

SUSTAINABILITY STATEMENT

Leadership Statement



“
Dear Stakeholders,
 The past year has been pivotal in our steadfast dedication to sustainability, further advancing the solid foundation we have built over the years. From the onset of our sustainability journey, we have prioritised integrating responsible business practices, recognising their essential role in creating sustainable value for both our stakeholders and our business. Amid increasing global calls for an energy transition and industry-wide decarbonisation, our determination has only grown stronger.

”
Mohd Nazir Mohd Nor
Managing Director & Chief Executive Officer

Leadership Statement

Strategic Shifts Toward a Sustainable Future

Our journey towards contributing to the Global Sustainability Goals is highlighted by a strategic pivot to low-carbon solutions. Initially focused on marine and heavy engineering, our strategy now includes renewable energy and decarbonisation efforts such as maritime decarbonisation, carbon capture and storage (CCS), and offshore wind farms (OWF), all contributing significantly to a sustainable future.

In 2023, our strategic efforts were aimed at enhancing operational resilience, driving digital transformation, and forging new partnerships to adapt to changing market dynamics. These initiatives have allowed us to enter new markets, bolster our internal capabilities, and secure significant international projects, affirming our dedication to innovation, sustainability, and excellence and positioning us for success in a rapidly evolving business landscape.

As we pursue ambitious targets, with our roadmap to achieve Net Zero Greenhouse gas (GHG) emissions by 2050 and our interim target of 20% reduction in carbon emission intensity by 2030 (from our 2016 baseline), we are encouraged by our progress—a notable 7.8% reduction in direct man-hour emission intensity by 2023.

Our ongoing implementation of low carbon solutions underscores our commitment to environmental sustainability and a greener future on our path to net zero. We have also actively involved vendors in the development of our sustainability plans that will empower them

to embrace ownership of their role in realising our shared goals. This collaborative approach fosters a sense of collective responsibility and boosts our capacity to achieve meaningful progress towards a more sustainable future.

Enhancing Resilience Through ESG Integration

The integration of ESG factors into our risk management framework is crucial in addressing climate-related risks and bolstering our resilience to sustainability challenges. Our Enterprise Risk Management Framework (ERMF) is instrumental in ensuring a systematic approach to identifying, assessing, mitigating, monitoring, and reviewing risks across our organisation.

Furthermore, we are in the midst of strengthening our climate scenario analysis to comprehensively understand the potential impacts of climate change on our organisation. This involves modelling various future scenarios based on different climate outcomes, policy responses, and market conditions. By incorporating climate-related scenarios into our risk assessments, we can anticipate potential risks and opportunities more effectively. This course of action enables us to develop proactive strategies to mitigate risks and capitalise on opportunities.

In addition, we are developing Key Risk Indicators (KRIs) specific to climate-related risks and opportunities. These indicators act as early warning signals, enabling us to monitor changes in environmental conditions, regulatory landscapes, consumer preferences, and technological advancements that could impact MHB's performance.

Our sustainability efforts have earned us recognition through several accolades, such as our consistent presence in the FTSE4Good Bursa Malaysia Index and the maintenance of our ESG ratings, reflecting our performance in sustainability practices. Additionally, receiving the silver award in the inaugural Green Transition category at The Edge Malaysia ESG Awards 2023 further emphasises our dedication to making positive contributions.

By embedding ESG considerations into our risk management and fostering a culture of awareness and transparency, we are better positioned to navigate climate-related risks and improve our sustainability performance.

Outlook: Balancing Security with Sustainability

As the energy sector stands at a pivotal junction, the push for energy security becomes paramount for the next decade. The surge in investments in renewables, supported by policy and cost efficiencies, signifies a global pivot towards sustainable energy sources. With global energy investment hitting \$2.0 trillion in 2023, including a marked increase in upstream spending and a focus on renewable power generation, the industry seeks a balance between security and sustainability. This transition not only moves us towards environmentally friendly practices but also promises a more resilient and diversified energy portfolio for the future.

