HSE) as per plan by Division / Department / Project</li> </ul>	<ul style="list-style-type: none"> <li>Inculcate HSE awareness on specific health, safety, security and environment (HSSE) topics and focus on high-risk areas</li> <li>Inculcate awareness and promoting generative HSSE culture company wide</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of strategic HSE operational controls programme via HSE &amp; Emergency Response Team (ERT) Plan</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with subcontractor/vendors' leaders</li> <li>Reviewing exercise of Supply Chain Management (SCM) contracts to subcontractors on HSSE</li> </ul>

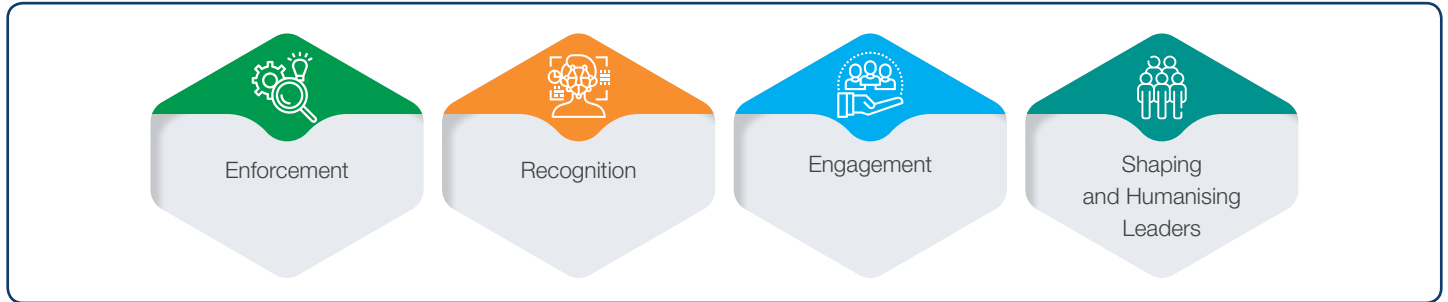
### BUILDING A GENERATIVE HSSE CULTURE

MHB is institutionalising a generative HSE culture which is based on the belief that HSE is every single person's responsibility. This is determined by the values, attitudes, perceptions, competencies of the entire workforce and patterns of behaviour both individuals and groups. MHB's journey towards building a strong generative HSSE culture is aligned with MISC Group and is focused on five areas of interventions as follows:

Focus Areas	Descriptions
Communication	<ul style="list-style-type: none"> <li>Uplift employee awareness, knowledge and enhance transparency</li> <li>Effective communication mechanisms are critical to engage staff in HSE activities, to gain cooperation and support, and to maintain a positive HSE culture</li> <li>Clear and constructive HSE communication can improve knowledge and understanding that prevents at-risk behaviours and enhances safe work practices</li> </ul>
Visible Leadership (H.A.Y! – How Are You Programme)	<ul style="list-style-type: none"> <li>Role model to build trust and demonstrate leaders' care</li> <li>Leaders at all levels of the organisation – top management, senior management, middle management, executives, team leaders and supervisors must take HSE seriously and role model safe behaviours to other employees                             <ul style="list-style-type: none"> <li>- This encourages buy-in from other employees because HSE culture is ingrained in the Company's culture from the top</li> </ul> </li> </ul>
Compliance	<ul style="list-style-type: none"> <li>Deliver compliance with sustainable HSE performance</li> </ul>
Capability Development	<ul style="list-style-type: none"> <li>Shape HSE mindset and behaviour via:                             <ul style="list-style-type: none"> <li>- All employees should receive regular training on HSSE processes and policies</li> <li>- Steps should be taken to monitor the effectiveness of the training. Any gaps or inconsistencies should be addressed through further training or one-to-one</li> </ul> </li> </ul>
Recognition	<ul style="list-style-type: none"> <li>Reward demonstration of excellent HSE culture compliance</li> </ul>

## APPROACH AND ACHIEVEMENTS - Social

In 2022, our HSE programmes and initiatives focused on the following key areas:



In order to drive the development of a generative HSSE culture in 2022, we conducted training programmes for our employees.

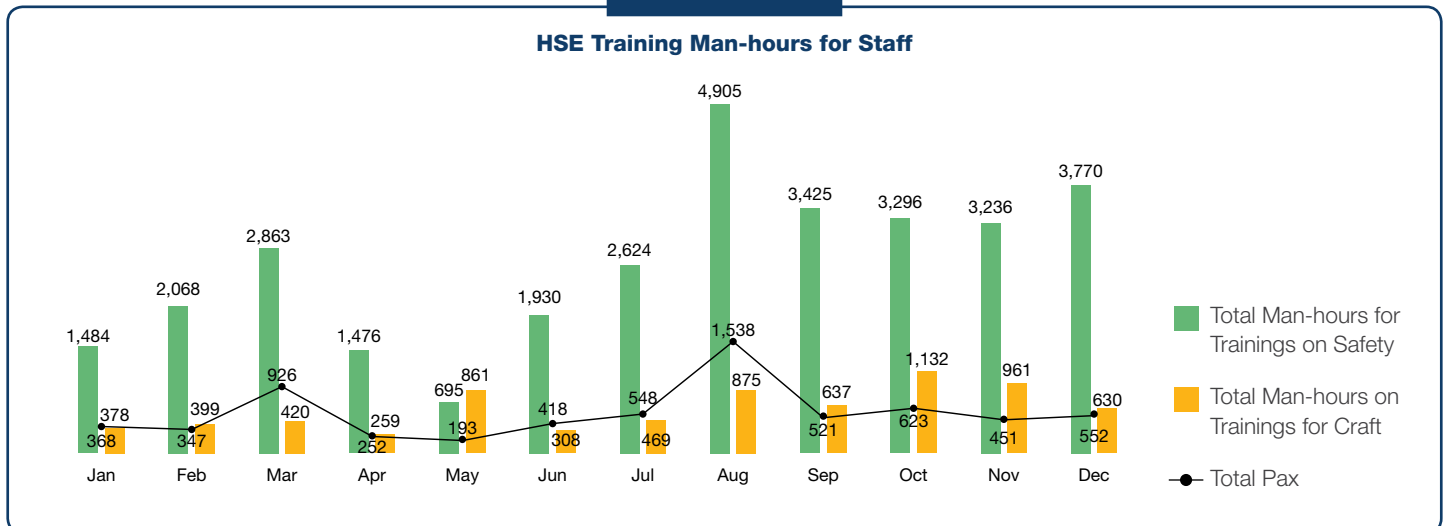


### Strengthening generative HSE culture through Trainings

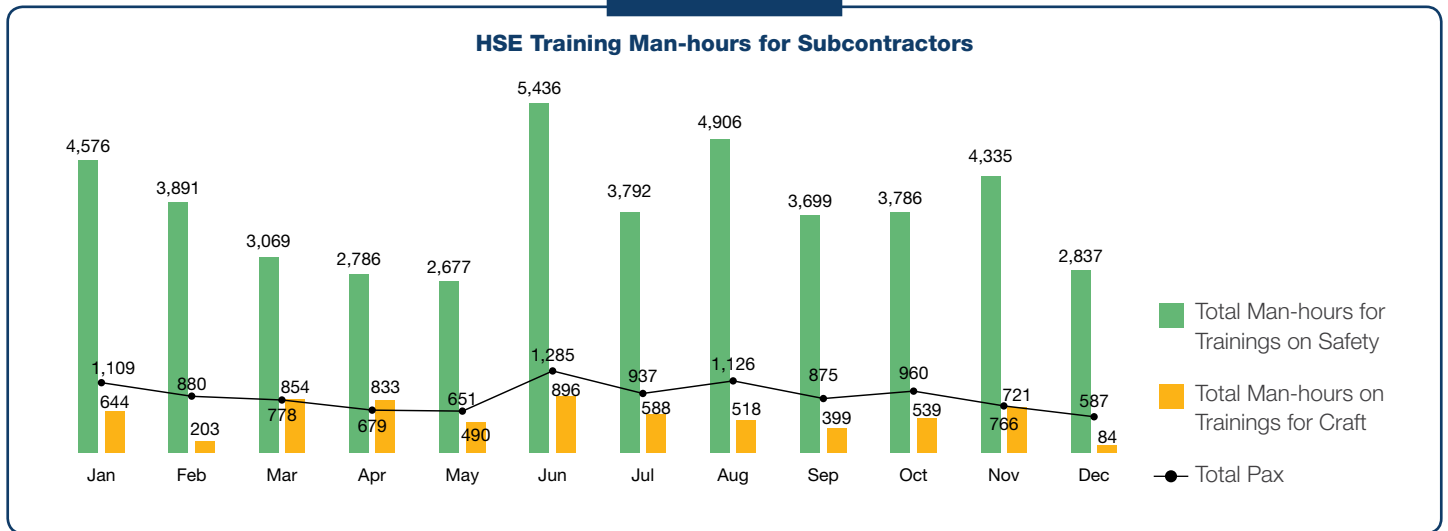
MHB Employees	
51 programmes	6,737 participants
706 sessions	39,101 man-hours
Subcontractors	
23 programmes	10,633 participants
539 sessions	52,559 man-hours

- #### Company wide HSE Programmes and Engagements
- 147 total programmes were conducted such as comprising of confined space campaign, hearing conservation etc
  - 129 emergency drills were organised inclusive of engagements by ERT across yard wide
  - 13 HSSE webinar series were conducted such as environmental sustainability sharing session and health talk
  - Weekly recognition for best practices and good compliance on HSE
  - 100% completion of execution and implementation for all HSE campaigns, enforcements and sharing sessions

### Status as of 31 December 2022



APPROACH AND ACHIEVEMENTS - Social



BEHAVIOUR-HSE CULTURE

MHB has continued to drive our Behaviour-HSE (B-HSE) Culture in 2022 towards developing a generative HSSE culture that embeds strong health and safety fundamentals across our business, yard activities, operation systems and processes. Throughout the year, we implemented monthly capacity building programmes that sought to equip our people with the necessary trainings, skills, and competencies.





## APPROACH AND ACHIEVEMENTS



### - Social

#### ENGAGEMENTS AND INITIATIVES TO FOSTER A GENERATIVE HSSE CULTURE

In 2022, MHB conducted the following engagements and initiatives towards enhancing our generative HSSE culture:

Initiatives / Engagements	Objectives / Outcomes	Values To MHB
<b>HEALTH</b> 		
<p><b>Virtual</b></p> <ul style="list-style-type: none"> <li>• Fit for Work Programme</li> <li>• Fatigue, Stress &amp; Sleep Management Awareness Campaign</li> <li>• Ergonomics at the Workplace</li> <li>• Reflective Learning (Mental Health)</li> <li>• Building Your Immune System</li> <li>• Workout and Nutrition</li> </ul> <p><b>Physical</b></p> <ul style="list-style-type: none"> <li>• Safe Handling of Chemical</li> <li>• Hearing Conservation</li> <li>• Healthy Lifestyle</li> <li>• Compliance – First Aid Box and Drinking Water Machine</li> <li>• Chemical Management</li> <li>• In-House Clinic Surveillance</li> </ul>	<ul style="list-style-type: none"> <li>• Identify and assess employees' key health issues</li> <li>• Develop health-related resources for employees</li> <li>• Establish partnerships for evidence-based healthcare, health promotion and health policy development</li> <li>• Focus on disease prevention and promote healthy dietary habits and lifestyles</li> <li>• Increase awareness on the importance of ergonomics</li> <li>• Ensure chemical safety in the workplace</li> <li>• Ensure availability of information on chemical identities and hazards for employees' understanding and knowledge</li> <li>• Provide awareness on hearing conservation such as familiarising employees with noise hazards (especially those who are exposed to noise at site)</li> </ul>	<ul style="list-style-type: none"> <li>• Healthy and productive workforce</li> <li>• Reduce the rate of medical leave and cost due to health issues</li> <li>• Increase understanding and employees' knowledge in chemical hazards at work, appropriate handling of chemicals and protection measures</li> </ul>
<b>SAFETY</b> 		
<p>Awareness on occupational safety efforts:</p> <ul style="list-style-type: none"> <li>• Line of Fire Safety Campaign</li> <li>• Prevention of Dropped Object &amp; Working at Height Safety Campaign</li> <li>• Leaders' HSE Roundtable Talk with MD &amp; CEO &amp; Contractors' Top Management</li> <li>• Forklift Safety</li> <li>• Personal Protective Equipment (PPE) – Overall focus</li> <li>• Rakan HSE</li> </ul>	<ul style="list-style-type: none"> <li>• Fortify safety culture through effective implementation of campaigns</li> <li>• Assess employees' knowledge and understanding on safety through safety campaigns (line of fire and working in confined space)</li> <li>• Identify areas for further safety improvement</li> <li>• Reduce accidents such as on-site falls by getting employees to assess before undertaking any work involving heights</li> <li>• Ensure partnership with contractor towards generative HSSE culture</li> </ul>	<ul style="list-style-type: none"> <li>• Increase awareness on HSE issues surrounding work areas for employees and subcontractors</li> <li>• Invoke accountability and ownership as HSE agents</li> <li>• Exemplary adherence to regulated HSE requirements such as the Occupational Safety and Health Act 1994 was carried out by employees, subcontractors and other third parties associated with MHB</li> <li>• Raise awareness of the dangers that could occur while working at height to reduce accidents and improve safety</li> <li>• Good HSE practice enhances the good reputation of the Company in managing HSE</li> </ul>

APPROACH AND  
ACHIEVEMENTS  
- Social

Initiatives / Engagements	Objectives / Outcomes	Values To MHB
<div style="display: flex; justify-content: space-between; align-items: center;"> <span><b>SAFETY (CONT'D)</b></span>  </div>		
<ul style="list-style-type: none"> <li>• Subcontractor Cabin Inspection</li> <li>• Quay and Marine Structure Compliance</li> <li>• Road Safety Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Appreciation to employees implementing HSE in their daily work life</li> <li>• Identify and evaluate compliance to HSE legal related requirements and other requirements for respective activities</li> <li>• Check and assess HSE management in the yard such as storages, work sites and workshop areas</li> <li>• Exercise responsibility to adhere and comply to the implemented HSE requirements to empower employees towards HSE excellence</li> <li>• Increase awareness on good respiratory protection equipment</li> <li>• Further develop the right HSE 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)</li> </ul>	<ul style="list-style-type: none"> <li>• Increase awareness on HSE issues surrounding work areas amongst employees and subcontractors</li> <li>• Invoke accountability and ownership as HSE agents</li> <li>• Exemplary adherence to regulated HSE requirements (OSHA act etc) to be carried out by employees, subcons and other third parties associated with MHB</li> <li>• Sustain outstanding HSE performance from all levels of employees including the top management</li> <li>• Elevate HSE culture in, reinforcing leadership and personal accountability, intensifying operational discipline and strengthening contractor management</li> </ul>
<div style="display: flex; justify-content: space-between; align-items: center;"> <span><b>ENVIRONMENT</b></span>  </div>		
<ul style="list-style-type: none"> <li>• Environmental Sustainability Sharing Sessions covering Recycling, Air Pollution, Waste and Scheduled Waste Management, Electricity &amp; GHG Reduction</li> <li>• Ecosystem Restoration: Series of Activities with Key focus on Global Environmental Concerns</li> <li>• Yard Clean-Up Day</li> <li>• Launching Environment Campaign 2022 &amp; Eco Movie Hour</li> <li>• Schedule Waste Task Force</li> <li>• Compliance - Scheduled waste</li> </ul>	<ul style="list-style-type: none"> <li>• Promote environmental awareness and nurture green culture</li> <li>• Create stronger sense of environmental responsibility and commitment</li> <li>• Encourage teamwork amongst employees in championing green initiatives</li> <li>• Inspire employees to be the change in protecting our environment and marine biodiversity</li> <li>• Increase awareness and share current legal requirements on managing scheduled waste</li> </ul>	<ul style="list-style-type: none"> <li>• Increase recycling habits amongst employees towards reducing waste</li> <li>• Invoking a sense of accountability and ownership as HSE agents</li> <li>• Understanding emissions that MHB is responsible for and the actions that need to be taken to manage and reduce emissions</li> </ul>

## APPROACH AND ACHIEVEMENTS - Social

### HEALTH AND SAFETY TRAININGS IN 2022

By continuously providing our workforce with health and safety information and trainings, MHB is helping our people to acquire the skills, knowledge and attitude to make them competent in the health and safety aspects of their daily jobs. It also enables us to promote the value of a strong generative HSSE culture.

#### Unsafe Condition Unsafe Act (UCUA)

Our Unsafe Condition Unsafe Act (UCUA) reporting channel allows our employees to raise their concerns regarding a potential HSE infractions to prevent incidents. In 2022, we received a total of 85,426 submissions which were then dealt with by the relevant departments.

#### Stop Work Authority

MHB's Stop Work Authority is our initiative to promote safe behaviour amongst all employees. In 2022, we recorded a total of 303 times of stop work and all were resolved before work was permitted to resume safely.

The following are the health and safety related training programmes conducted in 2022.



#### Health and Safety Related Training Programmes

Training Programmes	Types of Training	In-house / External	Face-to-Face (F2F) / Virtual
2 <sup>nd</sup> Waste Management Sustainability Forum	Environment	External	F2F
Accident & Incident Investigation & Reporting Technique Analysis	Safety	In-house	F2F
Assistant Medical Review Officer (AMRO)	Health	In-house	F2F
Basic First Aid, Cardiopulmonary Resuscitation (CPR) & Automated External Defibrillator (AED)	Health	In-house	F2F
Ex-Rambo: Fire Fighting	Emergency Response	In-house	F2F
Ex-Rambo: Mass Casualty	Emergency Response	In-house	F2F
Ex-Rambo: Rescue (Vessel)	Emergency Response	In-house	F2F
Ex-Rambo: Structure Collapsed	Emergency Response	In-house	F2F
Generative HSSE Culture	Safety	In-house	F2F & Virtual
Hearing Conservation Programme	Health	In-house	F2F
Safe Handling Chemical	Health	In-house	F2F
Institute of Fire Engineer Malaysia (IFEM) Fire Risk Assessors Course	Emergency Response	External	F2F
MyHSE - HSE Awareness Non-Executive	Safety, Health and Environment	In-house	F2F & Virtual
MyHSE - HSE Supervisory	Safety, Health and Environment	In-house	F2F & Virtual
Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease (NADOPOD)	Safety & Health	External	Virtual
Rakan HSE	Safety, Health and Environment	In-house	F2F
Reflective Learning	Safety, Health and Environment	In-house	F2F

## APPROACH AND ACHIEVEMENTS - Social

Training Programmes	Types of Training	In-house / External	Face-to-Face (F2F) / Virtual
Safe Chemical Handling	Health	In-house	F2F
Schedule Waste Awareness	Environment	In-house	F2F
Schedule Waste Management	Environment	In-house	F2F
Seminar Kawalan Pencemaran Air	Environment	External	F2F
Seminar Kawalan Pencemaran Udara	Environment	External	F2F
Seminar Pematuhan Kehendak-kehendak Kebombaan Bagi Perakuan Bomba	Emergency Response	External	F2F
Developing of Effective Emergency Preparedness & Response at Workplace	Emergency Response	External	F2F

### MANAGEMENT OF THE ENDEMIC PHASE OF COVID-19

As COVID-19 transitioned to the endemic phase in 2022, MHB continued to prioritise safety to discourage the spread of the virus. We highly encouraged everyone to use face masks on MHB indoor premises, especially in crowded spaces such as places of worship, enclosed areas or meeting rooms. As well as that, anyone who had symptoms such as fever, cough and colds, and high-risk individuals such as those who have a chronic disease, are immunocompromised or pregnant, were also encouraged to wear face masks.

As for outside of buildings such as open areas on our premises, while wearing face masks is not mandatory, we are following the Ministry of Health's advice on encouraging people to continue wearing face masks if they are in congested or crowded areas, for individuals with symptoms such as fever, cough and colds and high-risk individuals.

### NEW CERTIFICATIONS TO ENHANCE OUR SAFETY AND QUALITY

In 2022, MHB has retained our ISO 45001: 2018 Occupational Health and Safety Management System certification which is valid till July 2024.

During the year we obtained the following new certifications to further enhance our health and safety levels, as well as to provide our customers with assurance of our health and safety commitment:

- American Petroleum Institute (API) certification
  - API Spec Q1 Specification for Quality Management System Requirements for Manufacturing Organisations for the Petroleum and Natural Gas Industry
  - API Spec 2B Specification for the Fabrication of Structured Steel Pipe
- Certified with The American Society of Mechanical Engineers (ASME) for manufacturing U, U2 and R stamp coded Pressure Vessels to provide global-level safety management for our customers

### HSSE Audit and Assurance

To ensure that our Health, Safety and Environment Management System (HSEMS) is effectively promoting and ensuring health and safety in MHB, we conduct HSE audits and assurance to verify that all programmes and initiatives are effectively carried out, monitored and generate positive outcomes. We have both internal audit processes and well as external audits conducted by independent third parties to provide us the assurance required.

In 2022, our internal audit was performed by our internal HSE team. A total of five external audits were also conducted during the year as follows:

- Malaysian Society for Occupational Safety and Health (MSOSH) Audit
- 2<sup>nd</sup> Line MISC HSEMS Assurance
- MMHE Phase 2 HSEMS Audit Jerun Fabrication - Audit On Human Rights
- HSE and Technical Assessment Audit by BP Shipping
- Audit and re-certification of ISO 45000 and ISO 14000 by Bureau Veritas

## APPROACH AND ACHIEVEMENTS - Social

### OCCUPATIONAL HEALTH AND WELL-BEING

In addition to our health and safety initiatives, MHB also has in place programmes to ensure our people’s health and well-being.

#### Fatigue Risk Management at MHB

We are cognisant that it is important to empower our employees to identify and manage fatigue risk as they work on major heavy engineering and vessel repair projects in our yards which the project duration can be for a long period of time.



#### Fatigue Risk Management Programme

MHB’s Fatigue Risk Management Programme is aligned with MISC Group and constitutes the following process:



#### Awareness Programmes

Throughout 2022, we have implemented various awareness programmes that focus on promoting active living, healthy eating and mental wellness as follows:

- Learn & Lunch | #1 Heart Disease
- Green field Talk - Healthy Lifestyle
- Learn & Lunch | #2 Healthier Ways to Cook Your Meal
- MMHE Health and Wellness with Naluri
- Learn & Lunch | Mental Health Talk

- Blood Donation Campaign
- Enforcement: Dengue Prevention
- Enforcement: Use and Standard of Exposure Chemical Hazardous to Health (USECHH) & Classification, Labelling and Safety Data Sheet of Hazardous Chemicals (CLASS) Regulations
- Zero Injury, Zero Accident (ZIZA) Campaign | #2 Chemical Management Talk | Workers Responsibility in Managing Chemicals at the Workplace
- Mental Health Awareness Talk | Psychological Risk at Workplace
- Learn and Lunch Session | Let’s Stay Healthy, Physically & Mentally!
- Compliance – First Aid Box & Drinking water machine

#### Well-being Programmes

We have in place the following well-being programmes to promote an all rounded and holistic lifestyle amongst our people

Programme	Description
Fitness to Work	Implemented the Fitness to Work programme yard wide for all MHB employees and subcontractors. An occupational health doctor performs health tests and 100% compliance is expected from all parties.
Food and Water Safety	Towards preventing food and water-borne illnesses during Company-organised events, the MHB Food and Water Safety Committee had been conducting hygiene inspections on our internal caterers on monthly basis.
Ergonomic	Corporate HSE organised virtual and physical talks focusing on ergonomic health risk at the workplace. The virtual talk attracted around 250 participants. The talks shared information on ergonomic risk awareness at the workplace, ergonomic risk factors, precautionary measures as well as advising participants to do light exercise to prevent occupational illnesses and injuries related to ergonomics issues.
Establishment of Gymnasium and Employee Wellness	Initiatives by Human Resource (HR) to focus on work-life balance, also provides rehabilitation for MHB employee with health issue/related. Wellness programmes can help create a positive work environment, improve morale, and increase job satisfaction.

## APPROACH AND ACHIEVEMENTS - Social

### Substance Misuse Control Policy

As part of our HSE-related policies, MHB's Substance Misuse Control Policy seeks to ensure that there is no substance misuse amongst our employees. In 2022, we established Substance Misuse Control Committee (SMCC) as strengthened initiative to prevent substance misuse at MHB.

We conducted random substance misuse control tests throughout the Company for our employees and subcontractors during the year. The substance misuse control test was done on a monthly basis by our Competent Assistant Medical Review Officer (AMRO).

The tests use a random selection process where every employee has the same chance of being selected for screening. In 2022, MHB achieved 20% of the 5% KPI set by PETRONAS (minimum of 5% of total employees per annum).

**1,133** random substance misuse control tests for drugs and alcohol conducted in 2022

### Noise and Hearing Programmes

Our yard works which consist of mainly offshore construction and vessel repair activities inevitably result in generation of loud noises. In line with ensuring our employees and subcontractors' audio health, monthly hearing conservation training was conducted by Corporate HSE for all MHB staff and subcontractors at our Centre of Excellence (COE).

In addition, audiometric testing programme was also held for employees who were exposed to excessive noise. The audiometric testing is conducted annually in line with the Industry Code of Practice for Management of Occupational Noise Exposure and Hearing Conservation 2019.

Total of **136** participants took part in workplace audiometric screening test

### Industrial Hygiene Programme

We have in place an Industrial Hygiene Programme to prevent potential illness, unjust and stressors at the workplace. These programmes cover Local Exhaust Ventilation (LEV) Monitoring and Chemical Exposure Monitoring (CEM).

The LEV Monitoring was conducted on 27 September 2022 and 9 November 2022 by a LEV Competent Person. The monitoring was done on several LEV systems around the yard such as our auto blast and blast painting workshops, abrasive plants, and metal spray rooms, among others. The objective of the monitoring was to examine the physical conditions of the LEV system, measure any related pressure, velocity, and volumetric flow rate of the LEV system, recommend improvements for LEV performance and identify maintenance needs.