As we look ahead, our resolve is stronger than ever. The path to sustainability is both a responsibility and an opportunity to forge a better future for all. We are committed to leading the way, driving innovation, and making a meaningful impact on the planet and our communities.

SUSTAINABILITY STATEMENT

What Sustainability Means to Us

Building upon the momentum in our sustainability journey from 2022, we remained focused on delivering long-term value to all stakeholders. Going beyond the immediate focus on Environmental, Social, and Governance (ESG) considerations, our collaborative efforts in 2023 have propelled us a stride closer to achieving a net zero future by 2050.

Sustainability Strategy and Approach

At MHB, our commitment to sustainability is embodied in our sustainability strategy with the purpose to align the vision of our parent company, MISC Group. Through this approach, the sustainability framework encompasses five key pillars—Financial, Environmental, Social, Governance, and Stakeholder Engagement that guides our initiatives. These pillars not only emphasise the core values of our business model but also address crucial material matters essential for our long-term sustainability.



SUSTAINABILITY REPORTING AND DISCLOSURES

SUSTAINABILITY PERFORMANCE RATING

What Sustainability Means to Us

Moving forward, we aim to strengthen our sustainability framework structure, thus cultivating a culture of ongoing improvement. This will enable us to refine our sustainability strategies and enhance performance over time.

Progress and Achievements

Throughout 2023, MHB has actively advanced its sustainability agenda, intensifying efforts to achieve meaningful ESG outcomes that generate value for all stakeholders. While remaining a constituent of FTSE4Good Bursa Malaysia Index for the eighth consecutive year, we have also made significant progress across our sustainability pillars.

| Sustainability Pillar | Achievements |
|-------------------------------|---|
| Financial | <ul style="list-style-type: none"> Enhanced our scenario analysis for climate-related risks and opportunities. |
| Environment | <ul style="list-style-type: none"> Installed 11,985 out of the total 14,005 of conventional lights on our premises with LED lights. Replaced 868 out of 1,275 of R22 to R32 refrigerants in air conditioning system. Achieved 99.8% recycling rate of scheduled waste. Planted 1,000 trees in MMHE West Yard for the Yard in the Garden project. |
| Social | <ul style="list-style-type: none"> Awarded 'Silver' in the inaugural Green Transition category (The Edge Malaysia ESG Awards 2023). Awarded 'Gold Class I' for the Occupational Safety and Health Award by MSOSH. Completed 111,280 training man-hours to enhance both technical skills and leadership capabilities. Assisted 125 families from 4 villages in Pasir Gudang during MHB Free Market 2023. Achieved 83% completion rate in the Human Rights e-Learning module. |
| Governance | <ul style="list-style-type: none"> Awarded with Legal 500's GC Powerlist: Southeast Asia Teams 2023 for the 'Transport and Infrastructure' category. Three (3) employees certified as Certified Integrity Officer (CeIO) under Malaysian Anti-Corruption Academy (MACA)'s certification program. Rolled out the Corruption Free Pledge ("Ikrar Bebas Rasuah"(IBR)) and Integrity Talk in collaboration with Malaysia Anti-Corruption Commission (MACC) and 3,738 of our employees signed the Corruption Free Pledge with MACC. Reported zero major cybersecurity incidents. |
| Stakeholder Engagement | <ul style="list-style-type: none"> Established an e-Feedback system as a common and quick feedback mechanism. |

OUR PATH TO IMPACT

| 2011-2015 | 2018-2020 | 2021 |
|---|---|---|
| <ul style="list-style-type: none"> Basic ESG Disclosure; 1st Sustainability Statement in The Annual Report; Inaugural Listing on FTSE4Good for Bursa Malaysia. | <ul style="list-style-type: none"> The First Materiality Assessment With Internal Stakeholders; Received Silver Awards at the 2019 and 2020 Australasian Reporting Awards (ARA) | <ul style="list-style-type: none"> Established Board Risk Committee (BRC) and Corporate Sustainability Unit (CSU); Full-Scale Materiality Assessment, Sustainability Framework and Governance Structure |
| 2022 <ul style="list-style-type: none"> Development and Disclosure of Scope 3 Emissions; Developed MHB Climate Framework in line with TCFD. Explored Internal Carbon Pricing Together with MISC; Received Silver Award under the Equities Category for Energy Sector at The Edge Malaysia ESG Awards 2022. | | Today <ul style="list-style-type: none"> Embarked on Scope 3 Emission Vendor Engagements; Diversifying into Decarbonisation and Renewable Energy Technologies Opportunities. |