As at end 2022, MHB is in full compliance with the Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations 2000, Part VIII Monitoring of Exposure at the workplace, Regulation 26 Monitoring of Exposure after Chemical Exposure Monitoring (CEM) was conducted. The monitoring took place in several areas involving work units between 2 and 3 August 2022. The objective of the monitoring was to determine the airborne concentration of various chemicals, to identify if personal exposure level to hazardous chemical complied with the allowable permissible exposure limits (PEL) as well as recommend actions to be taken based on the results. The results indicated that the exposure level of airborne contaminants for our employees were below the permissible limit as per Schedule I of Occupational Safety and Health (Use and Standards of Exposure of Chemical Hazardous to Health) Regulations 2000.










### Achieving MHB's HSE Targets in 2022

New certifications in 2022: <ul style="list-style-type: none"> <li>American Petroleum Institute (API) certification                         <ul style="list-style-type: none"> <li>API Spec Q1 'Specification for Quality Management System Requirements for Manufacturing Organisations for the Petroleum and Natural Gas Industry</li> <li>API Spec 2B 'Specification for the Fabrication of Structured Steel Pipe'</li> </ul> </li> <li>The American Society of Mechanical Engineers (ASME) for manufacturing U, U2 and R stamped Pressure Vessels to provide global-level safety management for our customers</li> </ul>	Unsafe Condition, Unsafe Act (UCUA) Submissions - <b>85,426</b> submissions
	Achieved customer feedback rating of <b>7.15</b>
	Conducted <b>12</b> internal audits

## APPROACH AND ACHIEVEMENTS - Social



### MHB HSE PERFORMANCE TRENDS

KPI	2018	2019	2020	2021	2022
 Fatality	1	0	0	0	0
 Lost Time Injury Frequency (LTIF)	0.16	0.22	HEO: 0.00 MO: 0.00	HEO: 0.00 MO: 1.20	HEO: 0.10 MO: 0.63
 Total Recordable Case Frequency (TRCF)	0.23	0.44	HEO: 0.14 MO: 0.68	HEO: 0.11 MO: 1.99	HEO: 0.57 MO: 1.58
 Major Fire	0	0	0	0	0
 Major Property Damage	0	0	1	0	0
 Major Environmental Spillage	0	0	0	0	0
 Number of Safe Man-hours achieved (Inclusive of Contractors)	12,854,714	13,715,652	12,848,328	13,952,986	19,327,146

Note: HEO refers to Heavy Engineering segment, while MO refers to Marine segment.



### MSOSH Gold Class 2 Award

MHB's continued commitment to the highest Occupational Safety and Health (OSH) standards has been recognised with a "Gold Class 2" award from The Malaysian Society for Occupational Safety and Health (MSOSH) during the 40<sup>th</sup> MSOSH Award held on 21 December 2022. The annual MSOSH OSH Award programme was inaugurated in 1982 and presented to organisations in Malaysia that have achieved commendable OSH records and have demonstrated continuous improvement in OSH Management System.

## APPROACH AND ACHIEVEMENTS - Social

### MONITORING SECURITY AT THE YARD

In addition to addressing healthy and safety concerns, MHB also has in place various mechanisms and programmes that deals with security issues at our premises which could compromise the health and safety of the workforce, as well as cause damage to our equipment, projects and property.

MHB's Corporate Security Department (CSD) provides effective security control measures and enforces their implementation based on clear policies, procedures and frameworks. Our aim is to ensure compliance with all security related regulations as well as to continuously monitor adherence to established industry security standards and international security standards applicable under the International Ship and Port Facility Security Code (ISPS Code) and the Merchant Shipping (Amendment and Extension) Act 2007 in accordance with the Group's business continuity requirements.

In line with this, MHB has obtained Statement of Compliance (SOC) from the Marine Department as 'Designated Authority' which adopts international security standards applicable under the International Ship and Port Facility Security Code (ISPS Code) and the Merchant Shipping (Amendment and Extension) Act 2007.

To ensure that we are continuously monitoring and mitigating against our security risks, the Risk Assurance unit conducts periodic security audits and assessments to identify potential security-related risks across the Group. Furthermore, the Corporate Investigation unit helps Management fulfil its responsibilities of protecting resources and employees.



#### Key Security Programmes in 2022

- Traffic Control Training
- Anti-Dadah Speech and Exhibition by Agensi Anti Dadah Kebangsaan (AADK)
- Participate in Mass Safety Talk with Project Kasawari, Jerun and Marine Operations
- Security Engagement with customer from Jerun Project Management Team
- Visit by Royal Malaysia Police from Seri Alam District Office
- Yearly Audit by Royal Malaysia Police on our Auxiliary Police Management
- Verification Audit by Designated Authority on Marine Facility Security Plan (MFSP) and endorsement of Statement of Compliance as per International Ship and Port Facility Security (ISPS) Code
- Audit by SIRIM QAS International Sdn Bhd on Anti-Bribery Management System (ABMS)

### BUSINESS CONTINUITY PLANNING

MHB adopts the PETRONAS Business Continuity Management Framework (BCMF) to set expectation for a clear and consistent Business Continuity Management (BCM) practices to ensure business activities resume to an acceptable level in the event of a prolonged crisis.

We have established a Business Continuity Plan (BCP) for office environment to provide guidance and detailed recovery strategies for potential disruptions in office operation. Business Impact Analysis (BIA) was conducted to determine the appropriate business strategies to recover identified Critical Business Function (CBF) and restore essential business functions within a reasonable time to sustain business activities in the event of prolonged business disruption.

The pandemic has proven that working remotely is just as efficient as working in the office. With this realisation, our recovery strategy for office employees in critical business functions are to work virtually during business disruption and ceased the use of third-party Alternate Work Site (AWS), resulting in cost savings to the Group.

In 2022, we established the Business Continuity Plan (BCP) for MMHE West yard Supply Chain to provide detailed recovery strategies to manage and facilitate the resumption of yard operations in the event of a prolonged operation activities disruption. The BCP for yard supply chain identifies possible disaster scenarios and recovery strategies related to the overall yard operation as well as the enabler of various activities within the supply chain such as procurement, inspection, logistics, material management and warehouse, project services and scrap, surplus and scheduled waste management, disruption of which may affect Heavy Engineering Operations and Marine Operations.

## APPROACH AND ACHIEVEMENTS - Social



### SOCIAL PILLAR TALENT EXCELLENCE

#### OUR COMMITMENT

- To futureproof talent and leadership agenda by accelerating talent potential
- To build a performance-driven workforce in an engaging and inclusive work environment

#### OUR INITIATIVES

- Talent Management System
- Capability Development Framework
- Leadership Development Programme
- Leadership Pathway Series
- High Potential (HiPo) and Successors Talent Management Programme
- Diversity & Inclusion (D&I)
- Talent Retention and Succession
- Employee Engagement Survey
- Freedom of Association
- Foreign Workers Integration Programme
- Centre of Excellence
- Internship Programmes

#### OUR CONTRIBUTION TO UNSDG



Ensure healthy lives and promote well-being for all at all ages



Achieve gender equality and empower all women and girls



Promote equal opportunities in the workplace irrespective of age, gender, nationality and cultural background

At MHB, we believe our employees are vital to our success as they bring a pool of knowledge, skills, and experience to drive our business strategies and achieve our goals. They are key to MHB's quest to creating continuous value, being the force that drives our organisational innovation and providing our competitive edge in the market.

### MHB'S CULTURAL BELIEFS AND SHARED VALUES

Our Cultural Beliefs and Shared Values form the critical components of MHB's identity and promotes unity and cohesion within our workforce. It provides the foundation for a positive and collaborative work environment, which is crucial to drive productivity improvements and ensure job satisfaction. MHB's Cultural Beliefs and Shared Values provide the framework for our employees' behaviour and actions in the performance of their daily jobs and roles.

#### Shared Values

- LOYALTY**  
Loyal to corporation
- INTEGRITY**  
Honest and upright
- PROFESSIONALISM**  
Strive for excellence
- COHESIVENESS**  
United, trust and respect for each other

#### MHB Cultural Beliefs

- RESULTS MATTER**  
I stretch my limits to deliver superior results
- OWN IT!**  
I own the results and don't blame others
- FOCUSED EXECUTION**  
I plan, commit and deliver with discipline
- NURTURE TRUST**  
I always keep my promise and build mutual trust
- TELL ME**  
I seek, give and act positively on feedback
- SHARED SUCCESS**  
I collaborate for the greater good of MHB and the MISC Group

## APPROACH AND ACHIEVEMENTS - Social

### TALENT MANAGEMENT SYSTEM

MHB’s Talent Management System (TMS) is our online platform that utilises a holistic approach to manage and develop our talent. The TMS covers core and learning functions, as well as Leadership and Functional Competencies that are driven through various learning, and training and development initiatives.

Through our TMS we are promoting a high-performance culture that promotes and enhances our employee’ self-development through the balanced development of both leadership and functional competency. In 2022, the people development Key Performance Indicator (KPI) consisted of learning hours accumulated from both Leadership (LC) and Functional Competency (LC) as part of the LC and FC Assessment Report. During the year, we rolled out the Individual Learning and Development Plan (ILDP) development for those working at the level of executives and above.

We have reiterated Management’s commitment to our employees’ success by helping them set and reach goals that build the skills and experience they need to further their careers. As part of the Competency Assessment process, employees can craft their own ILDP via the TMS platform to enable them to track their own activities and individual reports for further development.

#### How the ILDP empowers our employees to take charge of their career pathway:



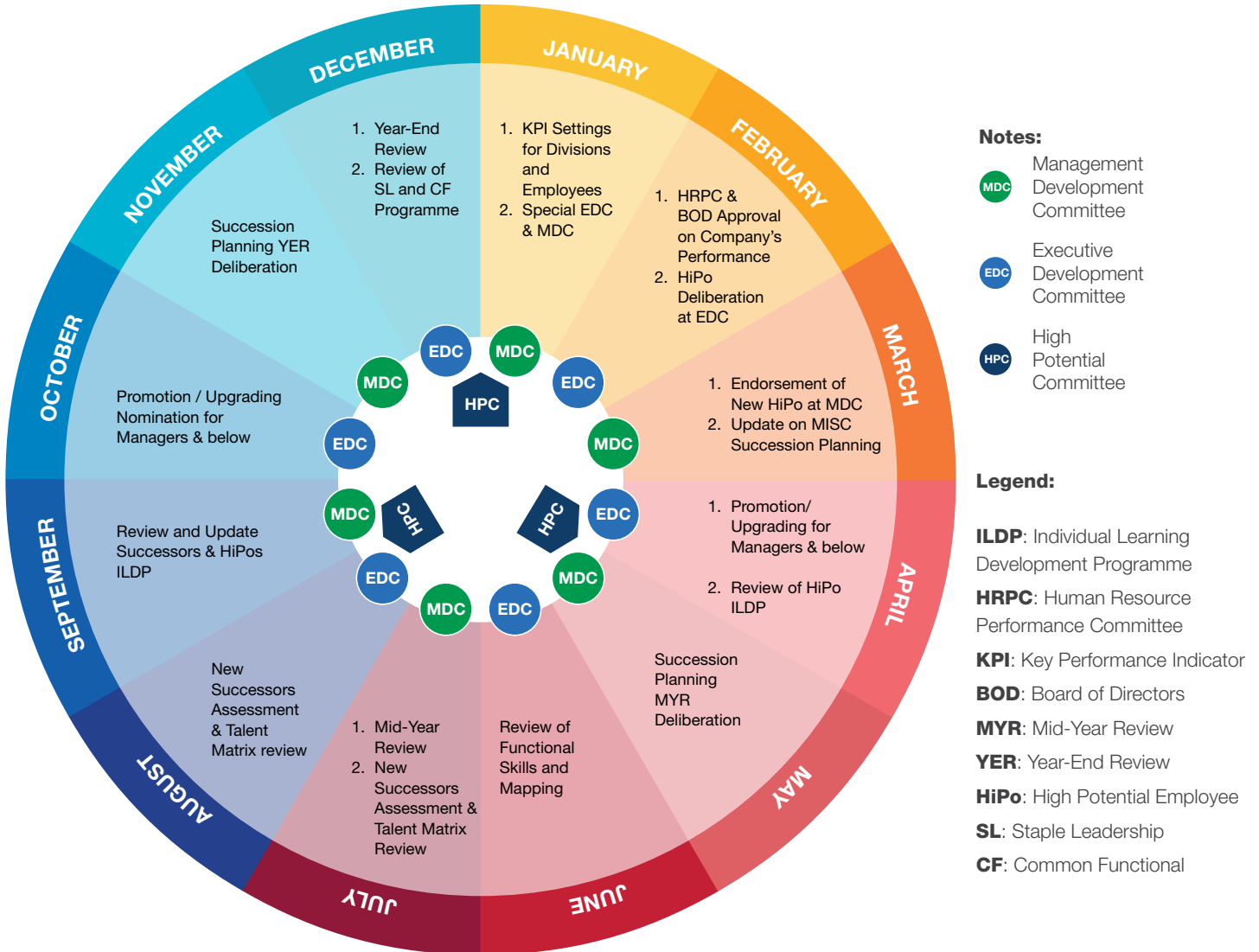
### Learning Hub @ myPortal

MHB’s Learning Hub @ myPortal represents a pivotal element of our learning and development strategy, empowering our employees to assume ownership of their professional growth through a centralised platform. By harnessing the power of the MHB Training Calendar 2022, all employees can leverage an expansive range of self-registration training programmes tailored to their unique needs and ambitions, thereby enhancing their competencies and skillsets. Further augmenting our employee development offerings are two additional resources available on the Learning Hub: the MHB Learning Guide and ILDP, which further reinforce our commitment to cultivating a culture of continuous learning and professional advancement.

## APPROACH AND ACHIEVEMENTS - Social

### Talent Performance and Development Cycle

Through the Talent Performance and Development Cycle (TPDC), MHB shares key development activities that have been planned over a calendar year. This provides a guide to line managers and employees when determining their learning and development activities for the year. Our TPDC is developed annually according to strategic priorities that have been identified for the year.



### Leadership and Functional Competency Assessment

Having introduced our Leadership and Functional Competency Assessment in 2021, in 2022 we focused on driving our employee's proficiency according to the outcomes of the previous year. The assessment enabled us to gain insights into our employees' skills, knowledge and behaviour according to the required level of proficiency expected from their roles and levels. It has allowed us to identify focused areas to further develop our people's skills to drive their development and enable them to perform their job productively and effectively. During the year, the respective Heads of Department and Line Managers have discussed gaps identified in the assessments with individual employees and have developed targeted development and intervention plans to address these shortcomings. We plan to conduct the next assessment either at the end of 2023 or early 2024.

## APPROACH AND ACHIEVEMENTS - Social

### MHB'S CAPABILITY DEVELOPMENT FRAMEWORK IN 2022

In 2022, our Capability Development consisted of Leadership and Functional Competency. The programmes we had in place under our Leadership and Functional Competency were carried out as follows.

**Leadership Competency**

- 1** Staple Leadership – Programme addressing MHB's four Leadership Components:
  - Entrepreneurship
  - Strategic Agility
  - Inspirational Leadership
  - Build Relationship
- 2** Mandatory Leadership – Structured programme to develop employees who are promoted to Executive and Manager levels and prepare incumbents with necessary tools and knowledge for the role
- 3** Intervention Leadership – Programme addressing specific leadership competency gaps for a particular job group

**Functional Competency**

- 1** Common Functional - Programmes that are fundamental for MHB employees
  - MHB Common Functional Modules – specific programmes on fundamental knowledge which is essential for every employee to understand and practice in order to perform their roles and jobs effectively
  - Applies to employees across job grades
- 2** Discipline Functional - Programmes that are specific to a particular department or job function
  - Modules are determined or developed by the specific Head of Departments
  - Examples include conferences, seminars, certifications and external programmes



#### Staple Leadership Programmes 2022

Program Title	Target Group	Total Session	Method of Delivery
Business Acumen with Colour Accounting (Part 1)	Senior Executive/ Manager	9	Virtual
Business Acumen with Colour Accounting (Part 2)	Senior Executive/ Manager	6	Virtual
Coaching For Action	Manager	1	Virtual
Coaching for High Performance	Senior Manager & above	2	Virtual
Design Thinking	Senior Manager & above	1	Virtual
Employee Performance Management	Manager	2	Virtual
Personal Effectiveness & Productivity	Executive	7	Virtual
Straight Talk	Manager	1	Virtual
<b>Grand Total</b>		<b>29</b>	

## APPROACH AND ACHIEVEMENTS - Social



### Common Functional Programmes 2022

Program Title	Job Group	Total Sessions	Mode of Training
Risk Management	Executive & Above	1	Virtual
Crisis Management and Business Continuity Management	Executive & Above	1	Virtual
Managing Your People Issue the Right Way	Executive & Above	4	Virtual
Job Analysis & Job Description	Manager & Above	4	Virtual
Effective Document Control & Record Management	Executive	5	F2F
Integrated Management System	Executive	5	F2F
Finance Sense	Executive	4	Virtual
Microsoft Excel Intermediate	Supervisor (office based)	7	Virtual
MyHSE - HSE Supervisory	Supervisor	6	F2F
MyHSE - HSE Awareness	Non Executive	10	F2F
Cybersecurity & Collaboration Tools	All	12	Virtual
Quality Awareness Program (QAP): Quality Induction & Quality Management System (QMS) Briefing	All	1	F2F
<b>Grand Total</b>		<b>60</b>	

### Certification Programmes 2022

**4** employees certified  
National Association  
of Corrosion Engineers  
(NACE) Coating Inspection  
Programme Level 1

**4** employees certified  
NACE Coating Inspector  
Program (CIP) Level 2

**3** employees certified  
Institute of Materials, Malaysia  
(IMM) Protective Coating  
Technician (Level 2)

**1** employees certified  
International Compliance  
Association (ICA) Certificate in  
Compliance

**1** employees certified  
ICA Specialist Certificate in  
Anti-Corruption

**12** employees certified  
Lead Auditor ISO 9001:2015

**1** employees certified  
CSWIP 3.1

**6** employees certified  
Certified Chartered Engineer  
(CEng)

Grand Total of Certification 2022:

**32**

### Employees Trained on Safety in 2022



**1,540**  
Staff Trained

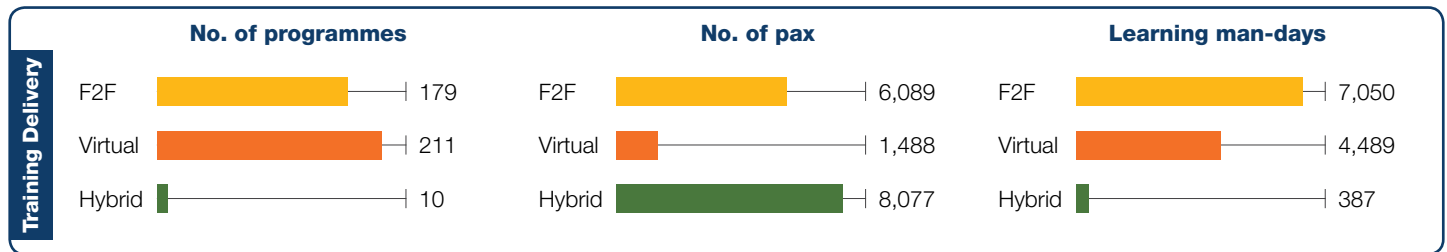
**31,772**  
Total Man-hours

**254**  
Number of Sessions

## APPROACH AND ACHIEVEMENTS - Social

### Training Man-hours – Face-to-face (F2F) and e-Learning inclusive of Harvard Management Mentor (HMM)

Description	2022		2021		2020		2019		2018
	F2F	e-Learning	F2F	e-Learning	F2F	e-Learning	F2F	e-Learning	
Total hours of employee training	83,484	17,177	54,603	38,065	46,774	27,120	36,274	9,440	49,024
Average hours of training per year per employee	24.8	5.10	24.12	37.61	19.04	22.61	17.57	18.06	23.5



Training Category	Sum of Total Man-hours	Man-days
Common Functional	12,305	1,758
Discipline Functional	58,671	8,382
Elective Leadership	263	38
Intervention Leadership	6,004	858
Mandatory Leadership	658	94
Staple Leadership	5,583	798
<b>Grand Total</b>	<b>83,484</b>	<b>11,928</b>

### LEADERSHIP DEVELOPMENT PROGRAMME

Our structured Leadership Development Programmes are based on the established Leadership Competency. Through our two key programmes – the Aspiring Leaders Development Programme (ALDP) and the Executive Development Programme (EDP), MHB is building our leadership bench strength to ensure that we have a strong succession talent pool.

#### Aspiring Leaders Development Programme (ALDP)

Overview : Development programme for newly appointed Managers and potential Senior Executives

Aim : To equip newly promoted, appointed, and experienced Managers with comprehensive steps and understanding towards becoming the ideal Manager in managing themselves and their team

Modules : **3** modules and **6** sessions (**70** hours) in each module covering the following:

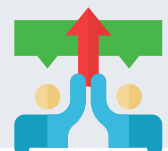
- Workshop 1: Leading Self: Developing Yourself as A Leader
- Workshop 2: Leading Teams: Building Better Teams and Team Culture
- Workshop 3: Leading Teams: Leading Towards High Performance

**Batch 1** 20 participants

26 October 2021 – 28 March 2022 (Completed and graduated)

**Batch 2** 21 participants

29 November 2022 – 21 April 2023 (Ongoing)



## APPROACH AND ACHIEVEMENTS

### - Social

#### Executive Development Programme

Develop employees who are promoted to Executives and prepare incumbents with necessary tools and knowledge for the role

Date: 18 November 2021– 24 February 2022 (**20** participants)

Bite-sized modules, consisting of **8** modules as follows:

- Personal Discovery & Leadership
- Winning Self-confidence
- Time Management & Goal Setting Embracing Change
- Communication & Interpersonal Skills
- Presentation & Influencing Skills
- Conflict & Team Management
- Analytical Thinking & Problem Solving



#### LEADERSHIP PATHWAY SERIES

MHB participates in our parent company MISC Group's Leadership Pathway Series. This is a leadership development programme that is based on the established Leadership Competency. Through the programme, we are developing a pool of enterprise leaders and enhancing our leadership bench strength. The Leadership Pathway Series has been developed in collaboration with renowned international learning providers and business schools such as Institut Européen d'Administration des Affaires (INSEAD), Leaderonomics and Asia School of Business (ASB) and consist of two unique tracks – Leader+ Series and Signature Series. In 2022, a total of 40 MHB employees were selected to participate in the MISC Leadership Pathway Series.

##### Leader+ Series:

Accelerated Leadership Development Programmes for Successors and High Potential employees. The programme duration ranges from 6 to 7 months and consists of the following:

##### ► Strategic Leaders Programme (Senior Manager, General Managers and Senior General Managers)

Total participants: **12**

##### ► Emerging Leaders Programme (Managers)

Total participants: **8**

##### ► Young Leader Programme (Executives)

Total participants: **8**



##### Signature Series:

Structured Leadership Development Programmes developed for Non-Executive until Senior Manager level. The programme duration is between 12 months to 24 months and consists of the following:

##### ► Senior Leaders Series (Senior Managers)

Total participants: **1**

##### ► Manager Development Series (Experienced Manager)

Total participants: **3**

##### ► Manager Foundation Series (New Manager)

Total participants: **2**

##### ► Executives Development Series (Executives)

Total participants: **3**

##### ► Execution Excellence Series (Support Group)

Total participants: **3**

## APPROACH AND ACHIEVEMENTS - Social

### HIGH POTENTIAL (HiPo) AND SUCCESSORS TALENT MANAGEMENT PROGRAMME

MHB's focused talent management programmes, crafted specifically for our High Potential (HiPo) and Successors talent pool, have enabled us to systematically identify, develop, and monitor our top-performing talent. By tracking the progress of our high-potential employees, we ensure that they receive tailored development opportunities to hone their skills, enhance their capabilities, and position them for future leadership roles within the organisation.

#### HiPo and Successors Talent Management in 2022

##### MHB Leadership Talk (LTS)

- MHB LTS No.01/2022 by Puan Farehana Hanapiah, Senior Vice President Group Human Resource Management (HRM) PETRONAS on 18 February 2022
- MHB LTS No.02/2022 by Datuk Rashid Sidek, Former National Badminton Player on 11 November 2022

##### Lunch with MD & CEO

- Two lunch sessions were conducted; involving 8 new HiPos for networking with MD & CEO

##### Briefing on HiPo Programme to New HiPos

- A briefing session was conducted for new HiPos on 28 April 2022 to provide an overview of the HiPo framework, aspirations and the development activities including development the ILDP and mentoring programme

##### Engagement sessions with MHB Senior Management

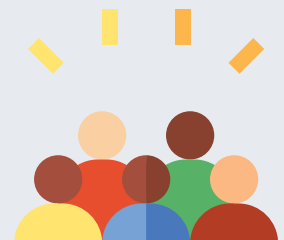
- Session 1: With Senior General Manager (SGM), HR, Badrol-Izam Baharom on 14 January 2022 titled '*Workshop on People Agenda*'
- Session 2: With SGM, Marine Business, Hisham Haron on 21 June 2022 titled '*The New Frontier*'
- Session 3: With Project Director, Heavy Engineering Operations (HEO), Mohd Supian Yahya on 20 October 2022 titled '*Personal Leadership Journey*'

### DIVERSITY & INCLUSION (D&I)



**At MHB, diversity is an integral part of our talent strategy, and we are committed to employing and retaining the best talent that reflects the communities that we operate in. We define diversity in the workplace as engaging and involving employees with differences and similarities.**

– MHB Group Diversity and Inclusion Statement



MHB values diversity in our workforce as we believe that bringing together people from difference backgrounds and experiences enable us to harness their unique perspectives and ideas to drive innovation within our business. We strive to have an inclusive workplace by creating equal opportunities for all. MHB's D&I commitment is aligned with our parent company MISC Group.