Contributing to United Nations Sustainable Development Goals (UNSDGs)

Sustainability for us at MHB extends far beyond the boundaries of our business operations. It is an inherent part of our identity as responsible global citizens. Acknowledging the collective nature of the challenges MHB encounters, we have wholeheartedly adopted the United Nations Sustainable Development Goals (UNSDGs) as the guiding framework steering our path towards a future characterised by sustainability.

Our methodology to determine prioritised SDGs begins with the establishment of our sustainability framework and strategic priorities. Within each sustainability pillar, our purposeful initiatives have yielded tangible contributions to the 13 SDGs, emphasising our dedication to impactful global sustainability. In aligning our sustainability strategy with global aspirations, we methodically match our efforts with SDG targets that not only reflect our significant impacts, but also where we can make direct or indirect contributions. This approach reinforces our commitment to creating value for stakeholders and actively engaging in the collective pursuit of a sustainable and equitable future.

SUSTAINABILITY STATEMENT

What Sustainability Means to Us

| Prioritised UNSDGs | Achievements and Contributions | Prioritised UNSDGs | Achievements and Contributions |
|--|--|--|--|
| 3 GOOD HEALTH AND WELL-BEING | <ul style="list-style-type: none"> Achieved a 100% mass screening for Urine Drug and Alcohol Test (UDAT). Achieved 20% employee participation in Health Screening. Implemented Influenza vaccination for employees and families. Introduced two weekly fitness classes within existing gym facilities. | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | <ul style="list-style-type: none"> Digitalised our supply chain management through PANTHERA project. |
| 4 QUALITY EDUCATION | <ul style="list-style-type: none"> Distributed free school uniforms and supplies to underprivileged students. Signed a Memorandum of Collaboration (MoC) on Technical and Vocational Education and Training (TVET) with the Malaysian government. Established Memorandum of Understanding (MOU) / Certificate of Collaboration (COC) with local tertiary institutions (Universiti Teknikal Malaysia (UTeM), Universiti Teknikal Malaysia (UTeM), Politeknik Ibrahim Sultan, Pasir Gudang) | 10 REDUCED INEQUALITIES | <ul style="list-style-type: none"> Achieved 97% coverage of employee population in the first phase of D&I awareness programme. Standardised medical benefits for both permanent and contract employees. |
| 5 GENDER EQUALITY | <ul style="list-style-type: none"> Increased female population in Technical Position by 3% to 11.8% (2023). | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | <ul style="list-style-type: none"> Recycled 99.8% of generated scheduled waste. Partnered closely with various industries to promote Industrial Ecology and circular waste management. |
| 6 CLEAN WATER AND SANITATION | <ul style="list-style-type: none"> Established a performance monitoring laboratory for Industrial Effluent Treatment System (IETS) and Sewage Treatment Plants (STPs). Organised a Beach Clean Up in collaboration with Kasawari CCS at MMHE coastal area. | 13 CLIMATE ACTION | <ul style="list-style-type: none"> Aligned with to our parent company MISC on the Net Zero GHG Emissions 2050 Commitment. Developed Scope 1 and 2 MHB 2030 Roadmap. Implemented Single Use Plastic Phase Out to reduce plastic consumption and prevent environmental pollution. |
| 7 AFFORDABLE AND CLEAN ENERGY | <ul style="list-style-type: none"> Generated 8,826 MWh of solar power fully consumed by the MHB's operations. | 15 LIFE ON LAND | <ul style="list-style-type: none"> Planted 1,000 trees in MMHE West Yard. Planted 200 trees at Laman Sungai Buluh for River Rehabilitation Programme. |
| 8 DECENT WORK AND ECONOMIC GROWTH | <ul style="list-style-type: none"> Achieved 93% spending on local suppliers. Formed a Smart Partnership with the Manpower Department, Ministry of Human Resource for talent pipeline, exchange of expertise, curriculum development, and shared facilities. | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | <ul style="list-style-type: none"> Signed the Corruption-Free Pledge. Conducted Human Rights Risks Assessment to continuously assess our human rights management. Continuously upheld the Corporate Integrity Pledge (CIP) since 2014. |
| | | 17 PARTNERSHIPS FOR THE GOALS | <ul style="list-style-type: none"> Engaged with 7 key vendors for Scope 3 in our decarbonisation journey. |