## APPROACH AND ACHIEVEMENTS - Social

### MHB's Diversity & Inclusion Journey



Having established our D&I Statement in 2021, in 2022 the Board approved our D&I Policy on 9 November 2022. A soft launch of the policy was held by our MD & CEO on 6 December 2022 to create awareness amongst our people. As well as that, an awareness programme was conducted by a trainer from AET (another subsidiary of MISC Group) for Management Committee members, General Managers and Senior Managers. The Policy was officially launched by our MD & CEO on 1 January 2023 via an email as well as being published on myPortal. On top of that, we also kicked off the Harvard Manage Mentor (HMM) Module on D&I on the same day.

### Our Diverse Workforce



Total Manpower as of 31 December 2022: **3,365**

Ethnicity	No. of Staff
Bajau	6
Bidayuh	3
Chinese	34
Dusun	3
Eurasian	1
Iban	40
Indian	56
Jawa	1
Kadazan	5
Malay	2,837
Others	365
Roman Catholic	8
Sino Kadazan	1
Suluk	4
Sungai	1
<b>Grand Total</b>	<b>3,365</b>

Religion	No. of Staff
Muslim	3,123
Christian	91
Hindu	54
Buddhist	26
Other religion	71
<b>Grand Total</b>	<b>3,365</b>

Gender	No. of Staff
Male	2,743
Female	622
<b>Grand Total</b>	<b>3,365</b>

Age	No. of Staff
<20	66
20-29	896
30-39	1,263
40-49	701
50-59	414
>60	25
<b>Grand Total</b>	<b>3,365</b>

Nationality	No. of Staff
Malaysian	2987
Bangladesh	202
Indonesian	115
Philippine	37
Pakistani	14
Indian	3
Singaporean	2
Belgian	1
British	1
French	1
Iranian	1
Saudi Arabian	1
<b>Grand Total</b>	<b>3,365</b>

## APPROACH AND ACHIEVEMENTS - Social

### Workforce Management

MHB believes that our employees are our vital assets. We respect and promote diversity and offer equal opportunities to all employees.

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 31 December 2022

	2022	2021	2020
Total Number	3,365	2,649	2,625
Turnover Rate	18.80%	16%	10.40%
<b>Percentage of Employees by Gender</b>			
Female	18.48%	20.08%	18.00%
Male	81.52%	79.92%	82.00%
<b>Percentage of Employees by Job Type</b>			
Permanent	37.86%	46.09%	48.00%
Contract	62.14%	53.91%	52.00%
<b>Numbers of Women Employee Category</b>			
Board of Directors	0	1	1
*Management	49	37	32
Executive	309	270	247
<b>Percentage of Employee by Age Group</b>			
**18-20	3.21%	0.30%	0.90%
21-30	27.93%	21.86%	25.90%
31-40	39.14%	44.73%	42.90%
41-50	18.01%	19.40%	17.70%
51-60	10.97%	13.29%	12.20%
>60	0.74%	0.42%	0.30%

\* Management is comprised of Managers until Senior General Managers.

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

### OUR PROPOSITION AS AN EMPLOYER OF CHOICE

MHB strives to be an 'employer of choice' in our bid to attract the best talents in the field to remain an industry leader and retain our competitive advantage. We have in place a variety of incentives for our employees to drive our proposition. This includes offering competitive salaries and benefits, providing a positive work environment, fostering a culture of innovation and prioritising employee development and well-being. Our efforts have ensured that we are able to attract and retain the top talent, and boost employee engagement and productivity, thus enhancing MHB's reputation.

### TALENT RETENTION AND SUCCESSION

Talent retention and succession planning is a critical to ensure MHB's continued success. Our various talent development programmes, coupled with various incentives, benefits, health and safety initiatives, and well-being programmes are all designed to drive high talent retention and ensuring a strong success pipeline.

2022

#### High Performing Talent Retention

96%

Target : >95%

#### Successor Ratio (Management Committee Positions and Critical Positions)

3.2:1

Target for 2022 : 2:1



## APPROACH AND ACHIEVEMENTS - Social

### Employee Benefits

In 2022, we provided the following benefits for our employees:

1. Extending special medical coverage for Fixed Term Contract (FTC) employees for 2022 (effective from January 2022 to December 2022). A total of 1,657 FTC employees and their dependents were covered under this special medical coverage.
2. Organised onsite COVID-19 Vaccination Programme-Booster Dose for MHB employees and subcontractors/ vendors on 8 and 9 February 2022. A total of 789 people obtained the booster vaccinations.
3. Introduced Structured Vehicle Financing under the Employer Empanelment Program (EEP) with Bank Muamalat Malaysia Berhad (BMMB) on 15 August 2022.
4. Collaborated with Valor Management for the establishment of a Wellness Centre at our Centre of Excellence. Launched on 7 September 2022, the Wellness Centre caters for pre-employment medical screenings for MHB employees and subcontractors/ vendors.
5. Launched our Gymnasium and Rehabilitation Centre at MMHE West Yard on 1 November 2022 with free membership for all MHB employees.
6. Collaborated with Valor Management on the management of basic health screening activities during the Free Market Programme organised by the Corporate Communication Department on 29 November 2022.
7. Managed the submission of 87 SOCSO claim applications submitted by MHB employees involving 70 cases of road/ workplace accidents including COVID-19 cases, eight cases of Invalidity Pension and nine cases of Occupational Disease.

### Welfare Assistance and Insurance

We provide our employees with welfare assistance and insurance each year. In 2022, MHB gave all employees across the board a RM200 salary adjustment to support them by helping to alleviate the pressure brought on by rising cost of living since the end of COVID-19. The total cost amounted to RM6 million. We also provided welfare assistance of RM13,400 in 2022, and enabled our employees to obtain a total of RM933,000 in insurance claims during the year.

MHB gave all employees  
across the board a  
**RM200**  
salary adjustment



### EMPLOYEE ENGAGEMENT SURVEY

We conducted our annual Employee Engagement Survey between 16 – 19 December 2022. A total of 871 staff members gave their feedback. The survey indicated that overall MHB has a good engagement culture with our people.

### Employee Engagement Survey 2022

Results of Employee Engagement Survey (out of 10, with 10 being the highest score)

2022

7.21

2021

7.25

2020

7.10

2019

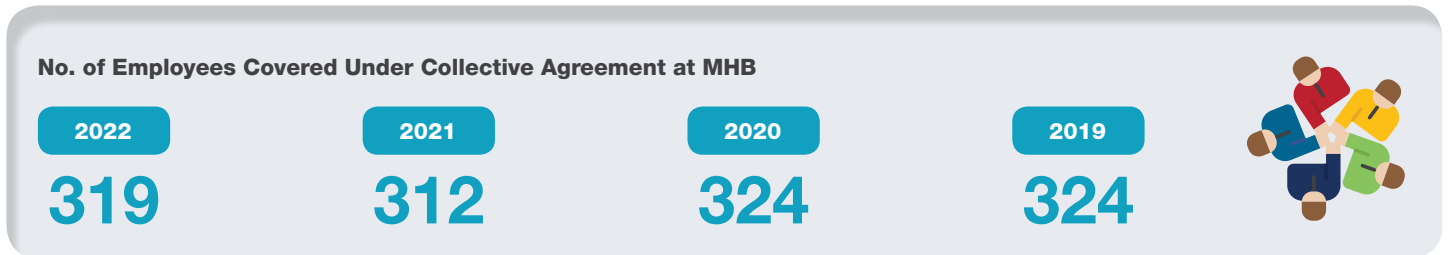
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## APPROACH AND ACHIEVEMENTS - Social

### SUPPORTING FREEDOM OF ASSOCIATION

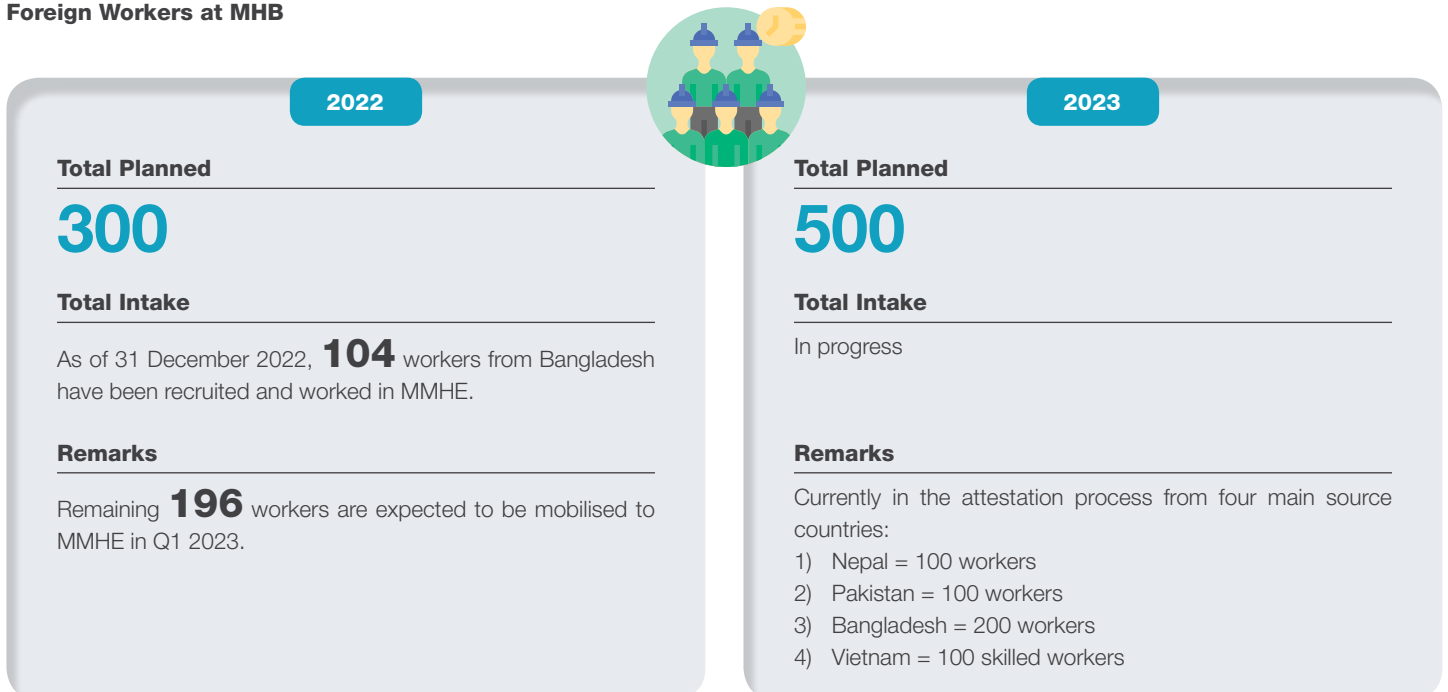
MHB has been recognising trade unions the right of our staff to be members of a union since our inception in 1979. As at end 2022, there are 246 union members which is benefiting a total of 319 unionised employees. The company supported the Union in 2022 by donating RM5,000 during its 13<sup>th</sup> AGM held on 3 December 2022. The President of the Union was appreciative of MHB's support and reaffirmed members commitment as a partner of the Company.



### FOREIGN WORKER INTEGRATION PROGRAMMES

As of 31 December 2022, our existing foreign worker headcount stands at 319. Of these, 202 are from Bangladesh, 103 from Indonesia and 14 from Pakistan. On 15 June 2022, the Ministry of Human Resource (MOHR) approved MHB's application for 300 foreign workers from Bangladesh. The interview sessions were conducted in Dhaka, Bangladesh, from 22 – 28 September 2022. On 15 December 2022, a second application for new 500 foreign workers was also approved by MOHR.

#### Foreign Workers at MHB



## APPROACH AND ACHIEVEMENTS - Social

### CENTRE OF EXCELLENCE

Established in 2015, MHB's Centre of Excellence (CoE) is our dedicated learning centre for the O&G and marine industries and demonstrates our commitment to develop talent within these two sectors. The CoE is located in Pasir Gudang, Johor, and provides industry training, competency development and hands-on technical programmes. The training complex is 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 is certified by 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.

A representative from MHB CoE is a member of the Competency Committee for Safe Work in Confined Space under DOSH and National Institute of Occupational Safety and Health. The committee has responsibility over issues related to working in confined spaces, producing, revising and releasing training modules, modules, guidelines and enhancement for industries in Malaysia.

As at end 2022, a total of 16,326 MMHE employees have undergone RM3.45 million of training and development programmes which clocked a total of 83,484 employee F2F training hours and 17,177 e-Learning hours. The average hours of F2F training per year per employee for 2022 stood at 24.8 hours/employee and 5.1 hours/employee for e-learning. For subcontractors and public participations, total of 52,909 learning man-hours clocked and attended by 10,662 participants.

During the year, we entered into several Memorandum of Understandings (MoU) to continue contributing to the development of the marine and O&G industry workforce as follows:

- Signing of MoU between MHB and Universiti Tun Hussein Onn Malaysia (UTHM) on 19 June 2022 at Sultan Ibrahim Hall, UTHM Main Campus
- Signing of MoU with Universiti Teknikal Malaysia Melaka (UTeM) to collaborate on Work-Based Learning (WBL) programme on 6 October 2022 at the AMES Hotel, Melaka
- Collaboration with UTM's Professor Madya Dr. Farah Ellyza Hashim is now attached to Marine Operations to complete a year of industry experience from 1 June 2022 till 31 May 2023. She will also be working on her Final Year Report to assist in improving and enhancing our operations
- Collaboration with Institut Latihan Perindustrian (ILP) through the Johor Petroleum Development Corporation Berhad (JPDC) funded programme

Other collaborations with local institutions are currently underway as follows:

- Appointment of one of the CoE trainers as a member of the Jawatankuasa Pembangunan Standard (JPS) Bagi Bidang Proses Kimpalan (Tahap 1-3)
- Appointment of CoE trainers as a HRDC subject matter expert on machinery equipment for welding
- Appointment of MHB as a Committee Member by the Department of Occupational Safety & Health (DOSH) for Safe Working in Confined Space to review and updates matters related to confined spaces representing training providers
- Participated in UMT-Industry open day organised by the Faculty of Oceanic Engineering and Information Technology, Universiti Malaysia Terengganu towards collaborating for developing future talent
- Collaboration with the Maritime Academy on marine specific learning programmes
- Collaboration with CIDB Technologies on CIDB welders accreditation where our CoE is a certified facility for welder accreditation

## APPROACH AND ACHIEVEMENTS - Social

### INTERNSHIP PROGRAMMES

We have continued to provide internship programmes to support the development of an industry-ready future workforce. These consisted of the following in 2022:

#### Protégé Ready to Work Programme

The Protégé (Professional Training and Education for Growing Entrepreneurs) Ready-to-Work Programme is a programme that aims to cultivate youth potential by enhancing entrepreneurial and professional skills through an entrepreneurial and market training programme. Training provided in collaboration with industry experts develops and guides youths to foster the skills they require to meet industry needs.



**8** graduates under the Protégé Ready-to-Work Programme in 2022

#### JaminKerja Employment Incentive

In 2022, the previous Penjana Kerjaya programme was replaced with the JaminKerja Employment Incentive. This is a financial incentive programme provided to employers that hire new employees beginning from 1 January 2022 from these categories:

- Apprentices;
- Graduates;
- Vulnerable groups, including disabled workers, former soldiers, ex-convicts, senior citizens; and
- The unemployed.

This incentive will help employers with new employees from tourism-related sectors or female employees as well as those replacing foreign labour with local workers.



**125** new MHB employees employed and registered under JaminKerja in 2022



#### Graduates working on PANTHERA project

We have continued to hire young graduates to work on our PANTHERA Project which is our digital transformation initiative.



**11** graduates were employed for PANTHERA project in 2022

#### Internship Programme (On-Job-Training) 2022

Level	Public Institutions		Private institutions		Total
	TVET	Non TVET	TVET	Non TVET	
Degree	8	18	3	3	32
Diploma	7	19	1	5	32

#### Development of Skilled Workers for Subcontractors

As at 31 December 2022

Training Delivery	Number of Programmes	Number of participants	Learning Man-days
Face to face	24	10,652	6,801
Virtual	3	10	5

## APPROACH AND ACHIEVEMENTS - Social



### SOCIAL PILLAR COMMUNITY INVESTMENT

#### OUR COMMITMENT

To foster youth development towards becoming future leaders through education

#### OUR INITIATIVES

- Biodiversity Conservation Programme
- MHB Free Market
- Donations & Sponsorships

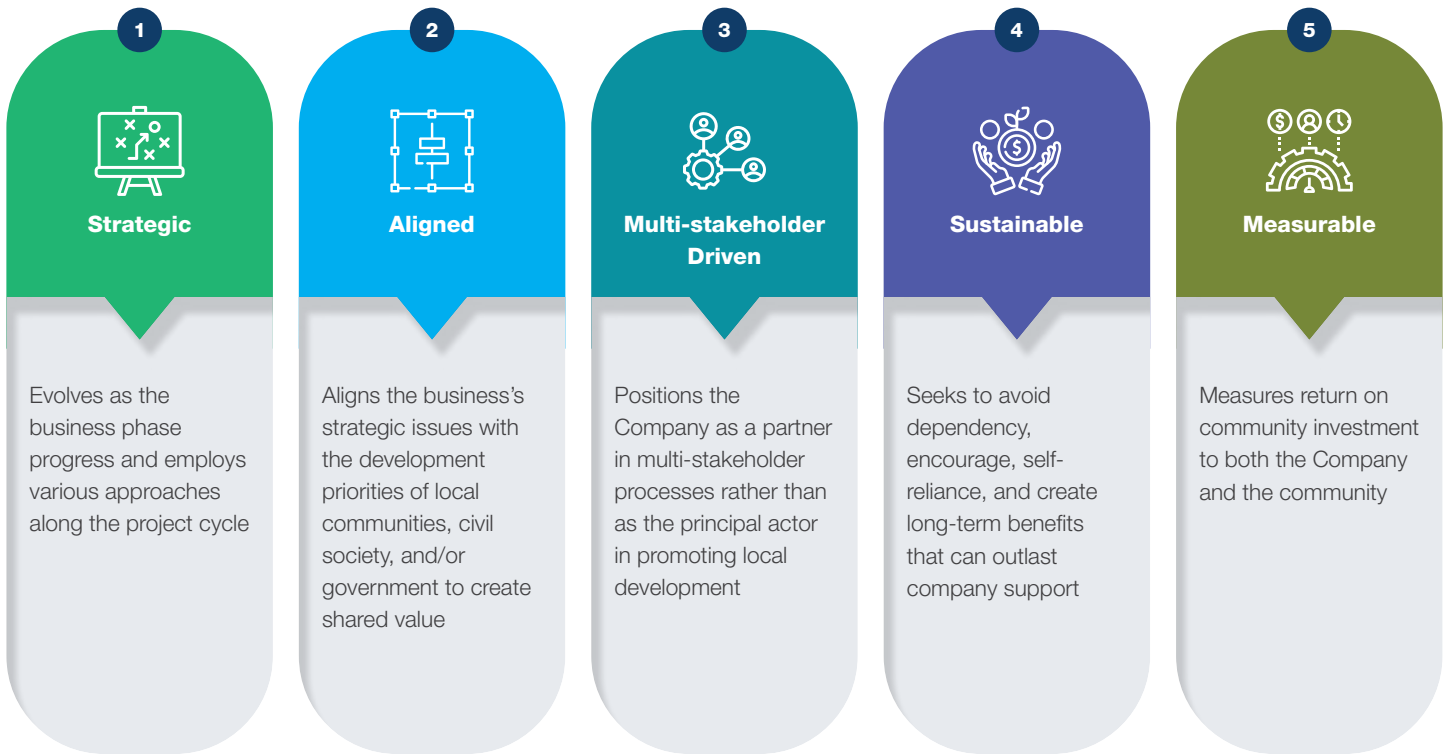
#### OUR CONTRIBUTION TO UNSDG



Promote skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

MHB believes that giving back to the community is an integral part of our social responsibility commitment. MHB's community-centred initiatives and programmes are drawn up under our Community Investment strategic priority and focuses on the themes of education, environment, as well as health, safety, and well-being. MHB follows the MISC Group Community Investment Guideline which was developed in 2021 which defines our strategic Community Investment programme's good practice guidelines. Our strategic community investments are aligned with the UNSDGs.

### MHB's Community Investment Principles



APPROACH AND  
ACHIEVEMENTS  
- Social

List of Strategic Community Investment Programmes



ENVIRONMENT

MHB River Rehabilitation Programme

Launching of MHB River Rehabilitation Programme

- MoU between MHB and Pasir Gudang City Council
- Adoption of Sungai Buluh for MHB River Rehabilitation Programme

 Refer to page 141 of Biodiversity Conservation for full details of MHB River Rehabilitation Programme

Community Investments in 2022

Programme launched on **10 December 2022**

**More than 500 participants** comprising of MHB's staff, MMHE Flat Residents and the local community from the Pasir Gudang area

**70 volunteers** involved during the launch

**RM150,000** allocated for the 3-year programme

Value Creation for Beneficiaries

- Reduces threat to river water biodiversity from pollution
- Increases community knowledge through engagement and environmental education

Value Creation for MHB

- Demonstrates our commitment to biodiversity conservation
- Collaborative partnership that promotes and spread awareness on the importance of biodiversity and activities that can contribute to biodiversity conservation

MHB Mangrove Planting

 Refer to page 142 of Biodiversity Conservation for full details of MHB Mangrove Planting

Community Investments in 2022

**Planted 500 mangrove trees** as part of our efforts to support global decarbonisation

Event conducted on **24 November 2022**

Total of **38 participants** turned up at the event held at Hutan Simpan Banjar Utara Kampung Bagan Pasir, Tanjung Karang, Selangor

Programme conducted in collaboration with **Selangor State Forestry Department**


Value Creation for Beneficiaries

- As part of MHB's sustainability framework and echoing global decarbonisation effort to address climate change and improve the quality of life
- Spread awareness on the vital role played by mangrove trees which protected biodiversity

Value Creation for MHB

- Demonstrates our commitment to address climate change
- Collaborative partnership to work with local government and authorities to protect the mangrove ecosystem

APPROACH AND  
**ACHIEVEMENTS**  
- Social



## COMMUNITY

**MHB Free Market**

**More than 500** underprivileged families in Pasir Gudang were given the opportunity to **shop for free** at MHB Free Market

**70 volunteers** involved


**Approximately 5 tonnes** of new and pre-loved items were donated by generous MHB employees ranging from clothes, shoes, handbags, strollers, toys, medical support equipment, kitchenware, books and many more


**Value Creation for Beneficiaries**

- Helps those who are less fortunate while lending out a helping hand to ease some of their burden


**Value Creation for MHB**

- Demonstrates our commitment to conduct our business and grow our organisation in ways that positively contribute to society in line with UNSDG Goal No. 13 for Good Health and Well-Being





## DONATION DRIVE



**Flood Relief e-Donation Drive**

**Community Investments in 2022**

**Raised RM10,000** through employee donations and provided monetary benefits and groceries

**Value Creation for Beneficiaries**

Provides flood relief for those affected by natural disasters and the pandemic

**Donation to the Underprivileged Residents around Pasir Gudang**

**Community Investments in 2022**

**Contributed RM19,110 to 31** underprivileged families

**Value Creation for Beneficiaries**

Supports underprivileged communities in need

APPROACH AND  
ACHIEVEMENTS  
- Social



SPONSORSHIP

SMK Dato' Penggawa Timur

Community Investments in 2022

**Contributed RM2,000** to upgrade the school's sports room

Value Creation for Beneficiaries

Provides conducive educational facilities for students



The Institution of Engineers, Malaysia (IEM)

Community Investments in 2022

**Sponsored RM5,000** for the 1<sup>st</sup> Malaysia Marine Industry Conference 2022

Value Creation for Beneficiaries

Provides a platform to gather, discuss and explore opportunities, and enhance business networks, towards contributing to the development of a prosperous and successful heavy industry in Malaysia by 2035

Malaysia Shipowners' Association (MASA)

Community Investments in 2022

**Sponsorship of RM7,500** for MASA Annual Dinner

Value Creation for Beneficiaries

Supports the maritime nation by providing a platform for networking between industry players

Majlis Kebajikan dan Sukan Anggota-Anggota Wilayah Persekutuan (MAKSWIP)

Community Investments in 2022

**Sponsorship of RM2,000** for Immigration Fun Run Programme 2022

Value Creation for Beneficiaries

Inculcates healthy lifestyles among MAKSWIP at all levels, department, and states



## APPROACH AND ACHIEVEMENTS - Social



### SPONSORSHIP (CONT'D)

#### Association of Marine Industries of Malaysia (AMIM)

##### Community Investments in 2022

**Sponsorship of RM6,388 for AMIM Annual  
Dinner 2022**

##### Value Creation for Beneficiaries

Networking platform for our employees to meet key personnel from working levels, decision makers and influential members of government agencies and AMIM

#### Toastmaster International District 102

##### Community Investments in 2022

**Sponsorship of RM3,000  
(silver sponsorship) for the Hall of Fame 2022**

##### Value Creation for Beneficiaries

Promoting Toastmaster Club to more than 2,800 members of District 102, to encourage participants to reach their greatest potential and become confident communicators and leaders

#### Royal Institution of Naval Architects (RINA) and Institute of Marine Engineering, Science and Technology (IMarEST) | RINA-IMarEST

##### Community Investments in 2022

**Sponsorship amount RM3,000 for  
RINA-IMarEST 33rd Annual Dinner 2022**

##### Value Creation for Beneficiaries

Platform for our employees to network with government agencies and RINA-IMarEST, to forge closer ties that would promote scientific development of marine engineering, science and technology, and upholding of standards and knowledge of marine professionals

### Creating a Positive Difference – MHB Free Market

Giving has always been part of MHB's culture. To put a smile on the faces of people who are less fortunate while lending out a hand to ease some of their burden, MHB had organised the MHB Free Market in 2022. The event was attended by more than 500 people from families living in the Pasir Gudang area where we operate.