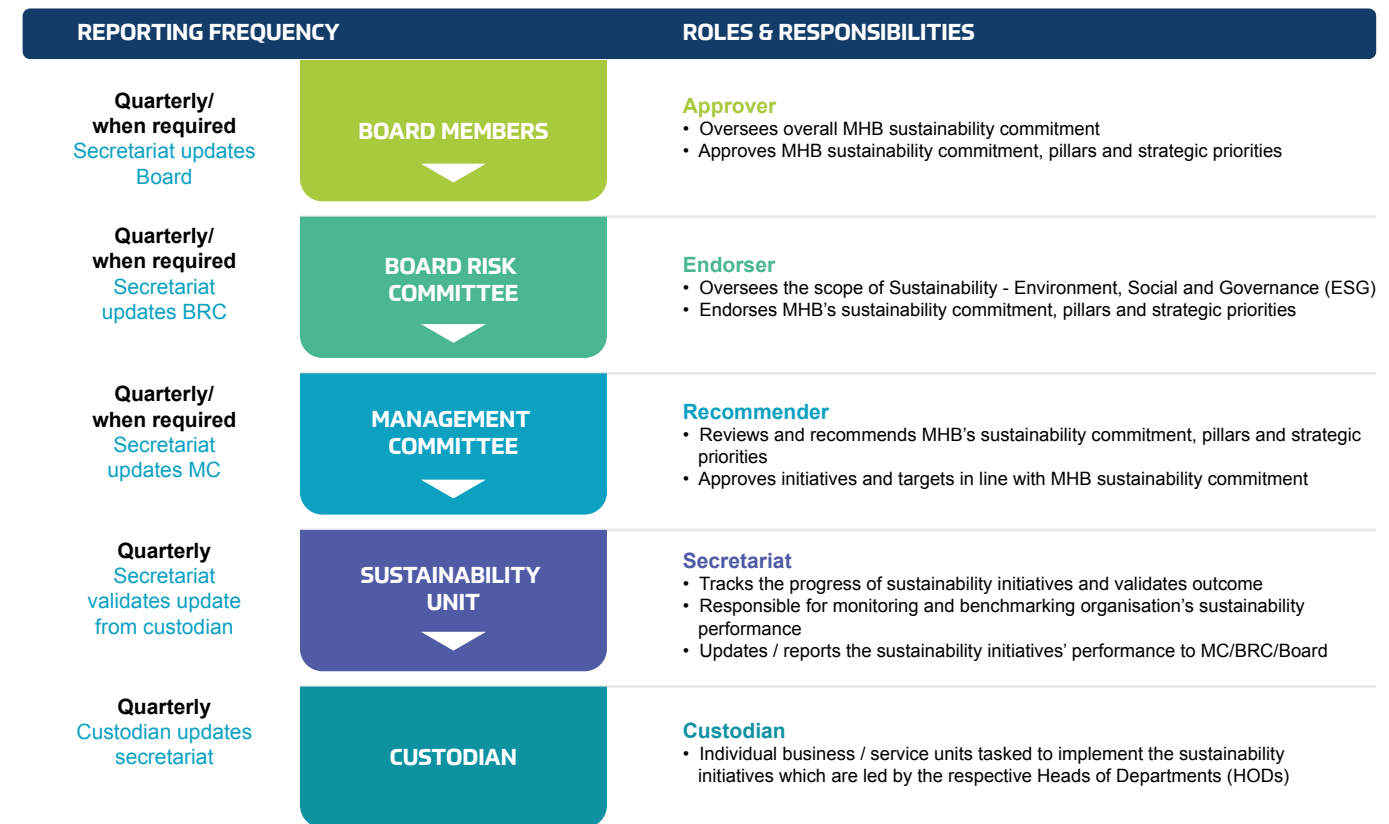
Sustainability Governance

Governance Structure

MHB's sustainability governance structure forms the foundation of our sustainability agenda. We maintain transparent and functional governance frameworks to integrate sustainability factors and ensure its consideration in the development of our business operations. Through strategic oversight, we prioritise stakeholder interests and effectively manage risks.

Our Board of Directors (BOD) holds the ultimate responsibility for integrating sustainability into MHB's strategy and operations. The BOD oversees the Board Risk Committee (BRC) which manages our sustainability risks. Meanwhile, the Management Committee (MC) reviews and approves sustainability initiatives aligned with the strategic priorities. Simultaneously, the Sustainability Unit monitors progress and reports to the MC, BRC, and BOD on a quarterly basis.

MHB SUSTAINABILITY GOVERNANCE STRUCTURE



In 2023, MHB established a Net Zero Committee (NetZec) that:

- Oversees the implementation of MHB's 2030 Roadmap
- Endorses the 2050 Net Zero GHG Roadmap
- Assesses initiatives in Decarbonisation, Biodiversity Conservation, and Circular Economy

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Sustainability Governance

Sustainable Leadership in Action

To build a robust sustainability culture throughout MHB, we are actively exploring the establishment of Environmental, Social, and Governance (ESG) Key Performance Indicators (KPIs) that align with the Company's sustainability goals. These KPIs serve as tangible benchmarks to guide the Board's decision-making and hold them accountable for long-term practices.

Corporate Scorecard