At the event, everyone was allowed to take what they needed for free. Approximately 5 tonnes of new and pre-loved items were donated by generous MHB employees ranging from clothes, shoes, handbags, strollers, toys, medical support equipment, kitchenware, books and many more. The families were transported from their home to the event venue where they were given the opportunity to pick anything they wanted on display.

The event was hosted by the MD & CEO of MHB, and graced by the Mayor of the Pasir Gudang City Council. It was also supported by the representative from Pejabat Daerah Johor Bahru as well as all the Ketua Kampung involved. In addition, more than 70 volunteers from MHB were at the event on the day to help out.

The event demonstrates MHB's commitment to conduct and grow our organisation in ways that contribute positively to society and in line with the United Nations' Sustainable Development Goal No. 3 on Good Health and Well-Being.

APPROACH AND  
**ACHIEVEMENTS**  
- Governance



**GOVERNANCE  
PILLAR**

**VALUES, ASSURANCE  
AND ETHICS**

**OUR COMMITMENT**

Embedding a culture of good governance and ethics within the organisation

**OUR INITIATIVES**

- Compliance Governance Structure
- Effective Management System
- Compliance Leadership
- MHB Compliance Culture
- Strengthening MHB's Compliance and Ethics Framework

**OUR CONTRIBUTION TO  
UNSDG**



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

## APPROACH AND ACHIEVEMENTS - Governance



At MHB we strongly hold by the principle that good governance, business ethics and assurance are critical components for the long-term success of our business. These form the robust foundation for MHB to operate in an ethical, responsible, and sustainable manner.

MHB's governance framework has established policies, procedures, and structures that guide our decision making and ensures that all the interests of stakeholders are protected. Our effective governance practices are geared towards improving transparency, accountability, and risks management to enhance our reputation as well as increase our resilience to external shocks.

Ethical behaviour is the cornerstone of our efforts to build trust and credibility with our stakeholders and MHB's ethical business practices centre on treating employees, customers, and vendors/subcontractors with fairness and respect. We are continuously striving to avoid conflicts of interest, and upholding the highest legal and moral standards. By prioritising ethics, MHB is able to ensure that we are not subject to reputational damage, regulatory fines, and legal liabilities, which ultimately leads to better business performance and outcomes.

Our assurance programme provides stakeholders with the confidence that our internal controls are effective, as supplemented by external independent verification and validation.

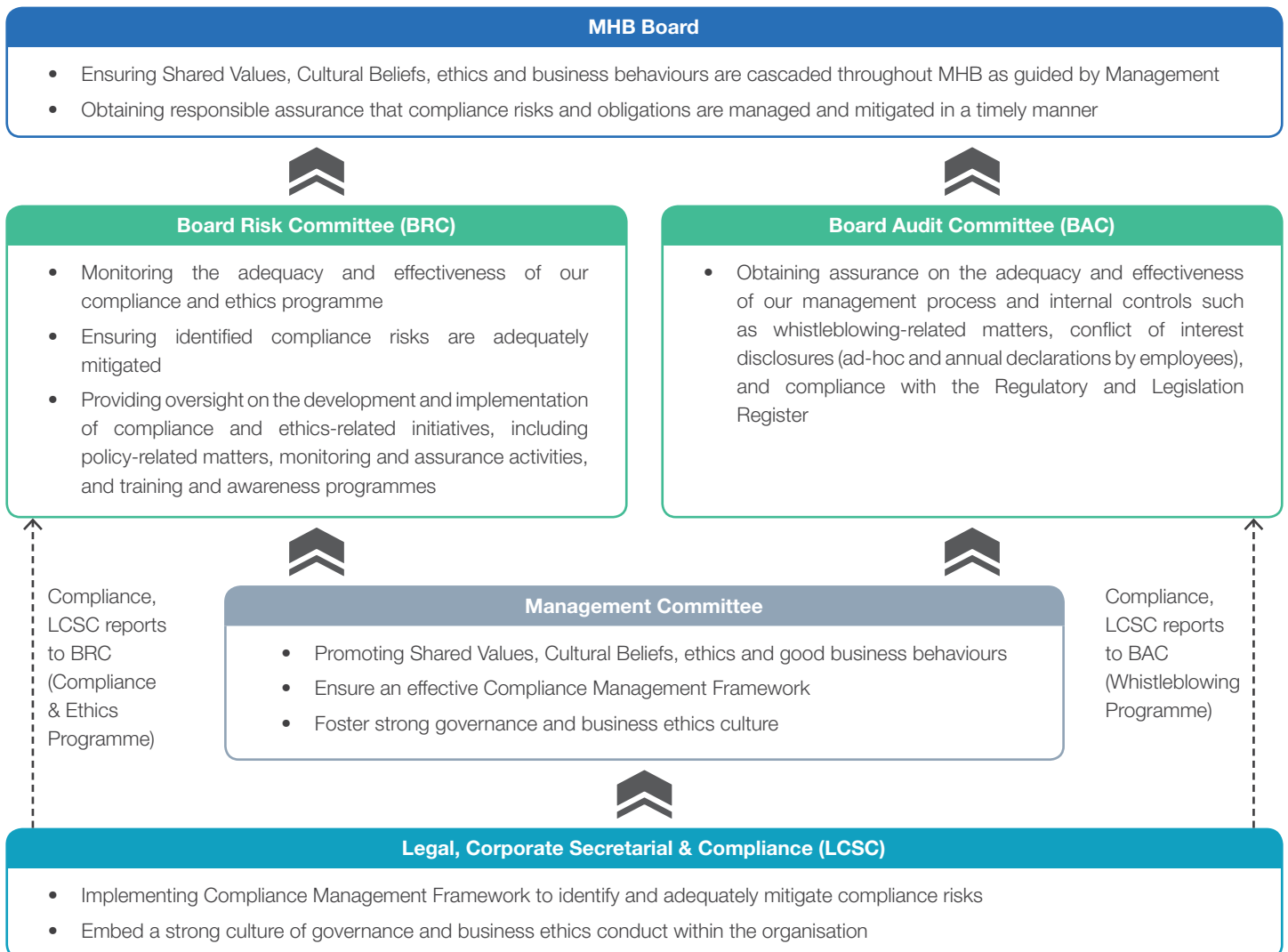
## APPROACH AND ACHIEVEMENTS - Governance

### COMPLIANCE GOVERNANCE STRUCTURE

MHB’s Compliance Governance Structure is closely aligned with our parent company MISC Group. We have in place a clear governance structure that embeds mechanisms to monitor our operations to ensure adherence to relevant policies and regulations. Through our governance structure, we are able to proactively manage our operations and compliance risk in an effective manner. By fostering and building a strong compliance culture across all our business activities and operations, MHB is ensuring that we comply with all policies, laws and regulations.

#### MHB Compliance Governance Structure

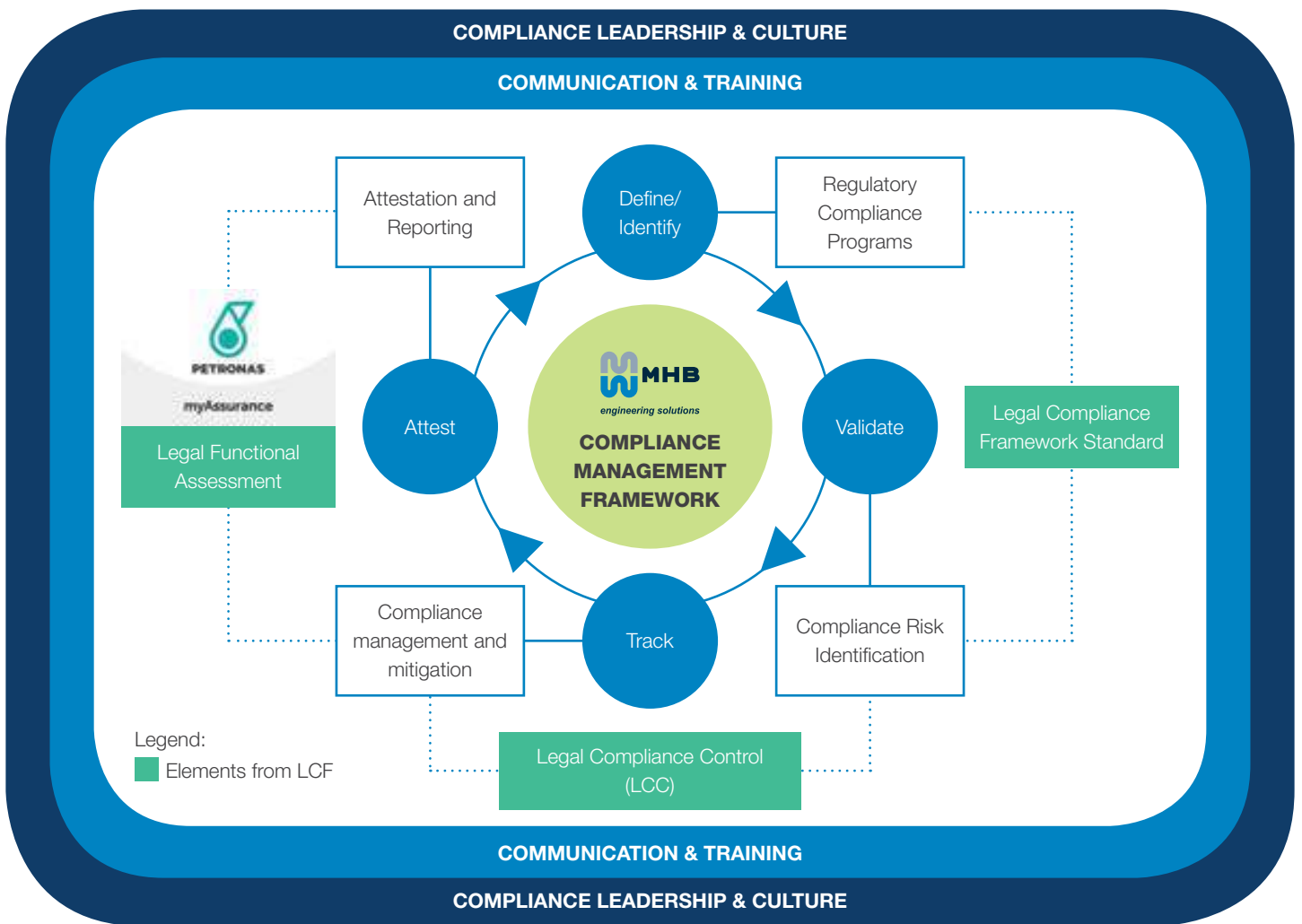
##### Main Roles and Responsibilities



## APPROACH AND ACHIEVEMENTS - Governance

MHB’s Board of Directors (Board) and the Board Committees play a pivotal role in contributing to the sustainable development of the Company through the discharge of the functions and responsibilities. Our Compliance department under LCSC work closely with the Board, BRC, BAC, and Management Committee on compliance risk management based on MHB’s Compliance Management Framework as illustrated below.

### MHB Compliance Management Framework



### EFFECTIVE MANAGEMENT SYSTEMS

MHB has in place a sound management system that enables us to effectively practice strong corporate governance. Our system embeds the factors of Leadership, Culture, Risk Management, and Monitoring and Reporting which are essential for effective compliance management. It applies the core principles of fairness, accountability, responsibility, and transparency to ensure that the compliance culture is actively promoted throughout MHB. The Compliance Management System guides management, our business segments and operations to achieve compliance-related strategies and goals. It also enables us to proactively identify and mitigate compliance risks and obligations, in addition to preventing incidents of non-compliance by enabling corrective actions to be put in place in a timely manner.

## APPROACH AND ACHIEVEMENTS - Governance

### MHB Compliance Management System



### COMPLIANCE LEADERSHIP

At MHB, the Board and Management set the premise and guide the acceptable behaviours and actions expected from employees using the ‘top-down’ approach. The Board has entrusted the BAC with the responsibility of risk management oversight and endorsed the Code of Conduct and Business Ethics (CoBE) and Anti-Bribery and Corruption (ABC) Manual. MHB believes that the tone from the top is an important means to best reflect our strong commitment in fighting corruption, and in line with this the Board oversees our ABC Manual and Policy while the top Management regularly update the BAC on any compliance-related matters.

The BAC demonstrates leadership and commitment with respect to the Anti-Bribery Management System (ABMS) and oversees both the ABMS and the Compliance Programme by:

- Approving the organisation’s anti-bribery policy;
- Ensuring MHB’s strategy and anti-bribery policy are aligned;
- Receiving and reviewing information about the content and operation of the organisation’s ABMS are allocated and assigned; and

- Exercising reasonable oversight over the implementation of MHB’s ABMS by the Management Committee (MC) and its effectiveness via, amongst others the annually Compliance updates and Whistleblowing Updates.

### Management Scorecard

MHB is committed to fostering a strong corporate governance, business ethics and compliance culture. With the certification of ISO 37001:2012 AMBS, every business and service unit has been assigned an Anti-Bribery Key Performance Indicator (ABKPI) which focuses on embedding the anti-bribery policy in place as well as inculcating high integrity and compliance culture which is aligned with the identified Critical Legal Areas (CLAs).

MHB is continuously working towards embedding a culture of strong corporate governance, business ethics and conduct within the organisation while demonstrating tone from the top and ensuring an effective compliance culture.

## APPROACH AND ACHIEVEMENTS - Governance

### MHB COMPLIANCE CULTURE

MHB's Compliance Culture seeks to instill a strong compliance culture based on each employee having the right attitude and behaviour towards business ethics on their daily jobs. Our Compliance Culture is built on having mechanisms to communicate, demonstrate and reward expected acceptable compliance behaviours as follows:



### Compliance and Ethics Survey 2022

Understanding the importance of obtaining feedback for our continual improvement, we conducted a Compliance and Ethics Survey in collaboration with MISC Group to gauge our employee's awareness and understanding on compliance related matters.

A total of 601 of MHB staff gave their feedback on the MISC Group Compliance and Ethics Survey 2022 held on 12 September – 18 October 2022. The average score for Anti-Bribery programme was 4.09 out of 5.0, which is a significant improvement compared to our 2020 average score of 3.95 out of 5.0.

Understanding the importance of obtaining feedback, moving forward in 2023, a simple compliance feedback form will serve as a guidance during the employee's performance review sessions to ensure that the Compliance Cultures is embedded in MHB.

### Compliance Communications and Awareness

We are cognisant that compliance obligations evolve and change over time. Therefore, compliance knowledge and awareness must be continuously refreshed, reinforced, and communicated to all employees to ensure that compliance obligations are met. We have undertaken various initiatives to strengthen MHB's Compliance and Ethics Framework and oversight of MHB's Business Ethics and Conduct.

Our communication and awareness programmes include the following:

- Raising awareness of compliance policies through various approaches consisting of internal trainings, e-learning modules, awareness campaigns, and workshops on CoBE, Anti-Bribery and Third-Party Compliance Due Diligence;
- Collaborative efforts through internal and external parties within the Group i.e MISC and PETRONAS for various Webinars and "See. Speak. Support" campaigns as well as external invited speakers;
- Delivering comprehensive six critical laws and CoBE training and refreshers sessions for employees, Directors and third parties;
- Regular communications on various channels such as the MHB Websites, Intranet portal, and email communication and postings.

Our communications and awareness programmes are monitored, reviewed and assessed for their effectiveness in order to gauge employees' understanding of MHB's Compliance and Ethics culture through periodical surveys.

## APPROACH AND ACHIEVEMENTS - Governance

### Strengthening MHB's Compliance and Ethics Framework

2022 has seen MHB stepping up on our commitment to operate our business ethically and responsibly by enhancing and enforcing effective system and controls to ensure a robust governance culture.

We have strengthened the obligations of the third parties in complying with MHB's Human Rights Commitment and Modern Slavery Policy, by enhancing our CoBE for Third Parties. Our improved Declaration Integrity Pledge (DIP) now includes not only the Five Critical Legal Areas identified but also refers to the MHB Human Rights stance.

Additionally, 2022 was also the continuation point for our five-year MHB Compliance and Ethics Programme (2021 – 2025) which is aligned with MISC Group to embed a culture of strong corporate governance, business ethics and conduct. Over the course of this five-year roadmap, among other matters MHB is focusing on enhancing the monitoring and assurance programme by emphasising the development and utilisation of a systematic monitoring and assurance platform which is also aligned with PETRONAS Group.

### RISK MANAGEMENT

MHB has identified and monitored Six Critical Legal Areas (CLAs) that poses risks to the Company. These address international laws with extra-territorial effects, which if there is a breach could result in high civil and criminal penalties with severe reputational impact to the Company. In line with this, before we embark on any contractual relationship with a third party, we conduct compliance due diligence which takes into account potential targets or subjects of sanctions.

The revised MHB Third Party Compliance Due Diligence Policy takes into account of Six CLAs as follows:

<b>1</b> Economic Sanctions	<b>4</b> Personal Data Protection	
<b>2</b> Export Control Policy	<b>5</b> Human Rights	
<b>3</b> Competition	<b>6</b> Ethics & Integrity	

Our initiatives are aligned with MISC's Third Party Compliance Due Diligence Operational Guidelines and PETRONAS Third-Party Risk Management. With the aim of reducing risks, all current or potential third parties and business partners who are either providing or will provide

any type of service to MHB are required to undertake the Due Diligence process by completing the Know Your Counterparty (KYC) Due Diligence Questionnaire and MHB Declaration of Integrity Pledge (DIP).

### Code of Conduct and Business Ethics (CoBE)

MHB's CoBE follows the example set by PETRONAS as a guide in conducting our business ethically and sustainably. It is applicable to all employees, Directors and third parties including subcontractors, vendors, agents, intermediaries, or joint venture partners that perform work 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's CoBE and the MHB Anti-Bribery and Corruption Manual (ABC Manual) have been endorsed by the Board of Directors. Complementing the MHB CoBE, the ABC Manual was introduced to observe the principles outlined in the CoBE and to enhance MHB's commitment in ensuring our 'Zero-Tolerance Policy towards Corruption' is well-adhered to.

Our ABC Manual outlines our adoption of the MHB Zero Tolerance Policy against all forms of bribery and corruption. While the CoBE sets out MHB's core principles in this regard, the MHB Anti-Bribery and Corruption Policy and Guidelines (ABC Manual) elaborates upon those principles, providing guidance to employees on how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business. It is also intended to apply to every director (executive and non-executive).

### Anti-Bribery and Corruption Policy Programmes

The effects of bribery are felt globally and pose a serious threat to sustained economic progress, business reputation, sustainability, and growth. We are committed to fighting corruption by encouraging and educating our Directors, employees and third parties not to engage in either direct or indirect corrupt activities. To ensure adherence to the Adequate Procedure Guidelines and to demonstrate to stakeholders that MHB has put in place internationally recognised best Anti-Bribery Management System (ABMS) practices and internal controls, MHB was certified with ISO 37001:2016 in 2019.

Having an effective ABMS may act as a defence to corporate liability for the following:

- The Malaysian Anti-Corruption Commission (MACC) Act; and
- Foreign jurisdictions such as the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.

## APPROACH AND ACHIEVEMENTS

### - Governance

Annual audit reviews to evaluate the effectiveness of ABMS implementation in MHB were performed by our appointed ABMS Internal Auditors in 2022, followed by recertification audit by SIRIM QAS International Sdn Bhd in early March 2022. Recertification was recommended for the next three-year cycle as no non-conformance was raised. During the said Annual Surveillance Audit (ASA), SIRIM QAS International Sdn Bhd confirmed that our ABMS was effectively implemented and no non-conformance was recorded during the audit.

#### Anti-Bribery Management System

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. 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 our 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 the Company for employees and members of the public which is governed by the Whistleblowing Policy. All persons lodging a complaint will be accorded the 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.



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

MHB has been certified with the ISO 37001: 2016 Anti-Bribery Management System (ABMS) since 2019. SIRIM QAS International Sdn Bhd is the certified certification body for MHB ISO ABMS in which MHB is certified for ISO 37001: 2016 (ABMS).

Having an effective ABMS may act as a defence for corporate liability against anti-bribery and corruption laws. Annual ISO ABMS internal and external audits are part of the ISO ABMS standard requirements and part of the continual improvements for an effective implementation of ABMS.

Each year, ABMS Internal Auditors will conduct the internal audit to ensure the effective implementation of ABMS. Subsequently, the external certification body SIRIM QAS International Sdn Bhd performs the Annual Surveillance Audit (ASA), which includes a review of the Internal Audit Report and findings. Complementing our internal audit, in May 2022, the ASA confirmed that our ABMS was implemented effectively. No non-conformance was recorded during the audit.

2022 also saw MHB being recertified with the ISO 37001:2016 ABMS which was recommended by the ASA and approved and endorsed by the SIRIM QAS International Sdn Bhd Board on 7 June 2022, with zero Non-Conformance Report (NCR) recorded.



#### Corruption Risk Exposure and Mitigation

MHB undertakes regular Corruption Risk Assessment (CRA) in order to:

- Identify the bribery risks the organisation might reasonably anticipate
- Analyse, assess, and prioritise the identified bribery risks
- Evaluate the sustainability and effectiveness of the existing controls to mitigate the assessed bribery risk

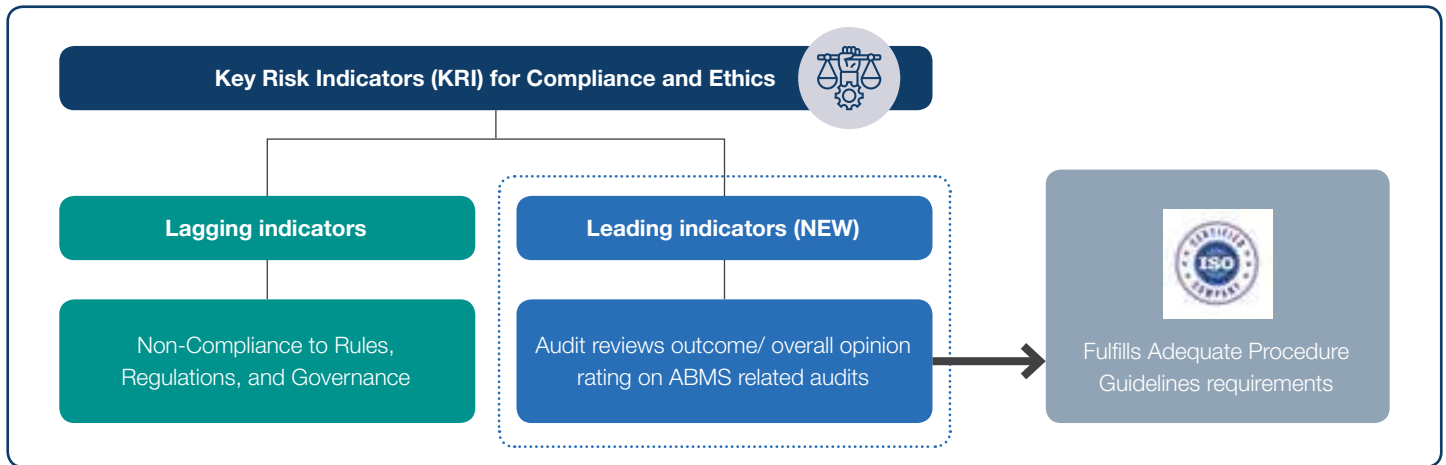
MHB has established criteria for evaluating its level of bribery risk, which takes into account the organisation's policies and objectives. The CRA is reviewed on a quarterly basis so that changes and new information can be properly assessed based on timing and frequency defined by the organisation.

Furthermore, in the event of a significant change to the structure or activities of the organisation, MHB retains documented information (Document and Record Control) that demonstrates that the CRA has been conducted and used to design or improve the anti-bribery management system.

## APPROACH AND ACHIEVEMENTS - Governance

### Corruption Risk Assessment

We perform our Corruption Risk Assessment (CRA) to identify, assess and evaluate bribery exposures within MHB. Following that, the Corruption Risk Register is updated and reviewed periodically to ensure the corruption risks, including its ratings and mitigation measures, are adequately captured to fulfil the requirements of ISO 37001:2016 ABMS and the Adequate Procedures Guidelines. Among of the mitigation actions taken was developing the Annual Anti-Bribery Key Performance Indicator (ABKPI) which lists personalised internal controls according to the relevant business and service units to address corruption risks identified in the register.



Key Risks Indicators for Bribery and Corruption

- Lagging Indicator KRIs: Reputational and Non-Reputational
- Leading Indicator KRI: ABMS related audits “Overall Opinion Rating”

### Third-Party Risk Management

To assess our third party risks, we are guided by our Third-Party Compliance Due Diligence Operational Guidelines (TPCDDOG). We conduct compliance due diligence on new and existing third parties and business partners as part of the Know-Your-Counterparty (KYC) process to better understand the counterparties, and evaluate and ensure that they are in compliance with all applicable laws and MHB CoBE requirements, policies and obligations.

The revised MHB Third-Party Compliance Due Diligence consist of Six CLAs which include Economic Sanctions/ Export Control Policy, Competition, Personal Data Protection, Human Rights and Ethics & Integrity. The initiatives are aligned with MISC’s TPCDDOG and PETRONAS Third-Party Risk Management.

### Competition Law Guidelines

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 Anti-trust / Anti-Competition Laws.

	<b>Number of legal actions pending or completed regarding anti-competitive behaviour</b>	<b>Total amount of monetary losses as a result of legal proceedings associated with charges of bribery or corruption</b>	<b>Total amount of monetary losses as a result of legal proceedings associated with charges of anti-competitive practices</b>
<b>2022</b>	0	0	0
<b>2021</b>	0	0	0
<b>2020</b>	0	0	0
<b>2019</b>	0	0	0



## APPROACH AND ACHIEVEMENTS

### - Governance

#### Project Risk Assessment

At MHB, the identified and monitored Six CLAs that pose risks to the Group are the international laws with extra-territorial effects, which if breached could result in high civil and criminal penalties with severe reputational impact to the Company. Hence before we embark on any contractual relationship with a third party, we conduct the compliance due diligence which takes into account potential targets or subject of sanctions.