We have translated key strategies into actionable KPIs aimed at guiding Management through the annual performance review. The infusion of sustainability is integral to the MHB Corporate Scorecard, specifically under the Strategic Initiative.

MHB's Sustainability-related KPIs

- a) 10% KPI Weightage: Scope 1 and Scope 2 carbon emission.
- b) 10% KPI Weightage: Scope 3 carbon emission
 - Primary data sourced from GHG emissions within the Company's value chain (directly obtained from suppliers, etc).
 - Secondary data derived from industry averages, published databases, government statistics, industry associations, financial data, and proxy data.

Board Role in GHG Roadmap 2030

In February 2023, the Board actively participated in the decision-making process for the GHG Roadmap 2030, outlining MHB's mid-term targets (2023-2025) and key sustainability initiatives, which cover the following:

- Identifying new decarbonisation initiatives and quantify reduction efforts.
- Establishing a cross-divisional committee for resource and investment allocation.
- Updating scenario forecasts by comparing business-as-usual with decarbonisation scenarios.
- Implementing robust assurance and reporting mechanisms to validate data internally and report to relevant authorities.

Within the ESG scope of our Budget 2023, we have incorporated several key sustainability factors into our business outlook which focuses on:

- Maritime Decarbonisation
- CO₂ Capture
- Carbon Emission reporting
- Local Regulation in compliance with Government Regulation

Sustainability Criteria in Board Effectiveness and Evaluation (BEE)

In 2023, the internal Board Effectiveness and Evaluation (BEE) gauged the Board's performance in managing sustainability risks and opportunities, with a focus on the ESG indicator. We thoroughly evaluated sustainability criteria as part of Board's roles and responsibilities.