As part of our Third-Party Compliance Due Diligence requirement and Project Risk Assessment (PRA) undertaken by business units, we ensure that we do not enter into business relationship with any entity or person which is the target or subject of Sanctions, including those directly or indirectly owned by a sanctioned entity or person. We will also not engage in any activity that would result in MHB being in breach of any Sanctions laws. In 2022, we recorded no non-compliance related to economic sanctions.

#### Sanctions

We are committed to complying with relevant economic sanctions and export control regulations by identifying, mitigating and managing the related risk in the jurisdictions we operate. MHB has MHB Economic Sanctions and Export Control Policy and Guidelines in place as our governing documents for all sanctions related matters.

The MHB Economic sanctions and Export Control Policy and Guidelines aims at putting forth:

- i. MHB's position in adhering to the applicable economic sanctions and export control regulations, which is consistent with international norms and standards;
- ii. Principles and measures that MHB adopts vis-à-vis economic sanctions and export control that include how MHB identify, mitigate and manage economic sanctions risk in the jurisdiction where it operates;
- iii. the guidance on the application of economic sanctions and export control as reflected in the Guidelines; and
- iv. the consequences of failing to comply with the Policy and the economic sanctions and export control regulations as a whole.

#### Personal Data Protection and Privacy

MHB is committed to complying with the applicable privacy and personal data protection laws and ensuring that our collection, use, processing and storage of personal data relating to our employees, Directors and the third parties with whom we work, 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:

- i. Consent - To obtain adequate consent from individuals.
- ii. 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.
- iii. Data Integrity - To keep an accurate, complete and up-to-date personal data that has been collected.
- iv. 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.
- v. Disclosure - To inform individuals concerned about the disclosure of their personal data to third party recipients.
- vi. Security - To keep personal data secured by protecting it with adequate and appropriate security safeguards.
- vii. 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 reviews and updates 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.

## APPROACH AND ACHIEVEMENTS - Governance

### Political Involvement Policy

Employees are prohibited from using their position in MHB to influence political contributions and support as stated in our MHB Code of Conduct and Business Ethics (CoBE) as well as in the Employee Handbook.

<p>The CoBE Part II G Clause 29.3 specifies:</p>	<p>“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.”</p>
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<p><b>1</b></p> <p><b>Political contributions are not permitted</b></p>	<p><b>2</b></p> <p><b>Facilities, resources and equipment cannot be used for political-related activities, campaigns or functions</b></p>	<p><b>3</b></p> <p><b>No form of financial assistance is received from the government</b></p>	
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### Lobbying Approach

MHB employees are required to comply with local laws concerning lobbying in any jurisdiction in which MHB engages in lobbying activity, if any.

<p>The CoBE Part II B Clause 12.4 specifies:</p>	<p>“You must comply with local laws concerning lobbying in any jurisdiction in which MHB engages in lobbying activity. Prior to engaging in lobbying activities, you should obtain guidance from your Head of Division.”</p>
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### Conflict of Interest Declaration

A conflict of interest occurs when one’s personal interests, be it family, friends, financial, or social factors, could compromise their judgment, decisions, or actions in the workplace. Conflict of Interest (COI) Disclosure is part of the assurance exercise in relation to Avoidance of Conflict of Interest, where potential or actual situations of conflicts are identified and adequately mitigated.

We have to ensure that appropriate measures are being taken so that it poses no risks to our business as well as our Directors and employees. Further to that, our employees are obliged to inform the Company if there are any changes to the declaration within seven (7) days from the occurrence of the conflicts/ changes. The Declaration can be made on the MHB intranet portal or submit a manual form to the Human Resource (HR) Department through the designated HR Business Partner for every business and service unit. All declarations are properly reviewed and analysed and any necessary mitigation steps are communicated to those involved.

### Whistleblowing Channel

All our employees and members of the public can report any suspected unethical, unlawful conduct and/or CoBE non-compliance involving MHB or its employees, using our Whistleblowing platforms. Our Whistleblowing Policy applies to every employee, Director and Management at MHB.

MHB has established a Whistleblowing Policy along with the relevant mechanisms to provide 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 CoBE, ongoing talks and trainings are organised for new recruits as well as for existing employees.

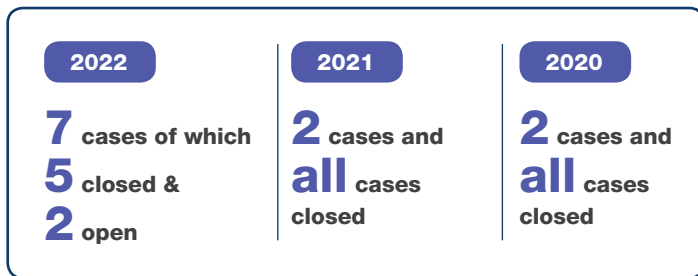
## APPROACH AND ACHIEVEMENTS

### - Governance

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 noncompliance with MHB CoBE, other internal policies and procedures as well as international and local applicable laws on a strictly confidential basis.

#### Whistleblowing cases recorded and dealt with:



#### 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. We will continue to strengthen our human rights culture by conducting training and awareness programmes for our employees.

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, parttime 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.

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 through the Whistleblowing channels which also act as Grievance channel for MHB (GM Platform): [whistle@mmhe.com.my](mailto:whistle@mmhe.com.my). MHB did not receive any grievance complaint throughout 2022.

We will continue to monitor and determine the Human Rightst risks and impacts associated with the business by planning to conduct Social Risk Assessment in 2023.

To ensure human rights in our supply chain, we continued to enforce the requirement for all third parties we engage with to sign the MHB Declaration and Integrity Pledge. Our Third-Party Compliance Due Diligence assessment also includes the assessment of human rights related risks in line with our Responsible Supply Chain programme.



#### Ensuring a Harassment Free Workplace

Under Part III (5) of the CoBE, MHB provides for the physical, emotional and psychological well-being of our employees. In line with this, MHB is committed to ensuring a harassment free workplace, including sexual harassment. In 2022, we developed the Terms of Reference of the Workplace Harassment Complaint Committee (WHCC) to address any issue on workplace harassment including sexual harassment to be escalated to the next appropriate party i.e. the Investigation Unit or Industrial Relations Department for further action.



## APPROACH AND ACHIEVEMENTS - Governance

### MyAssurance

MHB has an Integrated Assurance platform named MyAssurance is in place to capture all lines of assurance throughout the business. The CLA Functional Checklist embedded in MyAssurance is a self-assessment tool to assess our operations' legal compliance status and identify potential areas of weakness, non-compliance and/or unsound practices, including bribery and corruption, money laundering, conflict of interest, economic sanctions, export controls, competition, human rights, modern slavery and data protection. Corrective actions are put in place to address any identified gaps.

### Internal Audits on Compliance-Related Areas

The compliance Unit conducted Internal audit ABMS FY2022 between 19-25 January 2022 prior to ABMS Re Certification Audit with Common Findings to enhance the ABKPI template and include the threshold to measure and monitor achievement for each objective.

Continuous improvements are necessary in order to detect and mitigate potential non-compliance. For our continual improvement in terms of sustainability, the suitability, adequacy and effectiveness of our compliance and ethics programmes is review by the internal audit function. This is conducted during the annual ISO ABMS internal and external audits.

All our compliance and matter are monitored and reported on a periodical basis:



**1**

Legal, Compliance and Ethics related matters are reported to the Board as the governing body for good governance to ensure the objectives of the Governance Pillar strategic priorities are effectively implemented.



**2**

Whistleblowing related updates are reported to the Board via the Board Audit Committee (BAC) in line with the highest standards of integrity expected of the Company and its employees, as well as the Malaysian Code of Corporate Governance 2021.

In 2022, Whistleblowing reporting to the BAC were conducted as follows:

BAC 01/2022	BAC 02/2022	BAC 03/2022	BAC 04/2022
Quarterly Update WB Cases	Quarterly Update WB Cases, Update on ABMS Performance Summary	Quarterly Update WB Cases	Quarterly Update WB Cases
<b>9 February 2022</b>	<b>9 May 2022</b>	<b>5 August 2022</b>	<b>4 November 2022</b>

## APPROACH AND ACHIEVEMENTS

### - Governance



## GOVERNANCE PILLAR CYBERSECURITY

#### OUR COMMITMENT

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

#### OUR INITIATIVES

Strengthen Cybersecurity Governance through:

- Cybersecurity Governance Framework and Cybersecurity Strategy
- Cybersecurity Awareness and Training Programmes

#### OUR CONTRIBUTION TO UNSDG



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Promote peace, justice and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



In 2022, MHB has further enhanced our cybersecurity posture through the introduction of new security protocols and mechanisms. Our cybersecurity framework helps protect sensitive company information such as financial data, personal information of customers and employees and trade secrets. It reduces and mitigates our risk of data breaches, hacking attacks and other cyber threats which can result in loss of revenue, damage to reputation and legal liabilities. As our business is increasing its digitalization drive and technology is pervading various aspects of our business, strong cyber resilience is critical for MHB to protect the security of our assets and ensure our long-term success and sustainability.

#### CYBERSECURITY GOVERNANCE

MHB's Cybersecurity Governance Framework is closely aligned with the MISC Cybersecurity Controls. Our framework outlines cybersecurity policies and procedures, cybersecurity control standards and a consistent approach to cybersecurity risk management.

In 2021, we rolled out the MHB Cybersecurity Strategy which was developed 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.

Within our day-to-day operations, our ICT teamwork in close collaboration with MISC Group ICT on incident identifications, escalations and remediation for identified cybersecurity incidents. We have also adopted the MISC Cybersecurity Incident Response Playbook as response plan when confronted with potential cyber hacks and data breaches.

Quarterly updates are provided on cybersecurity initiatives to the IT Steering Committee which includes representatives from both MHB and MISC. As well as that, we also participate in weekly MISC Group-level meeting updates among MISC business units.

## APPROACH AND ACHIEVEMENTS - Governance

### STRENGTHENING CYBERSECURITY

In 2022, MHB’s ICT Department have stepped up on fortifying our cybersecurity standards, guidelines and technologies through close collaborations with MISC Group HSSE and Group ICT to improve our cybersecurity posture.

In line with our Five-year Cybersecurity Plan in 2022, we have applied policies and procedures from MISC Group for MHB’s ICT operations. We have also adopted the Secure Software Development Live Cycle (SSDLC).

Among the actions we undertook in 2022 are:

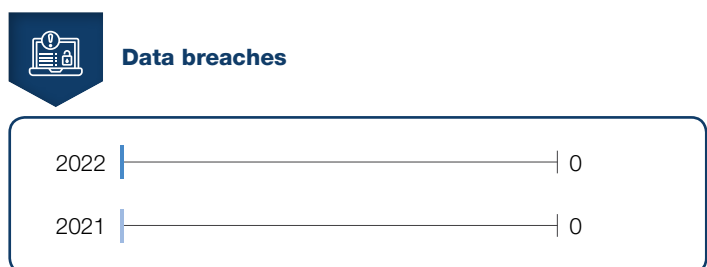
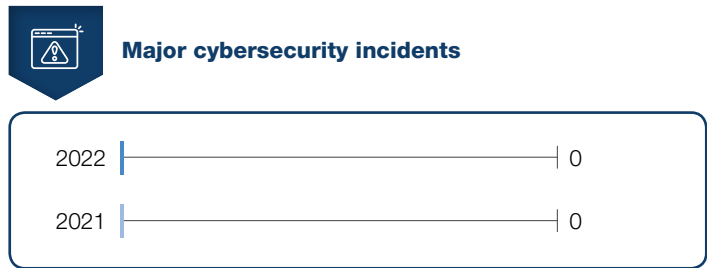
- a. Participating in the MISC Vulnerable Assessment and Pentest (VAPT) 2022 to identify undetected vulnerability and to resolve the findings within timeline;
- b. Microsoft Intune optimisation for all ICT devices to have visibility over and secure MHB Managed Devices when accessing to MHB ICT resources; and
- c. Conversion from legacy authentication to modern authentication for secure Microsoft 365 email access.

We have continuously improved our cybersecurity process and infrastructure to close cybersecurity gaps by implementing relevant controls to safeguard our IT infrastructure and safeguard our information against internal and external cyber threats. In 2022, MHB ICT Department undertook the following actions to mitigate cybersecurity risks identified on our infrastructure and services:

- Conducted cybersecurity awareness campaigns on monthly basis or as when required via ICT announcements, cybersecurity briefings and cybersecurity talks
- Install the latest patch and updates on all MHB devices
- Ensure SPAM Filter Protection and Blacklist is in place
- Ensure security system in place between internal and external traffic
- Implemented Intrusion Preventive System devices at network level
- Implemented Advanced Threat Protection at server level
- Enforcement of Network Access Control (NAC) and Access Control Level to prevent any unrecognised devices from accessing the MMHE environment
- Perform penetration and vulnerability assessments
- Real-time monitor and activity analysis on MMHE ICT infrastructure and services
- Implemented Multi-Factor Authentication (MFA)
- Schedule Antivirus updates and scanning on computers
- Define disruption time and recovery taken based on criticality of systems
- Ensure readiness of cloud Disaster Recovery (DR) server for service continuity for eApps, ePortal and Project Apps

### PROMOTING A CYBERSECURITY AWARE CULTURE

Our employees play a crucial role in protecting MHB’s cyber assets. As such, it is important to promote and instill importance of cybersecurity education through awareness poster via staff portal and email blast, and interaction training. Cybersecurity trainings are conducted on monthly basis to all MHB staff. In 2022, we have conducted total of 15 training sessions for 609 staff and clocked up to 60 hours of training time. We also conducted the Cybersecurity Awareness Programme 2022 in which to highlight the importance of data security and the proper use of IT systems especially computers and mobile devices.



APPROACH AND ACHIEVEMENTS - Governance



**GOVERNANCE PILLAR RESPONSIBLE SUPPLY CHAIN**

**OUR COMMITMENT**

To drive sustainable practices with partners, vendors & subcontractors

**OUR INITIATIVES**

- ESG Supply Chain Assurance Programme
- Vendor Management Integrated System
- Vendor Development Programme
- Supply Chain Awareness Programme
- Combining ESG with Digital Procurement

**OUR CONTRIBUTION TO UNSDG**



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Through the Responsible Supply Chain strategic priority, MHB is including our supply chain of partners, vendors and subcontractors in our organizational journey to create meaningful value for the economy, society and the environment as we progress towards a sustainable future.

Our Code of Business Ethics (CoBE) lays out our business integrity, health and safety and human rights commitment that we expect from our supply chain. We believe engendering close collaborations with our partners, vendors and subcontractors is crucial to ensure the continuity of our business operations without any disruptions as well as delivering on projects and services in line with customers needs and expectations.

## APPROACH AND ACHIEVEMENTS - Governance

### ESG SUPPLY CHAIN ASSURANCE PROGRAMME

MHB’s Responsible Supply Chain strategic initiative is aligned with MISC Group and seeks to drive sustainable practices within our supply chain utilising the following approach:

- Define and classify critical supply chain
- Develop and conduct ESG self-assessment and assurance framework
- Monitoring performance and improvement
- Collaboration opportunities on low carbon, circular economy, or environmentally friendly products

#### Our Approach

##### 1. Definition of critical supply chain

These are critical suppliers whose goods, materials, services including intellectual property (IP) / patents who meet any of the following criteria:

- Suppliers that can cause significant impact on the competitive advantage, market success or survival of the Company
- Suppliers of critical components and non-substitutable suppliers
- Suppliers with high-risk activity i.e high HSSE impact

Within MHB’s operations, our critical supply chain are those who provide specialized materials and services as follows:



#### Material

- 1 Gases
- 2 Diesel/ Biodiesel
- 3 Pedastal Crane

#### Services

- 1 Transportation & Installation
- 2 Lifting Services - Forklift and Crane
- 3 Weighing and Loadout Services
- 4 Hook-up & Commissioning - Marine Spread
- 5 Blasting & Painting

##### 2. Develop and conduct ESG self-assessment and assurance framework

ESG Assurance Checklist to gather basic information on the sustainability agenda of our supply chain. The ESG Self-Assessment questionnaires were conducted via the Vendor Onboarding process for selected vendors. The objective of the self-assessment is to identify and assess vendors’ ESG practice in their business as well as opportunities for collaboration on sustainable products and services. As of end 2022, we have engaged with a total of 18 vendors in our supply chain.

- MHB Vendor Management has conducted the engagement with vendors on the awareness program together with Corporate Sustainability MHB by considering the followings:
  - Develop supply chain ESG risk profiles on the topics of climate action, pollution prevention, health and safety, human rights, and business ethics by exercising of Scope 3 Materiality Assessment for strategic plan in 2023;
  - Create awareness, influence, and set ESG expectations for supply chain; and
  - Identify opportunities for supply chain collaboration on low carbon, circular economy, or environmentally friendly products.

##### 3. Monitoring Performance and Improvement

MHB’s Vendor Management and Corporate Sustainability Departments monitor our vendors performance and improvements guided by our Five-year ESG Strategic Plan. ESG Touchpoints have been embedded within the supply chain process through ESG Assessments that are conducted during Vendor Onboarding through the PANTHERA initiative and COUPA CRA (Contractor Risk Assessment). In 2022 expanded our GHG monitoring scope to include Scope 3 Materiality which covers data relating to our supply chain that impacts GHG and carbon emissions arising from activities conducted in the value chain from sources that are not owned or controlled by MHB.

##### 4. Collaboration opportunities on low carbon, circular economy, or environmentally friendly products

Our Five-year ESG Strategic Plan enables MHB Vendor Management to monitor and identify opportunities for supply chain collaboration on low carbon, circular economy, or environmentally friendly products. This will be a key factor that will feed into MHB’s future development of low carbon solutions and services.

## APPROACH AND ACHIEVEMENTS

### - Governance

#### Vendor Registration Due Diligence

Before engaging any third-party, MHB requires all vendors to complete the Know Your Counterparty (KYC) Questionnaire as part of our enhanced risk assessment process. As well as that, we also have CoBE for third parties which outline our core principles on expectations covering ethics and integrity, competition, sanction and export control, and data privacy.

We expect all our partners, vendors and subcontractors to adhere to all the laws and regulations, as well as CoBE expectations that are relevant to them when performing work and services for MHB. On top of that, all vendors are mandated to sign and comply with the MHB Declaration of Integrity Pledge (DIP) which declares compliance on our CoBE, Anti-Bribery Corruption Manual, policies, procedures, standards and governance relating to all applicable laws, rules, orders, decrees or regulations relating to anti-bribery, fraud and corruption.

#### ESG Contractual Terms

All contracts MHB enters into with our vendors sets out clauses that cover various ESG matters. Our contracts require suppliers' performance to be guided by the principles and standards outlined in the Code of Business Conduct and their policies on ethics and conduct.

#### Vendor Performance Evaluation

Upon the award of the contract, MHB conducts an ongoing Vendor Performance Evaluation process to ensure that contractual obligations including ESG matters are monitored and periodically reviewed. MHB is currently digitalizing, improving, enhancing an optimizing the vendor performance evaluation process in the PANTHERA project under Cheeta2 system. The ESG implementation is monitored and reviewed group-wide via COUPA CRA system.



#### Vendor Performance Evaluation

Year	Good (%)	Average (%)	Poor (%)	Total Vendors
2022	47	24	29	38 Vendors
2021	30	61	9	122 Vendors
2020	30	62	8	196 vendors

#### ESG Supply Chain Self-Assessment Programme

In 2022, MHB implemented the ESG Self-Assessment Framework in addition to our Vendor Performance Evaluation. We engaged with five vendors on Scope 3 awareness which was conducting during the Vendor Onboarding.

Our Self-Assessment Framework comprises 7 ESG matters as follows:

- Sustainability Strategy and Climate Action
- HSE & Security
- Ethics and Integrity
- Competition Law
- Data Privacy and Information Security
- Sanction / Export Control
- Human Rights

Our vendors ESG profiles are classified according to the following categories:

- Needs Improvement: The organisation's ESG practices fall below industry best practice expectations and/or legal requirements and would require attention to improve in order to be aligned with MISC Sustainability expectations.
- Meets Some Requirements: The organisation ESG practices generally meet some minimal industry best practice expectations but would require some effort to improve in order to be fully aligned with MISC's Sustainability expectations.
- Meets Requirements: The organisation ESG practices meet MISC expectations and would require continual improvements to continuously be fully aligned with MISC Sustainability expectations.

In 2022, our ESG Self Assessment found that:

- Four vendors were classified as 'Meet Some Requirements'
- One vendor was classified as 'Meets Requirement'
- One vendor was pending follow-up, with results expected in 2023

#### VENDOR MANAGEMENT INTEGRATED SYSTEM

MHB's online Vendor Management Integrated System (VMIS) enables the registration of vendors registration, facilitates the subcontractor expansion initiative, and provides the platform for vendor assessments and vendor audits. VMIS acts as a centralised vendor database which has strengthened the functionality of our Supply Chain Management (SCM). Two-way communication platforms have been established between MHB parties and the vendor to facilitate the communication of information and feedback.

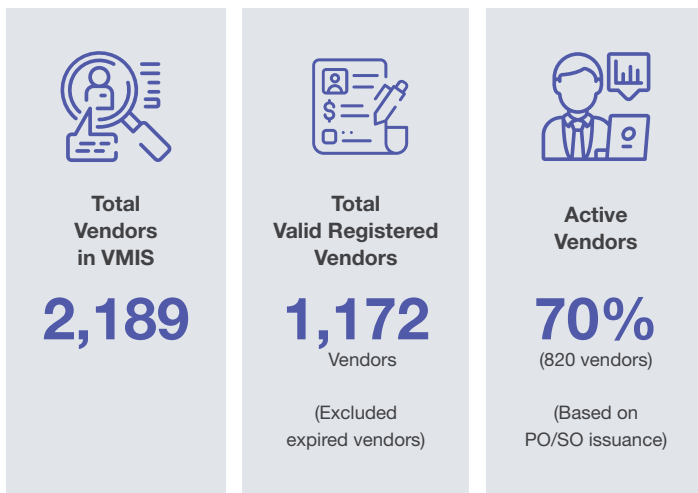
## APPROACH AND ACHIEVEMENTS - Governance

In 2022, we enhanced our SCM by expanding the scope of information required for vendor registration. This now includes vendors submission of information pertaining to requirements of the Construction Industry Development Board (CIDB), reports on RED financial standing, and other relevant report from vendors upon registration 90 days prior expiry.

As part of continuous improvement, MHB SCM in 2021 has launched initiatives of Reinventing SCM and the project was named PANTHERA. Under PANTHERA project, MHB SCM establishing digitalization system for Vendor Onboarding as a solution to gain more right vendors. The system known as Cheeta2. It is a cloud-based procurement system that allows the users to pull information from vendor databases to perform analysis, especially in selecting the right vendors, right products, and right strategies, as well as assisting in determining the right price.

As of December 2022, MHB has gained 9,014 vendors that register their interest of becoming MHB's partners via "Be Our Partners" advertisement in MHB website/ portal.

### Utilisation of VMIS in 2022



### VENDOR DEVELOPMENT PROGRAMME

MHB is a participant of our parent company PETRONAS' Vendor Development Programme (VDPx). This ensures that our delivery on projects to customers are in line with PETRONAS' requirements to exceed customer expectations.

In 2021, MHB had implemented VDPx by setting Key Performance Indicators (KPIs) for our vendors to participate in programmes conducted by Industry Enablers that had been identified as 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.

2022 saw the completion of the tenure of the VDPx cohort from 2019. We have reviewed our vendors participating in the programme and submitted our recommendations to the PETRONAS VDPx Team which is currently being review and assessed.

### SUPPLY CHAIN AWARENESS PROGRAMME

In 2022, MHB shared our ESG Agenda during the Vendor Onboarding process as well as during the Subcontractors and Vendors Engagement (SAVE) 2022 event. SAVE was held on 7 December 2022 and saw 40 participants from MHB and 92 from vendors/subcontractors who attended the session physically, while another 87 vendors/subcontractors and MHB staff joined virtually via Microsoft teams.

As an effort to promote awareness in reduce carbon footprint within our value chain, MHB's Sustainability representative shared on the fundamental principles of GHG emissions. During the session, MHB also required vendors/subcontractors' to provide their commitment in delivering long-term shareholder value by operating safely, sustainably, and responsibly to sustain positive impacts on the environment and society, as well as to join us on our journey to achieve net-zero by 2050.

 Refer to Stakeholder Engagement Pillar on page 200 for more information on SAVE.

### COMBINING ESG WITH DIGITAL PROCUREMENT

Through the PANTHERA project which is digitalizing our procurement processes, MHB is combining ESG with digital procurement. In 2022, we progressed with this project on the following fronts:

- Approved Vendor Onboarding Manual with 100% completion of Technical Questionnaires
- Through the Vendor Onboarding process, Vendor Management successfully onboarded 8,014 vendors by end of August 2022
- Under PANTHERA project, MHB SCM successfully engaged the system implementor (SI) to develop the Vendor Onboarding (VOB) system also known as Cheeta2(CT2) in December 2022, with complete System Requirements and Design Documents (SRDD). The target is to go live in 2023
- Achieved 100% completion on data mining with producing weight and price comparison for four projects
- Completed six manuals namely Business Development Manual, Master Service and Maintenance Contract and Material Equipment Frame Agreement Manual, Commercial Bidding Manual, Category Management Manual, Vendor Onboarding Manual and Material and Service Estimation during Bidding Phase

 Refer to page 123 of Financial Pillar for more details on PANTHERA Project.

APPROACH AND  
**ACHIEVEMENTS**  
**- Stakeholder Engagement**



**STAKEHOLDER  
 ENGAGEMENT**

**OUR COMMITMENT**

To create value through trusted stakeholder relationships

**OUR PRINCIPLES OF  
 ENGAGEMENT**

- Collaborate with strategic partners
- Promote sustainability awareness
- Communicate effectively through identified platforms

- Feedback sought regularly from stakeholders
- Transparency through disclosures on sustainability performance

**OUR INITIATIVES**

- To collaborate with strategic partners and regularly seek feedback on sustainability agenda
- To transparently promote and communicate sustainability agenda through disclosures

**OUR CONTRIBUTION TO  
 UNSDG**



Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.




## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

MHB conducts regular stakeholder engagements to help us remain connected with the interests of key stakeholder groups that can impact the success of our business. By regularly engaging with and responding to our stakeholders, we are able to use their feedback to set our priorities that drive our sustainability agenda. In this way, we are able to create meaningful value for all our stakeholders through our sustainability agenda. The Stakeholder Engagement Pillar is thus an important part of our Sustainability Strategy in ensuring that we continuously create value for our stakeholders as well as our business and further strengthening trusted stakeholder relationships.

Regular engagements are conducted with our stakeholder groups, to obtain feedback on economic, environmental, social and governance matters. These engagements are conducted through a spectrum of platforms and activities such as townhalls, meetings, surveys, participation in industry groups and representation in industry forums. We believe in transparently communicating the efforts and outcomes of our sustainability agenda, as the foundation for strong relationships of mutual trust with our stakeholders.

The following table are our key engagements conducted in 2022.

### Health, Safety, Security and Environment

Engagement Platform	Detail of the Engagement	Outcomes from the Engagement
MHB River Rehabilitation Programme with Pasir Gudang City Council	<b>Date:</b> 10 December 2022 <b>Location:</b> Sungai Buluh, Pasir Gudang	Established a strategic three-year roadmap to drive key initiatives.  Refer to page 141 of Biodiversity Conservation.
Malaysian Society for Occupational Safety and Health (MSOSH) Award	<b>Date:</b> 21 December 2022 <b>Location:</b> Kuala Lumpur, Malaysia	Recognition for delivering HSE at Workplace.  Refer to page 156 of Workplace Health & Safety.
Program Bersama Jabatan Kesihatan Negeri Johor	<b>Date:</b> 13 June 2022 <b>Location:</b> Auditorium, MMHE West Yard	Share knowledge and information on our occupational health programmes.  Refer to page 198 for the short article.
Kasawari Topside Drill with Bomba	<b>Date:</b> 13 July 2022 <b>Location:</b> Fab 5, MMHE West Yard	Enhancing emergency responds and preparedness at high-risk working areas.
PAGEMA Exercise (Bomba, KKM, Polis, DOSH, NADMA)	<b>Date:</b> November <b>Platform:</b> Virtual	Bringing together government agencies and high-risk industries for contributing effort in managing any emergency at Pasir Gudang and Tanjung Langsat industrial area.

### Stakeholder Engagement Governance

MHB adopts the MISC Group Stakeholder Engagement Guidelines as the basis of our structured approach and process on stakeholder engagement. The objective of our stakeholder engagement strategy is to identify and understand key stakeholders as well as build trusted and sustainable relationships with all our stakeholder groups. Additionally, it also helps MHB identify risks and opportunities and address concerns raised in a proactive manner.

### GOVERNMENT & REGULATORS

MHB believes in proactively and continuously ensuring complete adherence to all legal requirements that are pertinent to our business. We maintain ongoing dialogues with various government bodies and regulators that determine the licence and scope of our business activities.

## APPROACH AND ACHIEVEMENTS

### - Stakeholder Engagement

#### Health, Safety, Security and Environment

Engagement Platform	Detail of the Engagement	Outcomes from the Engagement
National Pre-Hospital Care Engagement (organised by Hospital Sungai Buloh)	<b>Date:</b> 16 October 2022 <b>Location:</b> White Camp Resort, Balik Pulau, Penang	National Pre-Hospital Care Engagement has been the flagship for pre-hospital care teams to showcase their skills in the wilderness environment since 2017. Each team will show that they have the best knowledge, endurance and speed to provide exceptional care for their patients in austere environment.

#### Fortifying Stakeholder Engagement: MHB welcomes delegates from Jabatan Kesihatan Negeri Johor

In 13 June 2022, MHB welcomed delegates from Jabatan Kesihatan Negeri Johor (JKNJ), where a group of 20 medical officers led by Pn Jeyanthini Sathasivam, Assistant Director, came for a familiarisation visit. The visit was conducted at MMHE West, Pasir Gudang, Johor with the aim of sharing knowledge and information on our occupational health programmes. We also shared our CSR initiatives for the community and our environmental sustainability programmes with the JKNJ delegates.

#### Facilities and Asset Services

Engagement Platform	Detail of the Engagement	Outcomes from the Engagement
Visit from the Royal Malaysian Customs Department (RMCD), Johor Branch	<b>Date:</b> 15 November 2022 <b>Location:</b> MMHE West Yard	Discussions between JKDM Pasir Gudang and MHB regarding wharf activities or operation and new updates for renewing our application in 2023.
		<b>No. of Participants:</b> <ul style="list-style-type: none"> <li>• 10 from MHB</li> <li>• 11 from RMCD</li> </ul>

#### INVESTMENT COMMUNITY

MHB practices transparency in our communications with the investment community towards delivering financial value to our shareholders and investors. Through regular engagements held throughout the financial year, MHB ensures that we provide all pertinent information relating to our business encompassing our strategic outcomes, growth potential, governance and ethical standards, as well as social and environmental impacts.

Type of Engagement	Frequency
Annual General Meeting (AGM) and Integrated Annual Report (IAR)	Yearly
Analyst Briefings	Bi-annually
One-on-one/ large group meetings	As required
Investor Relations web page and corporate website	As required
Emails	As required

## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

The following table are our key engagements conducted in 2022.


Activity	No. of engagements	No. of participants	Outcome
<b>Meetings and Briefings</b> <ul style="list-style-type: none"> <li>- Two-way communications with analysts, fund managers and shareholders throughout the year through regular one-on-one meetings, small group sessions and analyst briefings</li> </ul>	Bi-annually (Analyst Briefing)  1 (one-on-one meetings and small group sessions)	<b>29</b>	<ul style="list-style-type: none"> <li>- Disseminated complete, transparent and timely information to the investment community to facilitate informed decision making</li> <li>- BUY recommendation remained the majority throughout the year</li> </ul>
<b>Reports</b> <ul style="list-style-type: none"> <li>- Company's quarterly financial results were announced in the Quarterly Financial Reports and presentations</li> </ul>	Quarterly	N/A	
<b>Corporate Website</b> <ul style="list-style-type: none"> <li>- Provide a real time report on MHB's share price, presentations, annual reports, announcements and press releases to the shareholders on MHB's corporate websites</li> </ul>	N/A	N/A	Timely disclosure of all material uploaded in website
<b>Annual General Meeting</b> <ul style="list-style-type: none"> <li>- 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</li> </ul>	Annually	<b>773</b>	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
<b>Analyst Visit</b> <ul style="list-style-type: none"> <li>- Organised a visit to MMHE West Yard with covering analysts to get a better understanding of the businesses and operations within the Group</li> </ul>	Annually	<b>11</b>	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

## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

### SUPPLIERS/VENDORS

MHB's vendor management approach in engaging with our suppliers and vendors is aligned with MISC Group's approach.

The following are details of engagements conducted in 2022.

Engagement Platform	Detail of the Engagement	Outcomes from the Engagement
Virtual and physical meetings	60 engagements conducted as follows: <ul style="list-style-type: none"> <li>• Poor performance (15)</li> <li>• Expansion (15)</li> <li>• Problematic vendor at Bokor Project (10)</li> <li>• Contract matter (12)</li> <li>• Update information (6)</li> <li>• Security cases (2)</li> </ul>	<ul style="list-style-type: none"> <li>• Cover potential areas of improvements</li> <li>• Obtain feedback from suppliers/subcontractors</li> </ul>
Virtual and physical business partners events	Subcontractors and Vendors Engagement Day (SAVE) 2022  Refer to story below.	<ul style="list-style-type: none"> <li>• Creates an opportunity for the top management of MHB, subcontractors and vendors to demonstrate their commitment to partnerships and projects</li> <li>• Boosting vendors and subcontractors' motivation to maintain their performance in complying with contractual requirements</li> <li>• Platform to recognise vendors and subcontractors' good performance</li> </ul>

### Strengthening partnerships with our vendors and subcontractors : Subcontractors and Vendors Engagement (SAVE) 2022

During the year, MHB organised SAVE 2022 as a platform to deepen our engagement and partnerships with subcontractors and vendors. The event was conducted through the dual modes of a physical and virtual event, themed "Intensifying Cultural and Digital Transformation Towards Sustainability". Through the event, MHB Management, subcontractors and vendors were able to enhance working relationships by engaging in two-way communications. The session was physically attended by 40 MHB participants and 92 vendors and subcontractors, while 87 vendors and subcontractors and MHB participated virtually via Microsoft Teams.

SAVE 2022 kicked off with opening remarks by the MD & CEO of MHB Encik Pandai Othman discussing the Company's strategy, MHB's financial turnaround from loss to profit and re-emphasising our culture, rules, and regulations. He also expressed his gratitude to our vendors and subcontractors for their relentless commitment, contribution, and support towards MHB's projects. As an effort to motivate our partners towards maintaining and increasing their performance in complying with their respective contractual requirements, we also presented awards during the event in recognition of our subcontractors' and vendors' hard work.

Key topics presented during SAVE include:

- Critical challenges and opportunities faced by us and our partners, and how we thrive collectively in delivering project excellence to our customers following the recovery of the oil and gas industry and the rise of in demand for cleaner energy
- Digitalisation of our supply chain management and how our partners can benefit from this
- Amplifying process optimisation that is critical to ensure our competitiveness and business sustainability

## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

### CUSTOMERS

Towards ensuring that we provide our customers with the highest quality project delivery, MHB has embedded various engagement platforms to listen to what our customers have to share and to proactively respond to any issues or concerns they may have.

The following are details of engagements conducted with our customers in 2022.

#### Heavy Engineering Business: Conference and Event

Engagement Platform	Detail of the Engagement	Objectives of the Event
Offshore Technology Conference (OTC) Asia  (Physical Event)	<b>Date:</b> 22 - 25 March 2022 <b>Location:</b> Kuala Lumpur Convention Centre	The biennial Offshore Technology Conference Asia (OTC Asia) is where energy professionals meet to exchange ideas and opinions to advance scientific and technical knowledge for offshore resources and environmental matters.
Sabah Oil & Gas Conference & Exhibition 2022  (Physical Event)	<b>Date:</b> 9 - 10 June 2022 <b>Location:</b> Sabah International Convention Centre, Kota Kinabalu	Sabah Oil, Gas & Energy Conference & Exhibition is a major event servicing the Malaysian state of Sabah's oil, gas & energy industry. The show brings together suppliers and buyers under one roof in a dynamic environment featuring the latest in technology and unparalleled industry networking.
EIC Meet the Energy Players in Vietnam  (Physical Event)	<b>Date:</b> 10 - 11 August 2022 <b>Location:</b> Ho Chi Minh City, Vietnam	Business-matching event for EIC members who are keen to establish business relationships and expand their customer base with key energy players in Vietnam.
Saudi Aramco Offshore Projects Conference  (Physical Event)	<b>Date:</b> 24 - 25 October 2022 <b>Location:</b> Khobar, Saudi Arabia	Forum to showcase offshore capabilities, share new technology applications, demonstrate innovative solutions in the arena of Offshore Projects with a focus on oil and gas facilities. Major offshore industry leaders including various Offshore Contractors for Engineering and Construction, Subcontractors, suppliers and multiple Saudi Aramco Organisations attended this forum. This year, MHB representatives met with Aramco's Vice President to express MMHE's interest in Aramco's Project.
Oil & Gas Asia 2022 (OGA)  (Physical Event)	<b>Date:</b> 13 - 15 September 2022 <b>Location:</b> Kuala Lumpur Convention Centre	OGA has played a pivotal role in bringing together a thriving platform for industry professionals to meet, source for latest solutions and tap business opportunities in the O&G sector. It creates a vibrant atmosphere to network with representatives from government and key industry groups.

## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

### Heavy Engineering Business: Conference and Event

Engagement Platform	Detail of the Engagement	Objectives of the Event
Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) 2022  (Physical Event)	<b>Date:</b> 31 October - 3 November 2022 <b>Location:</b> Abu Dhabi	As the world's largest annual gathering of energy industry professionals, ADIPEC, hosted by the Abu Dhabi National Oil Company (ADNOC), and addresses the critical challenges and opportunities in a collective future where energy is secure, affordable and sustainable.
PETRONAS Installation Technical Forum  (Physical Event)	<b>Date:</b> 8 November 2022 <b>Location:</b> KL Convention Centre	The event proposed by the Offshore Installation Section of Construction and Decommissioning Delivery (DCI / CDD) Community of Practice (COP) showcases and strengthening collaborations with solution partners and industry by bringing together experts to share their knowledge and perspective and help navigate the future of offshore installations.
Offshore Southeast Asia (OSEA)  (Physical Event)	<b>Date:</b> 15 - 17 November 2022 <b>Location:</b> Marina Bay Sands, Singapore	OSEA returned in 2022 as an in-person event at the forefront of offshore oil, gas and emerging zero carbon energy sources. Embracing decarbonisation and digitalisation, OSEA focuses on developments in the O&G industry and also showcases opportunities in offshore wind and hydrogen.
MOGSC-MGA Industry Gala Dinner  (Physical Event)	<b>Date:</b> 23 November 2022 <b>Location:</b> Intercontinental Hotel, KL	MOGSC is a premier business forum representing the interests of the O&G service providers. In 2022, MOGSC held an Industry Gala Dinner as a networking platform.

### Customer Satisfaction Survey in 2022

MHB conducts regulator Customer Satisfaction Surveys (CSS) to gauge our customer service levels and find ways to improve our service delivery. CSS is conducted each half yearly for heavy engineering projects, and also upon the completion of drydocking repair projects, with three-month intervals for ship conversion projects.

	Customer Satisfaction Survey Index Results (OVERALL)			Number of Customer Feedback Obtained			Number of Customer Complaints Dealt With		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>Marine</b>	8.2 point	8.4 point	7.8 point	54	91	78	42	12	97
<b>Heavy Engineering</b>	7.2 point	6.8 point	6.6 point	3	2	2	7	Nil	Nil

## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

### Customer Relationship Management

Both our HE and Marine segments' business development departments devise their own customer marketing plans, and utilise their own budgets to drive marketing activities. These are conducted through marketing campaigns, customer visits, participation in trade exhibitions and conferences and memberships in related associations. As for yard projects, both the operations and business departments of our HE and Marine segments conduct continuous engagements to ensure high standards of customer care.

### Customer Complaints and Grievance Mechanisms

Our HE and Marine segments conduct frequent customer feedback exercises to effectively deal with any complaints they may have. We continuously enhance our service levels to meet customer demands, as well as evolving industry standards and requirements. Our customer complaints and grievance mechanisms are conducted through the following means:

- Conduct and develop a Customer Feedback Report (CFR) at the completion of each project for marine repair work orders
- Conduct a CFR each half yearly for heavy engineering projects
- Ensure that all complaints received from customers are responded to within 14 working days, or an agreed upon timeline with a Customer Feedback Follow-Up Report (CFF)

### EMPLOYEES

Our employees are the heart of the Company, as the talent force driving our value creation activities. We have a wide spectrum of employee facing engagements in place, which ensure that our people remain engaged and motivated in their jobs. The following are details of some of the employee engagements conducted in 2022.

Engagement Platform	Detail of the Engagement	Outcomes from the Engagement
MD & CEO Townhall	<b>Date:</b> 2 November 2022 <b>Location:</b> MMHE West Pasir Gudang	MD & CEO shared the Company's strategy, introduction of SWAT (Scheduled Waste Attack Team), cost champions, project delivery and challenges, responsibility and Amanah. More than 1,500 employees attended the event.
Long Service Award (LSA)	<b>Date:</b> 9 December 2022 <b>Location:</b> PERSADA Johor	Long Service Awards for 10, 15, 20, 25, 30, 35 and 40 years of service was held for 276 employees. This event is to recognise employees for their loyalty and contribution to the Company.
Majlis Sambutan Aidilfitri MHB 2022	<b>Date:</b> 25 May 2022 <b>Location:</b> Multipurpose Hall, MMHE Recreational Building	Majlis Sambutan Hari Raya MHB 2022 is a platform for Warga MHB's multi-ethnic population to celebrate diversity, foster inclusiveness, closer teamwork and collaboration among Management, staff and external stakeholders from government agencies / authorities and customers in the yard. Around 2,000 employees participated in the event.
Majlis Berbuka Puasa Bersama MD & CEO	<b>Date:</b> 28 May 2022 <b>Location:</b> Surau Al-Amilin, MMHE Flat, Pasir Gudang	After two (2) years of COVID-19, CCD has organised an iftar session with 100 MMHE flat residents together with MD & CEO. This is part of Company's initiative to foster & nurture good relationship between Management Team with MMHE flat residents.
Majlis Doa Selamat Bersempena Ibadah Haji	<b>Date:</b> 10 June 2022 <b>Location:</b> MMHE West Pasir Gudang	The ceremony was conducted in conjunction with the departure of MD & CEO and chosen jamaah Haji among MHB employees to perform Hajj for year 2022.

## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

Engagement Platform	Detail of the Engagement	Outcomes from the Engagement
MHB Academic Excellence Award 2022	<b>Date:</b> 26 August 2022 <b>Location:</b> Training Centre, MMHE West Pasir Gudang	MHB Academic Excellence Award 2022 is an annual event held to reward employees' children who have achieved excellent results in major examinations in 2021.
Fishing Competition	<b>Date:</b> 25 June 2022 <b>Location:</b> Pusat Perikanan Masai	Recreational and sport activities for employees to promote work-life-balance. 85 participants took part in the event.
Bowling Competition	<b>Date:</b> 27 August 2022 <b>Location:</b> Pelangi Leisure Mall	Recreational and sport activities for employees to promote work-life-balance. 120 participants took part in the event.
Maulud Nabi Procession	<b>Date:</b> 9 October 2022 <b>Location:</b> Pasir Gudang Stadium to Masjid Jamek Pasir Gudang	72 staff participated in Maulud Nabi Procession organised by the Johore State Government. Won 3 <sup>rd</sup> place for Pasir Gudang under the Industrial category.
MHB Golf Tournament	<b>Date:</b> 10 October 2022 <b>Location:</b> Forest City Golf Hotel	Recreational and sport activities for employees to promote work-life-balance. 60 MHB staff and 20 customers joined the tournament.
Love the Shore Eco Ride	<b>Date:</b> 17 December 2022 <b>Location:</b> Kampung Tanjung Langsung	Recreational and sport activities for employees to promote work-life-balance and concern on environment.  The event also included beach cleaning activities as well as cleaning of the mosque at Kampung Tanjung Langsung. 80 MHB cyclers, together with more than 30 people from the local community including volunteers participated in the event.

### Legal and Compliance

Type of Engagement	Frequency
Meeting	As required
Industry Forums	Yearly
Virtual site visits	As required
Audits	Yearly
Events	Yearly

Engagement Platform	Detail of the Engagement	Outcomes from the Engagement
PD&T Integrity Roadshow – Integrity Sharing by PETRONAS CIO  (Roadshow / Physical Roadshow)	<b>Date:</b> 12 May 2022 <b>Time:</b> 2.00 pm - 4.00 pm	The event was attended by MD & CEO and the management from each division
MMHE Compliance Unit Workshop Programme “Complying CoBE & Upholding Integrity”  (Physical Workshop)	<b>Date:</b> 24 March 2022 <b>Time:</b> 9.00 am - 5.00 pm	40 MMHE employees were invited to attend the workshop

## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

Engagement Platform	Detail of the Engagement	Outcomes from the Engagement
Speaking from the Heart: Passing the Bar to Behind Bars "Tumbuk Rusuk : Break the Silent"  (Hybrid Live Event)	<b>Date:</b> 13 July 2022 <b>Time:</b> 10.00 am - 1.00 pm	The event was attended by 62 MMHE employees physically and more than 500 MMHE employees together with third parties joined in via livestream.
Recertification of ISO 37001:2016 Anti-Bribery Management System (ABMS) by SIRIM QAS International Sdn. Bhd  (Audit)	<b>Date:</b> 7 June 2022	Following the Recertification Audit conducted by SIRIM QAS International Sdn Bhd, MHB was successfully recertified for ABMS until June 2025.
PETRONAS Integrity Day – Let's Defeat Corruption  (Event)	<b>Date:</b> 1 December 2022 <b>Time:</b> 8.00 am - 6.00 pm	Attended by PETRONAS, Group of Companies and its subsidiaries.  Exhibition was joined by among others, MACC, Prison Department and Group Integrity
Compliance Workshop – Governance  (Physical Workshop)	<b>Date:</b> 7 September 2022 <b>Time:</b> 9.00 am - 5.00 pm	49 MMHE employees nominated by their HOD attended the workshop.
<i>Collaborative effort with Supply Chain Department</i>  Subcontractor and Vendor Engagement 2023 (SAVE) "Intensifying Cultural and Digital Transformation Towards Sustainability"  (Hybrid Live Event)	<b>Date:</b> 7 December 2022 at the Grand Paragon Hotel, Johor Bahru.	Around 40 participants from MHB and 92 participants from vendors/subcontractors attended the session physically whilst more than 87 subcontractors/vendors and Warga MHB joined virtually via Microsoft Teams.

### Speaking from the Heart | Passing the Bar to Behind Bars 'Tumbuk Rusuk': Break the Silent

On 13 July 2022, the Legal and Compliance team organised the MMHE Compliance Integrity Talk 2022 as part of their continuous efforts to nurture integrity among MHB employees. The team invited Encik Mohd Firdaus Ramlan, a former magistrate and legal officer, to deliver a talk entitled 'Tumbuk Rusuk: Break the Silent'. In this talk, he shared about personal experience being on the wrong side of the law when he was sentenced to imprisonment for corruption, his insights into inherited systemic corruption, how he picked up his life after his sentence ended and the consequences he and his family had to face. Inherited systemic corruption refers to a highly organised system of corruption which already exists before a person enters the workplace and the person continues to participate in the system after they hold the position.

This session was held via a hybrid format and was attended physically by 62 personnel at Auditorium, Training Center, MMHE West, while approximately more than 500 participants consist of MMHE employees, MISC Colleagues, Subcontractors and Vendors joined in via livestream. The main message of the talk was to never engage in bribery and corruption, even if it involves a small amount. Encik Mohd Firdaus shared his journey as a law graduate from Universiti Teknologi MARA (UiTM) after which he joined Majlis Perbandaran Klang as a legal officer and then moved on to become a Senior Registrar at the Kota Bahru High Court before securing his position as a Magistrate at Gua Musang Kelantan. It was then that he engaged in corrupt practices before eventually being arrested and charged.

As he explained, the key takeaway was that there are multiple phases of the corruption system which were already in place and inherited. He also conceded that he was not forced to accept bribes which started the snowball effect of his involvement in corruption. Wrapping up the session, he then reminded everyone to always maintain high integrity and be responsible in carrying out their duties.

## APPROACH AND ACHIEVEMENTS - Stakeholder Engagement

### MD & CEO's Townhall

In 2022, the MD & CEO Townhall was held on 2 November 2022 at MMHE West Pasir Gudang. More than 1,500 employees attended the event which was themed "MHB Returns" signifying the Company's success and achievements in 2022. Among the areas the MD & CEO shared on was the Company's strategy, introduction of SWAT (Scheduled Waste Attack Team), cost champions, project delivery and challenges, responsibility and Amanah. The event was wrapped with the handing over of "MHB Best Persona Award" to all eleven (11) award recipients from each division/department by each respective Head of Divisions.

 Refer to pages 203 to 204 of this section for full details of our employee engagements.

### COMMUNITY

At MHB, we believe that strong community engagement and participation form the foundations of our social licence to operate. Our commitment to contribute to the socioeconomic development of local communities is borne through our community-centred initiatives as well as our philanthropic donations.

 Refer to pages 172 to 176 of Community Investment for full details of our community engagements.

### LOCAL INSTITUTIONS

We also engage closely with local institutions in our bid to contribute to the development of education in Malaysia.

The following are engagements conducted with local institutions in 2022:

- Signed MoU with Universiti Tun Hussein Onn Malaysia (UTHM) on 19 June 2022, Sunday at Sultan Ibrahim Hall, UTHM Main Campus
- Signed MoU with Universiti Teknikal Malaysia Melaka (UTeM) to collaborate on a Work-Based Learning (WBL) programme on 6 October 2022 in Melaka
- Collaboration with UTM Prof Madya Dr. Farah Ellyza Hashim who was seconded to Marine Operations (MO) to complete a year of industry experience from 1 June 2022 till 31 May 2023. She will also be working on her Final Year Report towards assisting MHB improve and enhance our operations
- Collaborated with Institut Latihan Perindustrian (ILP) through a Johor Petroleum Development Corporation Berhad (JPDC) funded programme

We also began working on other collaborations as follows:

- Appointment of one Community of Excellence (CoE) trainer as a member of the Jawatankuasa Pembangunan Standard (JPS) Bagi Bidang Proses Kimpalan (Tahap 1-3)
- Appointment of CoE trainers as a Human Resource Development Corporation (HRD Corp) Subject Matter Experts on Machinery Equipment for Welding
- Appointment of MMHE as Committee Member by Department of Occupational Safety & Health (DOSH) for Safe Working in Confined Space to review and update matters relating to Confined Space representing training providers
- Participated in UMT-Industry open day organised by The Faculty of Oceanic Engineering and Information Technology, Universiti Malaysia Terengganu to begin collaborations for the future talent
- Collaboration with Maritime Academy on marine specific learning programmes
- Collaboration with CIDB Technologies on CIDB welders accreditation where MMHE CoE is a certified facility for welder accreditation

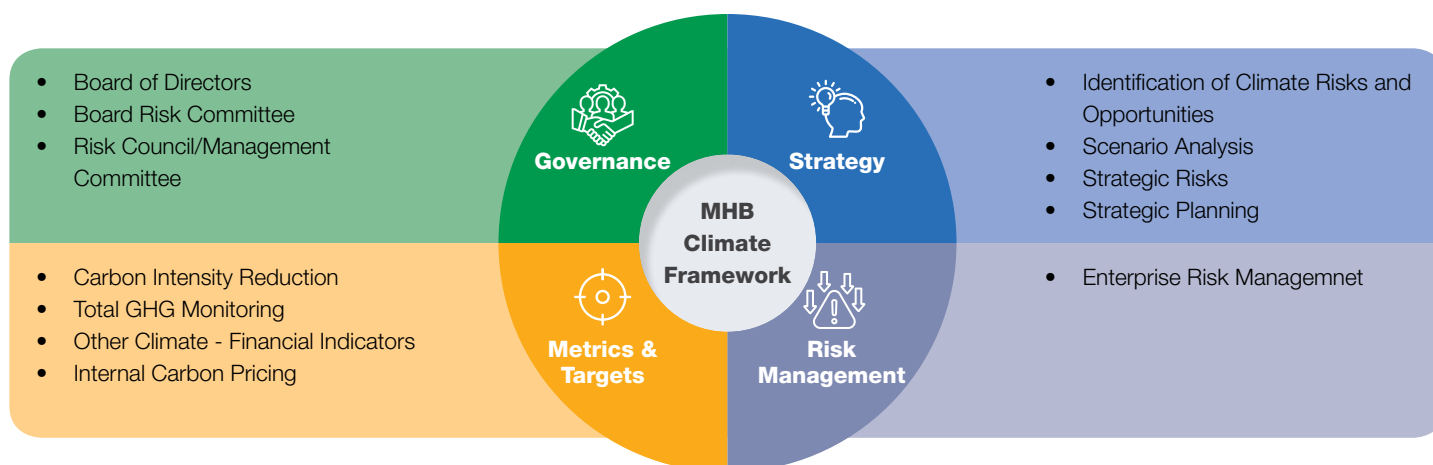
## APPROACH AND ACHIEVEMENTS - Memberships and Associations

### MEMBERSHIPS AND ASSOCIATIONS

Associations	Position Held	Relevance to MHB's Business
1 Climate Governance Malaysia (CGM)	Member	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.
2 Task Force on Climate-related Disclosures Supporter (TCFD Supporter)	Member	Our membership shows MHB's readiness to be transparent with climate-related risks and opportunities, supporting more informed financial decision-making and establishing a resilient financial system across the public and private sectors.
3 Malaysian Society for Occupational Safety & Health (MSOSH)	Member	<ul style="list-style-type: none"> <li>To demonstrate MHB's successful implementation of OSH-MS.</li> <li>To promote OSH amongst employees.</li> <li>To emphasize MHB's dedication and commitment towards enhancing occupational safety and health in Malaysia.</li> </ul>
4 Pasir Gudang Emergency Mutual Aid (PAGEMA)	Committee Member	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.
5 Association of Marine Industries of Malaysia (AMIM)	Committee Member	As a Committee Member, MHB can positively contribute towards the sustainable developing of Shipbuilding and Ship Repair (SBSR) in collaboration with other industry players.
6 Malaysia Oil & Gas Services Council (MOGSC)	Committee Member	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.
7 Malaysia Offshore Contractors Association (MOCA)	Committee Member	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.
8 Welding Institute of Malaysia (WIM)	Corporate Member	Members of WIM benefit from: <ul style="list-style-type: none"> <li>exclusive access to a wide range of technical information</li> <li>free attendance to technical events discounts on attendance to courses, seminars, conferences and more</li> </ul>

# CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

MHB's Climate Framework is based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and is aligned with our parent company MISC Group's Climate Framework. Our Climate Framework consists of the core elements of climate management namely governance, strategy, risk management, and metrics and targets. All TCFD thematic elements are reflected in our disclosures in this report.



We began implementing climate scenario analysis in line with the Intergovernmental Panel on Climate Change's (IPCC) sixth assessment report in 2021, with the aim of reviewing and assessing our business resilience under two global warming scenarios – a low emissions pathway (1.5°C) and a high emissions pathway (4°C). As part of MISC Group, we became a TCFD supporter in 2021 and issued our inaugural report in our Integrated Annual Report 2021, following the TCFD recommendations.

In this report, we have implemented climate-related risk integration measures into the existing risk management process and formalised the climate scenario analysis process into MHB's annual strategic planning exercise.



## GOVERNANCE

Roles & Responsibilities		Reporting Frequency
<b>Board</b>	<b>Approver</b> <ul style="list-style-type: none"> <li>Board oversight on overall MHB climate-related commitment</li> <li>Approves MHD climate-related commitment, pillars and strategic priorities</li> </ul>	<b>Quarterly/when required</b> <i>Secretariat updates Board</i>
<b>Board Risk Committee</b>	<b>Endorser</b> <ul style="list-style-type: none"> <li>Oversees the scope of MHB Climate Framework</li> <li>Endorses MHB climate-related commitment, pillars and strategic priorities</li> </ul>	<b>Quarterly/when required</b> <i>Secretariat updates BRC</i>
<b>Risk Council/ Management Committee</b>	<b>Recommender</b> <ul style="list-style-type: none"> <li>Reviews and recommends MHB Climate Framework</li> <li>Approves initiatives and targets in line with MHB climate-related commitment</li> </ul>	<b>Quarterly/when required</b> <i>Secretariat reports to RC/MC</i>
<b>Sustainability Department</b>	<b>Secretariat</b> <ul style="list-style-type: none"> <li>Tracks progress of climate-related initiatives &amp; validates outcome</li> <li>Responsible for monitoring and benchmarking organisation's climate-related performance</li> <li>Update/report the climate-related initiatives performance to MC/BRC/Board</li> </ul>	<b>Quarterly</b> <i>Secretariat validates updates from custodian</i>
<b>Technical Committee/ Custodian</b>	<b>Technical Committee / Custodian</b> <ul style="list-style-type: none"> <li>Individual business units / services units tasked to implement the climate-related initiatives which are led by respective Heads of Departments (HODs)</li> </ul>	<b>Quarterly</b> <i>Custodian updates secretariat</i>

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

### Board Oversight

Climate-related issues are considered by the Board of Directors (Board) and Board Risk Committee (BRC) in reviewing and guiding strategy, major plans of action, risk management policies, annual budgets and business plans as well as setting performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures. The Board and BRC monitor and oversee sustainability initiatives and climate-related strategic initiatives' progress against goals and targets on a quarterly basis.

### Management Oversight

The Risk Council (RC) comprises of Management Committee (MC) members and was established to ensure the continuous identification, assessment, mitigation and monitoring of all enterprise/strategic risks associated with MHB. The RC meets each quarter to review key business

risks and ensures that mitigation plans are in place to manage such risks. Additionally, the RC also addresses the adequacy and effectiveness of controls and the robustness of mitigation actions. These are then further deliberated by the BRC and reported to the Board each quarter.

The RC/MC oversees the identification of climate-related risks and mitigation which are cascaded into MHB's risk register. These risks and mitigation are monitored on a quarterly basis. The RC/MC is also responsible for reviewing and approving climate-related commitment and initiatives.

The Sustainability Department provides quarterly updates to the RC/MC, BRC and Board on sustainability initiatives and climate-related matters.

The Technical Committee was established to brainstorm as well as to propose new initiatives pertaining to MHB's sustainability commitment including climate-related matters.



## STRATEGY

### Climate-related Risks and Opportunities Embedment into Business Strategies

The Corporate Planning & Risk Management Division initiates a company-wide strategic planning exercise annually to facilitate the conceptualisation and formulation of strategic plans for MHB. During annual strategic planning meetings, business and climate-related risks and opportunities are considered before being translating into short, medium and long-term business strategies for the Board's approval.

### Short, Medium and Long-term Time Horizon

MHB has defined its short-, medium- and long-term time horizons in identifying climate risks and opportunities. In doing so, we take into consideration the impact of these climate-related issues on our business.

Time Horizon	Time Horizon Rationale on Material Financial Impact
<b>Short-Term</b> Within the next 5 years	Any climate-related risks that have or are expected to have material financial impact in the next five years from current and emerging climate legislation and market interest shift towards low carbon economy
<b>Medium-Term</b> Current year up to 2030	Any climate-related risks that have or are expected to have material financial impact in facing the following situations: <ul style="list-style-type: none"> <li>• Extreme weather threats (e.g., changes in precipitation, greater intensity, and frequency of typhoon/cyclone events)</li> <li>• Climate-related requirement imposed by existing or potential customers</li> </ul>
<b>Long-Term</b> 2031 - 2050	Any climate-related risks that have or are expected to have material financial impact in addressing the risks and opportunities of the energy transition, global movement towards Net Zero Emissions by 2050

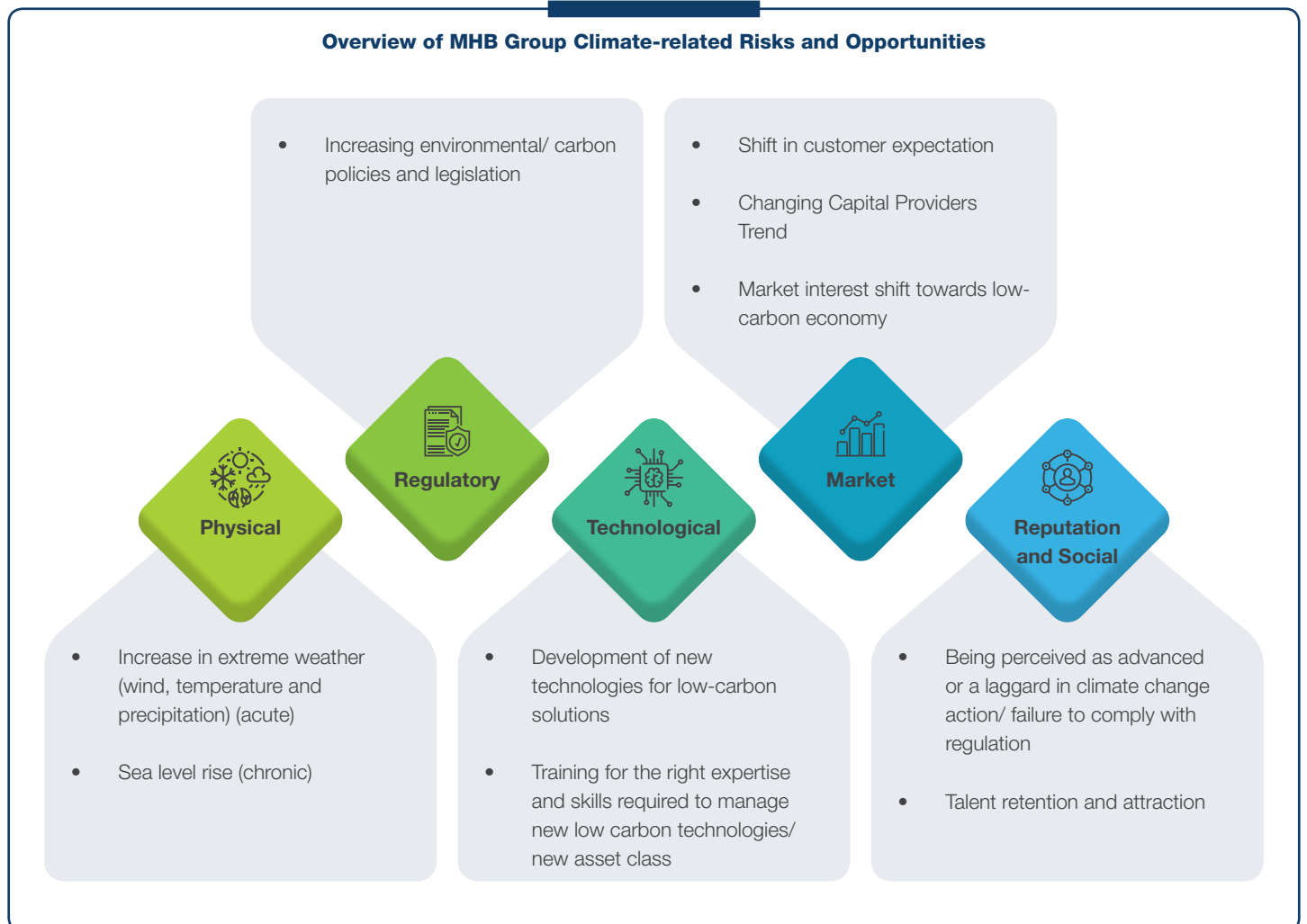
## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

### Identification of Climate-related Risks and Opportunities

MHB determines the risks and opportunities that have a material financial impact on the organisation by considering the following matters:

- Climate-related driving forces that presents risks and opportunities for MHB. These driving forces are:
  1. Physical
  2. Regulatory
  3. Technological
  4. Market
  5. Reputation and Social
- Expected time horizons of a particular climate issue becoming a global threat
- Likelihood of the climate issue to impact MHB’s business objectives
- The severity/ financial impact of climate risks on MHB’s business objectives

MHB has identified both Physical and Transition climate-related risks and opportunities for our own business and across our value chain.



## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

In the series of tables that follow, we identify climate-related risks and opportunities with potential impact to our business over short- (0–5 years), medium- (up to 2030), and long-term (2031–2050) time horizons, as well as our strategies to manage and mitigate each risk. Risks are categorised into two groups as outlined by the TCFD:

- |   |  |   |  |
|---|--|---|--|
| <b>1</b><br> | physical risks created from a changing climate and | <b>2</b><br> | transition risks, created by the world's transition to a low-carbon economy. |
|---|--|---|--|



### Physical Risks – Acute extreme weather

According to the IPCC, in a 4°C world where carbon policy fails to mitigate global average temperature increases, the frequency and severity of acute events will be more drastic than today. In a 1.5°C world, these changes will be felt to a lesser extent

#### Impact to Business

##### Time horizon:

Medium- to Long-Term

##### Risks:

1. Increased costs such as Liquidity Damage resulting from operational delays/disruptions due to extreme weather
2. Increased number of personal injuries due to extreme weather
3. Increased insurance cost from the damages on yard infrastructure and flood protection infrastructure due to extreme weather events
4. Increased costs resulting from the need to upgrade building sites/ yard infrastructures
5. Increased in temperature resulting in health and safety incidents
6. Increased insurance premiums due to injury cases due to extreme weather events

##### Opportunities:

- Potential increased revenue from marine repairs as vessels will require frequent maintenance/ad-hoc repairs to withstand the increasing intensity of extreme weather events

#### Management Approach

MHB has in place asset protection for all critical assets such as cranes, buildings, docks and transporters. All critical assets are equipped with lightning protection system and structural protection to ensure the assets are able to withstand extreme weather conditions.

MHB continuously works to improve the specifications of its assets to address acute physical risks. Moreover, the Emergency Preparedness and Response Plan is in place to govern risks arising from extreme weather patterns. This plan is integrated into our business continuity plan and disaster recovery plan to mitigate business risks.

There is a potential for increased revenue for MHB through business opportunities to offer modifications, retrofits or conversions on vessels and assets to better deal with or withstand extreme weather. MHB ensures we are prepared to tap into these opportunities by partnering and collaborating with vessel owners and low carbon technology providers.

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES



### Physical Risks – Chronic extreme weather

According to the IPCC, in a 4°C world where carbon policy fails to mitigate global average temperature increases, there will be severe changes in overarching climate patterns, including an average rise in sea level of 11.81 inches by 2030 and a reduction in worldwide productivity and GDP growth. In a 1.5°C world, we expect the increase in chronic impacts to occur over a much longer timescale and to be more limited.

#### Impact to Business

##### Time horizon:

Medium- to Long-Term

##### Risks:

- The increased costs resulting from the need to upgrade building sites/yard infrastructures or relocate to higher grounds

##### Opportunities:

- To be a more secured shipyard, i.e. “yard of choice”

#### Management Approach

Chronic physical risks, including increasing sea levels, may impact on our marine repair and heavy engineering operations. We understand that the conditions and severity of risks may change over time. Therefore, MHB continues to monitor these risk indicators and develop specific mitigation measures to ensure the resilience of our business infrastructure. MHB is progressively stepping up and monitoring the depth of sea levels to proactively manage the risk of rising sea levels.

MHB is also exploring the potential opportunity to be a more secure shipyard (i.e. “yard of choice”) by leveraging on the location of our yard that is strategically located and is generally less exposed to extreme weather impacts.

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES



### Transition Risks – Regulatory

Addressing human-induced climate change is one of the most significant challenges to be undertaken by the international community. Protecting the earth's climate implies a transformational agenda that needs a resolute and enduring commitment. More and more countries are implementing policies to reduce their emissions, including energy efficiency measures. A well-balanced package of carbon pricing, energy efficiency measures and targeted support to low-carbon technologies ought to be at the core of climate mitigation policy. There will be more countries coming up with legislations, standards and requirements.

#### Impact to Business

##### Time horizon:

Short- to Medium-Term

##### Risks:

1. Increase in compliance cost as extreme weather events can lead to increased risks of spill leaks causing damage and potential litigation
2. Increase in cost of compliance (i.e. newer technology) to meet growing stringent environmental and climate policies and regulations

##### Opportunities:

1. Increased opportunities to collaborate on low-carbon solutions /new technologies with customers
2. Increased opportunities in retrofitting vessels

#### Management Approach

Regulatory and compliance risks associated with current or emerging regulations form part of MHB's climate-related risk assessments. The compliance requirements and costs associated with relevant regulations in the countries and regions in which we operate are embedded within our compliance programmes and processes to ensure adherence with all requirements.

We proactively keep abreast with climate-related legislations and continually monitor compliance with existing regulations and any new or emerging regulatory developments as part of our risk assessment and assurance process via the following activities:

- Participating in MISC's annual sharing sessions by industry experts and analysts to share insights on market outlook including any new or emerging regulatory developments
- Engagement with various stakeholders including but not limited to regulatory bodies
- Conducting internal assurance activities relating to Regulations and Legislation (R&L), where we undertake the self-assessment of our compliance levels for both existing and emerging regulations including twice yearly attestation by the relevant businesses on compliance towards relevant R&L
- Carry out detailed studies on technological options and planning CAPEX allocations to ensure compliance with current and emerging legislation

Shipowners are currently moving rapidly towards decarbonising their vessels due to the pressure arising from newly implemented climate-related regulations such as the Energy Efficiency Existing Ships Index (EEXI) and Carbon Intensity Indicator (CII), which came into force on 1 January 2023, adopted by International Maritime Organization (IMO). The EEXI and CII require existing ships to improve their technical efficiency to a required energy efficiency standard. Vessels that do not meet the minimum design efficiency standards will require technical modifications to achieve compliance. MHB has prepared our Marine Operations business segment to take up vessel retrofitting jobs for vessels that require modification to comply with EEXI and CII.

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES



### Transition Risks – Technological

Global climate policies and commitments have accelerated the development of new technologies on low-carbon solutions. Keeping updated with new technologies through partnerships with low carbon technology providers and training for the right expertise and skills required to manage new low-carbon technologies is vital.

#### Impact to Business

##### Time horizon:

Short- to Medium-Term

##### Risks:

1. Increased CAPEX and OPEX on the implementation of new low carbon infrastructure
2. Risk of not keeping up with new low carbon technologies which may result in not being the preferred fabricator of choice by customers
3. Increased cost of reskilling existing talent and employing more talent to manage new low carbon technologies
4. Risk of technological uncertainty – technologies may not perform as expected nor provide solutions to meet emerging regulations
5. Potential additional training cost on low carbon technologies for subcontractors may increase the cost of subcontractors services

##### Opportunities:

1. Increased annual cost savings from reduced cost of fuel and electricity consumption
2. Increased opportunities to collaborate on low carbon solutions with customers, resulting in cost sharing or potential full investments from customers
3. Increased market share (from reputation perspective) of being a steward in adopting new low carbon technology
4. Increased engineering competency in low carbon technologies may result in a competitive advantage for MHB to cater to customer's decarbonisation demands. Increased opportunities by securing international projects from developed countries with stringent carbon policies

#### Management Approach

We are exploring opportunities in energy transition such as Carbon Capture and Storage (CCS). MHB has secured a contract from PETRONAS Carigali Sdn Bhd (PCSB) to undertake the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) services for the Kasawari Carbon Capture & Storage (CCS) project, off the coast of Sarawak, offshore Malaysia. Further details can be found on the Carbon Capture and Storage (CCS) section below.

In 2022, we enhanced our Marine business capability by signing strategic partnerships with marine low carbon technology providers. We have partnered with Silverstream Technologies (UK) Limited and Bureau Veritas Marine & Offshore Limited to support marine decarbonization agenda. Further details on the marine strategic partnership can be found on the Maritime Decarbonisation section below.

MHB has ensured our readiness in handling low carbon technology through low carbon energy related trainings and by collaborating with technology providers. With the increased competency of our Heavy Engineering and Marine Operations in low carbon technologies, MHB has an early starter advantage to cater to customers' decarbonisation needs.

MHB has started to use alternative fuels such as biodiesel and Compressed Natural Gas (CNG) for our operations. MHB is also actively improving the energy efficiency of our yard by replacing less energy efficient technologies with low carbon emission technologies which have helped MHB to reduce the cost of electricity consumption.

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES



### Transition Risks – Market

Market instability include volatility in the global economy, implications of geopolitical developments and intense competition in core markets. There is also increasing sustainability movements resulting in higher customer expectations towards a low carbon economy.

As part of energy transition to alternative fuels or renewable energy, the global need for fossil fuels will most likely be reduced. This may impact market size requirements in local and international markets for oil and gas projects, offshore assets and the need for heavy engineering fabrication works. In addition, the shift in capital providers trends towards net-zero and sustainable investments will reduce capital availability for fossil fuel related projects.

### Impact to Business

#### Time horizon:

Medium- to Long-Term

#### Risks:

1. Risk of reduced demand for fossil fuel related offshore assets fabrication due to energy transition
2. Risk of not being able to address the growing demand for unfavourable contract changes to accommodate any terms that require amendments due to climate-related matters
3. Risk of investors divesting oil and gas related businesses and banks becoming more reluctant to act as intermediaries as well as insurance companies reconsidering their underwriting policies
4. Poor climate performance may result in reduced capital providers' confidence to invest in MHB
5. Risk of not being able to secure green projects due to readiness to satisfy contract requirement pertaining to climate-related matters

#### Opportunities:

1. The increased competency of engineering capability in low carbon technologies or collaboration with low carbon solution providers to provide full EPCIC solutions may result in a competitive advantage for MHB in catering customer's needs for decarbonisation
2. Potential additional revenue through new business opportunities, such as the decarbonisation and renewables segments (offshore wind farm and CCUS/CCS projects)
3. Increased revenue through existing business opportunities (marine repair business segment):
  - To offer modifications / retrofits / conversions on vessels and assets to reduce GHG emissions
  - To repair and refurbish / maintenance services for ship owners to comply with EEXI, CII and other future potential legislations
4. Entitled for preferential rates (sustainability linked loans/green financing) from capital providers as a first movers on low carbon technology
5. Potential additional revenue through new business opportunities, such as the decarbonisation and renewables segments (offshore wind farm and CCUS/CCS projects)

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES



### Transition Risks – Market (Cont'd)

#### Management Approach

As part of market risk management, MHB has navigated through external factors including volatility in the global economy, implications of geopolitical developments, and intense competition in core markets. MHB has continued its efforts to establish itself as a leader in the low carbon economy by securing more opportunities in the arena of clean technology through strategic partnerships.

Continuing with our efforts from 2021, MHB has been securing strategic partnerships on low carbon opportunities in 2022. During the year, MHB entered into collaborations on low carbon services including offshore wind farm, carbon capture, utilisation, and storage (CCUS), and retrofitting projects.

In 2022, MHB completed retrofitting projects to help customers comply with the IMO's latest adopted amendments to MARPOL Annex VI, the EEXI and the requirement to reduce Operational Carbon Intensity through the Carbon Intensity Indicator (CII).

In support of our parent company's MISC 2050 long range business strategy, MHB has been at the forefront of exploring innovative ideas in the following two pillars of growth:

- Renewable Energy
- Waste-to-Value (Circular Economy)

As part of our efforts to manage capital providers' expectations, MHB has conducted a series of engagements to align expectations. MHB has successfully demonstrated to its major capital providers initiatives in sustainability and decarbonisation. In addition, MHB has revised its customer feedback template by incorporating environmental compliance to further understand customers' expectations. Moving forward, MHB plans to secure preferential rates (sustainability linked loans/green financing) from capital providers, to fund low carbon technology development.

MHB constantly strives to improve its operation environmentally by looking into decarbonisation efforts, with the benefit of securing projects and satisfy contractual climate-related requirements.

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES



### Transition Risks – Reputation and Social

Being perceived as either advanced or a laggard on climate change action could impact our reputation with customers and may impact talent retention and attraction.

#### Impact to Business

##### Time horizon:

Short- to Long-Term

##### Risks:

1. Poor climate performance may reduce MHB's brand equity, which may result in:
  - Being less competitive and attractive to customers and capital providers
  - Difficulty in attracting and retaining talent as the newer generation may not wish to be associated with oil and gas related businesses

##### Opportunities:

1. Investments in low carbon technologies and GHG performance may lead to better trust in the Company and reputation benefits
2. Taking a stewardship position and driving advancements in decarbonisation technology will attract and retain talents

#### Management Approach

As MHB operates heavily in the energy and marine related industries, stakeholders have high expectations on our environmental stewardship efforts. In order to fulfil the expectations, reputational risks, including those related to climate challenges, are always included in MHB's risk assessments.

MHB has demonstrated measures and initiatives to meet stakeholders' expectations through the following means:

##### Enhancing Task Force on Climate-related Financial Disclosure (TCFD) recommendations by:

1. Supporting our parent company MISC's Internal Carbon Pricing sensitivity studies;
2. Embarking on Scope 1 and 2 emissions reduction and conducting studies on Scope 3 emissions to align with MISC's commitment to net-zero GHG emissions by 2050;
3. Maintain our position as a constituent of the FTSE4Good Bursa Malaysia Index; and
4. Communicating sustainability efforts and achievements to internal and external stakeholders.

##### MHB has proactively demonstrated its commitment to driving positive decarbonisation efforts within the industry by:

1. Sharing knowledge in energy-related forums; and
2. Introducing sustainability initiatives with investors and analysts.

Our progress in addressing climate-related challenges will enhance our reputation, increase trust and strengthen our position as a leading global industry player in contributing towards climate action.

At MHB, we emphasise on employees' capabilities development via our capability development framework, and we understand that new skillsets and talents will be required as we advance towards a greener future. Plans are in place to reskill resources and align with new business partners on new low carbon technologies or zero-carbon technologies which will reposition MHB's stewardship position in driving advancement of adoption of decarbonisation technologies.

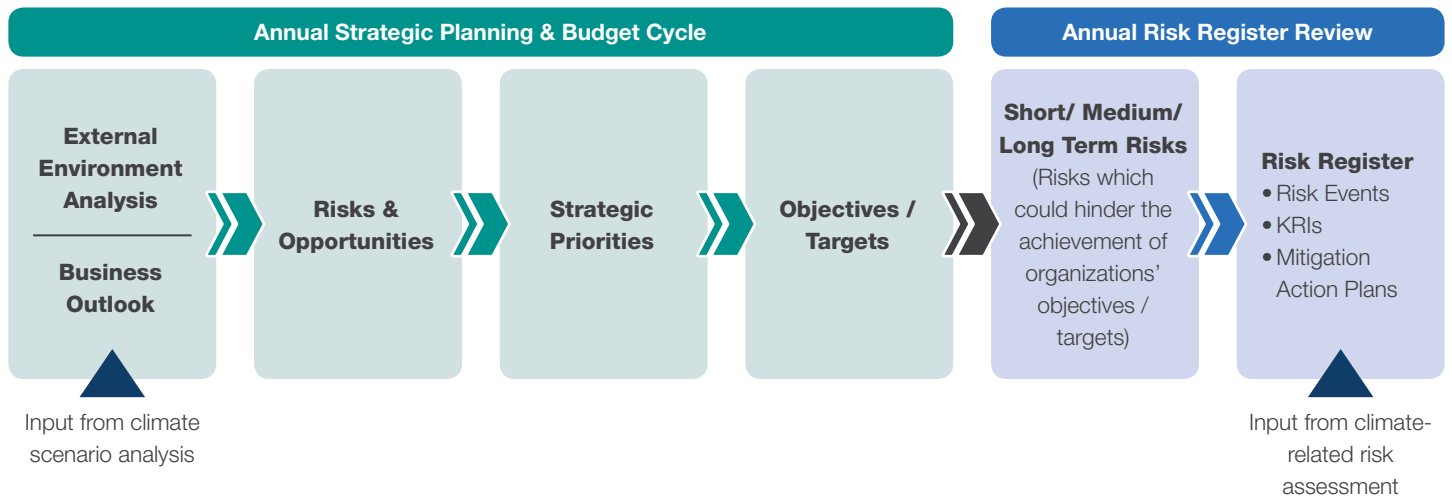
## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES



### RISK MANAGEMENT

MHB evaluates climate risks as part of its:

- Strategic risk business planning
- Enterprise Risk Management (ERM) programme



### Strategic Risk

In identifying our strategic climate risks, we consider the following factors:

- The external environment analysis which includes considering the impact of climate-related scenarios on our business outlook
- Existing and emerging regulatory requirements related to climate change

Material risks and opportunities will be translated into strategic priorities as part of our five-year rolling business plan. A risk or opportunity is deemed material if it has a high chance of occurrence and has substantial financial impact on MHB objectives.

### Enterprise Risk Management (ERM)

Risk management activities are undertaken at service /business units/ subsidiary levels across MHB. Risk reports are reviewed and monitored by the Risk Management Department quarterly before being escalated to the RC and deliberated by the BRC, which is then subsequently reported to the MHB Board. As part of MHB's ERM process, service/business units are required to perform an annual review of their risk profiles, with emphasis on linking risks to MHB's business objectives, which includes climate-related risks, its impact and mitigation plans.

MHB adopts the PETRONAS Resiliency Model (PRM), which provides an integrated view for managing risks. It is also guided by international best practice on risk management as per ISO 31000 and the Malaysian Code of Corporate Governance (MCCG) 2021.

### Scenario Analysis

Aligned with MISC's direction, the impact of several pathways and assumptions on MHB's business was modelled using two GHG scenarios – a Low GHG and a High GHG Scenario in 2100, taking a snapshot of the pathway in 2050:

- A low emissions scenario in accordance with limiting global temperature rise to 1.5°C
- A high emissions scenario where temperature rises 4°C from pre-industrial levels


The scenario modelling assumptions were sourced from:

- Intergovernmental Panel on Climate Change (IPCC)
- Representative Concentration Pathways (RCP 2.6 and RCP 8.5)
- Shared Socioeconomic Pathways (SSP)
- International Energy Agency (IEA)
- The International Renewable Energy Agency (IRENA)

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

### RCP Scenario – Scenario Definition

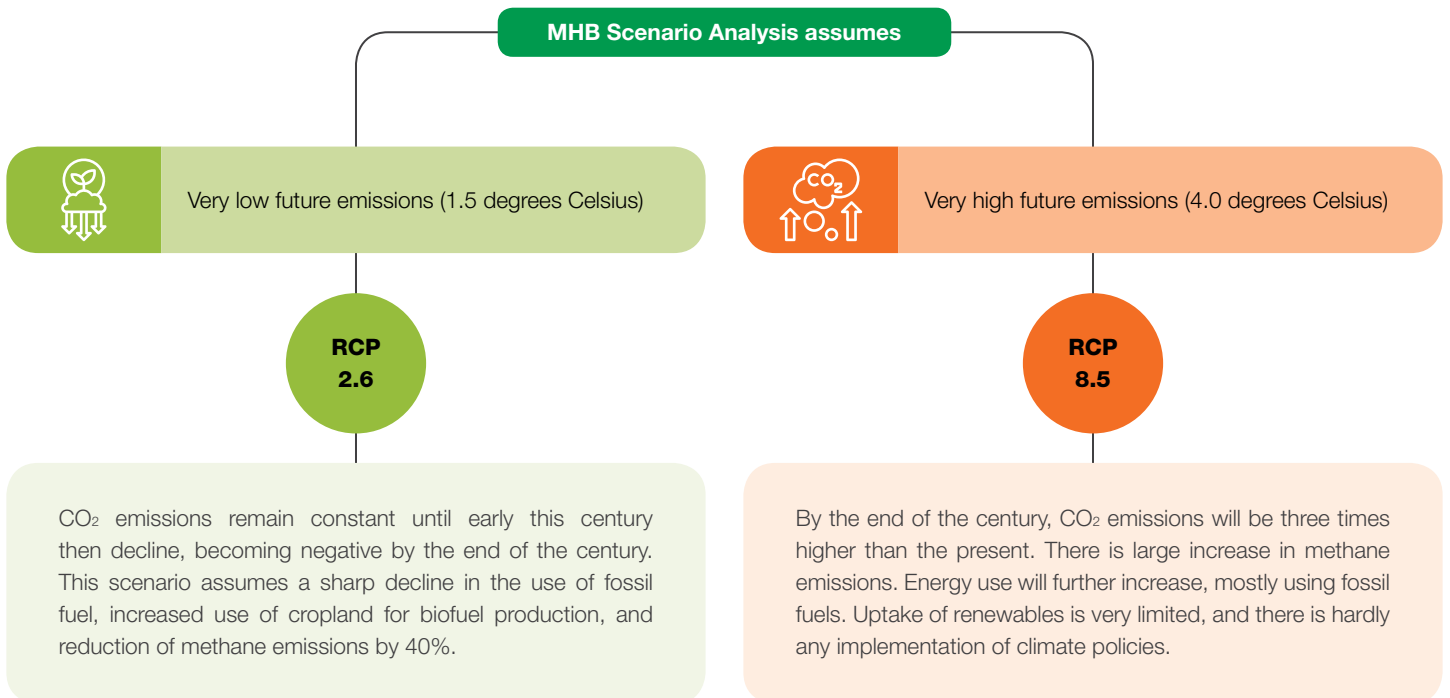
**RCP Scenario**



A set of scenarios created by the Intergovernmental Panel on Climate Change (IPCC) assuming the different outcomes of climate change depending on the performance of greenhouse gas emissions policies. It refers to the degree of influence force that changes the energy balance of greenhouse gases, etc.






### RCP Scenario – Projection Per Scenario

MHB Scenario Analysis (°C)	Scenario	CO <sub>2</sub> concentration in 2100	Projection of temperature rise from 2081 to 2100		Projection of sea-level rise from 2081 to 2100	
			Average	Range	Average	Range
1.5	RCP 2.6	421ppm	1.6 °C	0.9~2.3 °C	0.49m	0.35~0.69m
4.0	RCP 8.5	936ppm	4.3 °C	3.2~5.4 °C	0.89m	0.54~1.13m





## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

To understand and connect the political, business, and social responses to climate change and 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:

Driving Forces	Low Emissions Scenario (In line with a 1.5°C world)	High Emissions Scenario (In line with a 4.0°C world)
 <p><b>ENVIRONMENTAL</b></p>	<ul style="list-style-type: none"> <li>• Sea level rise already occurring</li> <li>• Changes in sea wave patterns</li> <li>• Extreme weather effects on infrastructure and communities</li> </ul>	<ul style="list-style-type: none"> <li>• Sea level rise worsening</li> <li>• Greater risks in absence of mitigation measures</li> <li>• Unpredictable sea wave patterns</li> <li>• Greater frequency and impacts of extreme weather</li> </ul>
 <p><b>POLITICAL &amp; LEGAL</b></p>	<ul style="list-style-type: none"> <li>• International collaboration</li> <li>• Policies to support 'net-zero' transition</li> <li>• Government incentives and collaboration on:               <ul style="list-style-type: none"> <li>- Carbon pricing</li> <li>- GHG Legal frameworks and Acts</li> <li>- Industry environmental standards</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Carbon pricing not broadly adopted or at a lower price</li> <li>• Large differences across regions and countries on environmental standards and requirements</li> </ul>
 <p><b>TECHNOLOGICAL</b></p>	<ul style="list-style-type: none"> <li>• Renewable and carbon-neutral fuel developments</li> <li>• Collaborations and investments increasing on CCUS technologies and cross-sector CCUS adoption</li> </ul>	<ul style="list-style-type: none"> <li>• Process efficiency focus and slower shift towards best performing technologies</li> <li>• Lack of collaboration</li> <li>• Increased costs of energy transition</li> <li>• Lack of funding to deploy CCUS on a large scale</li> </ul>
 <p><b>ECONOMIC</b></p>	<ul style="list-style-type: none"> <li>• GDP growth: between 1.5%-2.5% annually</li> <li>• Rapid transformation towards renewables and as a large part of energy systems</li> <li>• National energy transition plans in place</li> </ul>	<ul style="list-style-type: none"> <li>• GDP growth: between 1.3% - 2.3% annually</li> <li>• Slower transformation towards renewables</li> </ul>
 <p><b>REPUTATION AND SOCIAL</b></p>	<ul style="list-style-type: none"> <li>• Stakeholder pressure for climate risk management</li> <li>• Trends in working age populations and customers concerned on company ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>• Increased pressure and urgency placed on companies for action</li> <li>• Heightened working age populations and customers concerned on company ESG performance</li> </ul>

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

### Outcome of MHB Climate Scenario Analysis

Risk Category	Element	Potential Risks and Opportunities	Low Emissions Scenario (1.5 °C)	High Emissions Scenario (4.0 °C)
 <b>Physical</b>	<b>Acute</b>	Extreme weather (acute)	<b>M</b> Minimal impact as assets today is built to withstand certain extreme weather conditions	<b>H</b> Increased OPEX to maintain and reinforce assets due to extreme heightened weather
	<b>Chronic</b>	Sea level rise (chronic)	<b>M</b> Increased cost of property maintenance/reinforcements and relocations due to erosion from sea level rise/tidal wave changes	<b>H</b> Increased OPEX to relocate or implement adaptation measures for operations at coastal locations
 <b>Transition</b>	<b>Regulatory</b>	Increasing environmental / carbon regulations	<b>H</b> Escalating compliance cost due to increasingly heightened carbon regulations - capital expenditure (CAPEX) and operational cost (OPEX)	<b>M</b> Increased compliance cost due to moderately increasing carbon regulation - capital expenditure (CAPEX) and operational cost (OPEX)
	<b>Technological</b>	Development of new low-carbon solutions technologies	<b>M</b> Increased investment cost in low-carbon technologies	<b>M</b> Increased investment cost in low-carbon technologies
		Training for the right expertise and skills	<b>M</b> Increased talent development cost (OPEX)	<b>M</b> Increased talent development cost (OPEX)
	<b>Market</b>	Shift in customer and market expectations towards low-carbon economy	<b>H</b> Reduced market demand for petroleum production, storage and transportation assets and logistics services	<b>M</b> Moderate reduction in market demand for petroleum production, storage and transportation assets and logistics services
		Changing capital providers trends	<b>H</b> Lack of funding/Increased interest rates for conventional marine fuelled assets	<b>M</b> Increased interest rates for conventional marine fuelled assets
	<b>Reputation and Social</b>	Being perceived as advanced/ laggard in climate change	<b>M</b> Increased OPEX to attract and retain talents	<b>L</b> Moderate increased OPEX to attract and retain talents
Talent retention and attraction		<b>M</b>	<b>L</b>	


**Low**

Insignificant to minor impact to MHB's current business objectives


**Medium**

Moderate impact to MHB's current business objectives


**High**

Major impact to MHB's current business objectives

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

### **1.5°C Scenario**

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

#### **Climate Risks**

Increasing environmental/carbon policies and legislation driving towards a rapid energy transition to renewables, cleaner and/or non-fossil fuelled energy sources may impact our business. As a result, it is expected that there will be increased compliance costs in the form of increased CAPEX and operational costs.

#### **Climate Opportunities**

We expect that our market reputation will improve as business partners recognise us as a low-carbon solution provider contributing to net-zero and the circular economy. Seizing opportunities to take leadership positions in the market will increase competitiveness and opportunities for new contracts. These opportunities may increase revenue and help attract and retain talents within the organisation. In this scenario, collaboration across the value chain and optimised resource utilisation will enable increased cost-sharing for retrofitting and investment plans. Sustainable annual cost savings from lower energy consumption may also compensate for higher CAPEX allocation.

Both of our Marine & Heavy Engineering business is expected to seize business opportunities and increase revenue by offering modifications, retrofits and conversions to vessels and floaters, as they race to comply with stringent future climate legislation. Opportunities for the Heavy Engineering business would include the provision of fabrication services to incorporate CCS onto oil and gas offshore assets and for renewable energy assets.

### **4°C 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 lack of concerted action and hence technological progress towards effective solutions is delayed. New technologies to reduce GHG and slow down the effects of climate change are adopted at a slower pace. There is also 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 Risks**

In this scenario, increased maintenance costs and CAPEX can be expected. Additional CAPEX may be required to reinforce the building sites and fabrication yard infrastructure. Our business may experience reduced revenue due to delays and disruptions to operations.

There could also be increased exposure to liability from personnel injuries and asset damage caused by increasing storm surges, changes in precipitation, and greater intensity and frequency of typhoon/cyclone events.

#### **Climate Opportunities**

Weatherproofing and protecting infrastructure from floods will help them withstand strong waves from rising sea levels. MHB could offer modifications, retrofits or conversions on vessels and offshore structures to deal with or withstand extreme weather more effectively. As the energy transition to alternative or renewable energy will be much slower, the oil and gas industry will continue to grow to meet increasing global demand for energy. Hence, our Heavy Engineering Business will see a continuation of growth opportunities.

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES



### CLIMATE STRATEGY

MHB’s climate strategy is divided into two-time horizons to decarbonise existing business and mitigate our long-term financial impacts by positioning ourselves competitively in the net-zero economy:



A transition plan for short and medium-term risks; and







A long-term climate strategy

### Low-Carbon Transition Plan (Short – Medium-Term)

MHB has in place 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 Berhad. Our initiatives are as follows:

 <p>Increase the use of renewable energy. We have transition plans to increase our use of renewable energy via the electrification of our yard activities</p>	 <p>Explore and build strategic partnerships with key technology providers of carbon removal technologies for assets both in the Marine and Heavy Engineering Operations</p>	 <p>Explore new businesses focusing on Renewable Energy</p>	 <p>Continuously improve our business’ technical and operational efficiency</p>
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At our yards, we have transitioned to the use of biofuel for our operations as part of our decarbonisation initiatives.

MHB has capabilities to conduct full EPCIC work scopes with our internal competency and engineering capability in low-carbon technologies and collaboration with low-carbon solution providers to offer modifications / retrofits / conversions on vessels and assets to reduce GHG emissions.

### Maritime Decarbonisation

In 2022, MHB signed strategic partnerships to support maritime decarbonisation agenda:

- |   |  |
|---|--|
| <p><b>1</b></p> <p>MoU with Silverstream Technologies (UK) Limited, which is a provider for air lubrication systems that can allow vessels to dramatically reducing fuel consumption and associated emissions. This solution harnesses the power of both the air and oceans, coupled with the understanding of fluid dynamics to deliver 5-10% Net Fuel Savings depending on the vessel’s profile and emissions savings for oceangoing vessels.</p> | <p><b>2</b></p> <p>MoU with Bureau Veritas Marine &amp; Offshore Limited that provides technical and consultation services on vessel improvements such as Hull Performance Audit to improve vessel efficiency, and Technical Advisory on several solutions and retrofit strategy based on each vessel profile. MHB can provide the retrofit work on both existing and newbuild vessels to meet IMO’s EEXI and CII compliance. These retrofit strategies can assist to reduce up to 17% Net Fuel Savings depending on the vessel’s profile.</p> |
|---|--|

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

### **Carbon Capture & Storage (CCS)**

The EPCIC contract for the Kasawari Carbon Capture & Storage (CCS) project includes the construction of a 14,000-metric tonne (MT) topside, a 15,000-MT 8-legged jacket of Kasawari CCS platform and a bridge linking to the Kasawari central processing platform (CPP). Upon completion, the platform will be installed in a water depth of 108 metres (m) within SK316 area, approximately 200 kilometres (km) offshore from PETRONAS LNG Complex in Bintulu, Sarawak.

Once completed, the Kasawari CCS project will be the largest offshore CCS project in the world by volume of carbon dioxide (CO<sub>2</sub>) captured, with the ability to capture up to 3.3 million tonnes per annum of CO<sub>2</sub>. A total of about 71 to 76 million tonnes of CO<sub>2</sub> from the Kasawari CCS project will be reinjected into the M1 field via pipeline, which is approximately 138 km away from the platform. Additionally, this facility will also be the world's largest offshore platform fabricated to capture and store carbon. The Kasawari CCS project, the first ever CCS project in Malaysia, is scheduled to start up by the end of 2025 and will be part of the overall Kasawari Gas Development Project.

### **Responsible Supply Chain**

As a subsidiary of MISC, MHB supports MISC Group's commitment to net-zero Greenhouse Gas emissions by 2050. Part of this commitment includes Scope 3 - value chain emission reductions. We have developed our inventory for Scope 3 emissions to understand the materiality and manage the risks and opportunities associated with emissions from MHB value chain. We have also conducted engagement sessions with our vendors to create awareness of their GHG emission as part of our Scope 3 emission management. We will review our material Scope 3 emissions annually and look into Scope 3 reduction emissions in the future.

As part of our Responsible Supply Chain Strategic Initiative, we are committed to drive sustainable practices with our suppliers. Our aim is to look for collaboration / business partners opportunities on low-carbon solutions as we move towards decarbonisation of our operations and promote Circular Economy across our value chain.

### **Talent Upskilling**

Apart from improving decarbonisation technology within the services we offer; we pay close attention to upskilling our people on the upcoming new technologies and the importance of reducing climate impacts and all related ESG issues.

### **Long-term Plan (2031-2050)**

#### **Net-Zero GHG Emissions Commitment**

MHB as a subsidiary of MISC, supports the Group's commitment to net-zero Greenhouse Gas emissions by 2050. As part of our long-term plans to stay resilient to climate change, MHB's existing business model would continue to evolve in the following two dimensions:



Decarbonise our operations to meet the growing demands of the market for the sustained growth of our existing portfolio



Exploring new income streams that can support the value chain of renewable energy

#### **Decarbonisation of Existing Operations**

We continued to implement our action plan to reduce our electricity consumption. This includes 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.

We also continued with our initiatives on the replacement of air conditioner's refrigerant from R22 to R32 as R32 refrigerant has three times lower global warming potential.

#### **Residual Emissions**

MHB recognises that we still need to address residual emissions that cannot be abated. Therefore, we are exploring offset solutions that can bring our total GHG towards a net-zero state by 2050.

#### **New Income Streams - MHB 2050**

As we move towards 2050, the world will progressively undergo energy transition into renewable and alternative energy sources to mitigate climate change. The development of new business opportunities or income streams into our present portfolio mix is a crucial step to ensure that the Group continues to remain resilient and relevant.

We believe we can actively remain relevant by explore the opportunities to be part of the Renewable Energy Value Chain.

Together, both the growth of our existing business portfolios and the new MHB 2050 business ventures will reshape a new MHB business model that will provide financial sustainability for MHB in the years leading up to 2050.

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

### Task Force on Carbon Capture and Storage (CCS)

Identified as one of the credible and viable ways to reduce carbon footprints towards achieving a net-zero GHG emissions energy ecosystem, CCS has enormous potential that can be explored and developed to support decarbonisation efforts across various industries globally.

In 2022, MISC took the first step on their MISC 2050 journey by setting up a task force which undertook the evaluation of innovative solutions in the area of CCS. The task force pooled the knowledge and expertise across the Group to create a team that is tactically focused, strategically integrated, and ready to face the transition ahead. The team comprises representatives from Gas Assets & Solutions, Offshore Business, Petroleum and Product Shipping Business, Integrated Marine Services Business, Marine & Heavy Engineering Business and Port and Maritime Services Business who will be responsible for facilitating collaboration and unlocking the value to drive MISC Group's CCS initiative.



### METRICS AND TARGETS

MHB key metrics used to measure and manage climate-related risks and opportunities include:

- Total GHG: Scope 1, 2 and 3
- Energy consumption
- Total value from firm bids in low carbon opportunities
- Revenue from low-carbon services
- Internal carbon price

### Climate-related Data Performance Section

Metrics	Item		
<b>Total GHG Emission (tonnes CO<sub>2</sub>e)</b>	Scope 1	2022 <b>8,258</b>	
		2021 <b>6,275</b>	
		2020 <b>9,672</b>	
	Scope 2	2022 <b>28,253</b>	
		2021 <b>25,958</b>	
		2020 <b>36,031</b>	
	Scope 3 Breakdown by category:	Category 6 (Business Travel)	2022 <b>266.5</b>
			2021  -
			2020  -
Category 7 (Employee Commuting)		2022 <b>*5,288</b>	
		2021  -	
		2020  -	
<b>Total Energy Consumption</b>	Petrol (litres)	2022 <b>20,571</b>	
		2021 <b>13,080</b>	
		2020 <b>23,303</b>	
	Gas Consumption (tonnes CO <sub>2</sub> e)	2022 <b>2,268</b>	
		2021 <b>1,186</b>	
		2020 <b>1,028</b>	
	Biodiesel (litres)	2022 <b>2,318,251</b>	
2021 <b>1,450,717</b>			
2020 <b>1,868,747</b>			
Electricity (MWh)	2022 <b>42,358</b>		
	2021 <b>42,687</b>		
	2020 <b>52,677</b>		
Renewable Energy (Solar Panel Power) MWh	2022 <b>8,956</b>		
	2021 <b>6,843</b>		
	2020  -		



\* Estimated average emission of whole MHB employee population based on projection from available number of employee commuting data

## CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

### Greenhouse Gas (GHG) Targets and Commitment

MHB as a subsidiary of MISC, supports the Group's commitment to net-zero GHG emissions by 2050. Our GHG emissions monitoring and reporting is guided by the following key standard and reference:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), Third IMO GHG Study 2014

Long Term Commitment	Net-Zero Greenhouse Gas emissions by 2050	
<b>Scope (Boundary)</b>	<b>Main Greenhouse gases (GHG)</b>  <ul style="list-style-type: none"> <li>• Carbon Dioxide (CO<sub>2</sub>)</li> <li>• Methane (CH<sub>4</sub>)</li> <li>• Nitrous Oxide (N<sub>2</sub>O)</li> </ul>	<b>MHB Value Chain</b>  <ul style="list-style-type: none"> <li>• MHB operations (Scope 1 &amp; 2)</li> <li>• Material upstream and downstream operations to MHB (Scope 3)</li> </ul>
<b>Measurement Metric</b>	Total GHG in CO <sub>2</sub> e	

### Climate-related Remuneration

In 2022, MHB included the towards decarbonisation strategic initiatives as part of ESG-related key performance indicators (KPI) into the 2022 Balance Scorecard. Related business units that have direct control over carbon management or tasked to implement climate-related risks and opportunities including attainment of targets are rewarded through work performance for their contribution to the improvement of the Company's carbon and energy performance.

MHB's Nomination & Remuneration Committee (NRC) reviews ESG-related performance of senior management's scorecard and remuneration. The NRC also conducts performance appraisals on the Company and MD & CEO. The NRC makes appropriate recommendations to the Board to approve, based on the Company's performance against the balanced scorecard.

### Internal Carbon Pricing

In 2022, together with MISC, MHB has explored the usage of internal carbon pricing and its application as an assumed cost to emissions associated with a given investment or project, in order to better understand our climate impacts.

Beginning 2023, an internal carbon price of USD50/ton CO<sub>2</sub>e shall be used to calculate the carbon cost for each new investment. Initially, leading to the full implementation of the internal carbon pricing for financial investment decisions, the cost of carbon would be projected throughout the asset lifespan as one of the factors to be considered in the sensitivity analysis of projects.

### Moving Forward

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 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 recommendations.