Board Training

To fortify our sustainability knowledge base, MHB, in collaboration with our parent company, MISC, has facilitated ongoing training and education sessions for Board members and Senior Management to stay current with sustainability trends, best practices, and emerging issues through programmes such as:

- Carbon Capture, Utilisation and Storage: Market Insights
- ESG: Potential Disruptors to Maritime and Shipping
- Energy Transition: Financing the Race to net zero
- New Considerations for Risk Assessment in the Era of Decarbonisation

Sustainability Governance

Policies and Systems

| Material Matters | Policies and Guidelines |
|---------------------------------------|---|
| Climate Change | <ul style="list-style-type: none"> • MHB Climate Framework |
| Natural Resources and Consumption | <ul style="list-style-type: none"> • ISO 14001:2015 Environmental Management System • Integrated Waste Management Taskforce • Environment Minimum Standard • Purchasing Manual |
| Project and Financial Performance | <ul style="list-style-type: none"> • ISO 9001:2015 Quality Management System • MHB Financial Policy |
| Technology and Operational Innovation | <ul style="list-style-type: none"> • Information Security Procedure |
| Business Sustainability | <ul style="list-style-type: none"> • ISO 9001:2015 Quality Management System |
| Strategic Community Initiatives | <ul style="list-style-type: none"> • MHB Community Investment Guideline |
| Diversity and Inclusion | For more information on MHB's Diversity & Inclusion Statement, see our website at www.mhb.com.my |
| Skilled Workforce | <ul style="list-style-type: none"> • Employee Handbook • Collective Agreement (CA) • Performance Management System • General Conditions of Subcontractor for Labour only |
| Governance and Ethics | <ul style="list-style-type: none"> • ISO 37001:2016 Anti-Bribery Management System • MHB Code of Conducts and Business Ethics • MHB Anti-Bribery and Corruption Manual • MHB Whistleblowing Policy • MHB No Gift Policy • MHB Corporate Privacy Policy • MHB Referral Policy • MHB Economic Sanctions and Export Control Policy & Guidelines • MHB Raid Protocol Policy • MHB Competition Policy • MHB is a signatory to the Corruption Free Pledge with the Malaysian Anti-Corruption Commission (MACC) |
| Asset Integrity and Reliability | <ul style="list-style-type: none"> • 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 |
| Supply Chain | <ul style="list-style-type: none"> • MHB Code of Conduct and Business Ethics for Third Parties • MHB Third-Party Compliance Due Diligence Operational Guidelines (TPCDDOG) • MHB Economic Sanction and Export Control Policy and Guidelines |
| Human and Labour Rights | <ul style="list-style-type: none"> • Human Rights Commitment • Modern Slavery Policy • Modern Slavery Statement |
| Health and Safety | <ul style="list-style-type: none"> • 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 • Fatigue Management at Workplace |

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Sustainability Governance

| Associations | Our Position | Contributions and Value Created |
|---|---|--|
| Climate Governance Malaysia (CGM) | Member | Demonstrates our proactive stance in combating climate change, aligning with global sustainability goals. As part of the MISC Group, MHB is a corporate friend of the CGM. |
| National Institute for Occupational Safety and Health (NIOSH) | Member | Ensures excellence in Occupational Safety and Health Management Systems (OSH-MS) and promotes a culture of safety, enhancing OSH standards across Malaysia. |
| Pasir Gudang Emergency Mutual Aid (PAGEMA) | Committee Member | Conducts rigorous annual emergency drills to test and improve the Emergency Response Team (ERT), management, and employee readiness, enhancing our emergency response and rescue capabilities. |
| Association of Marine Industries of Malaysia (AMIM) | Committee Member | Collaborates in Shipbuilding and Ship Repair (SBSR) initiatives, driving innovation and excellence in the marine industry. |
| Malaysia Oil and Gas Services Council (MOGSC) | Committee Member | Facilitates strategic collaboration with key industry stakeholders, strengthening our position in the oil and gas sector. |
| Malaysia Offshore Contractors Association (MOCA) | Committee Member | Builds and nurtures relationships among contractors in the offshore oil and gas business, fostering a collaborative industry environment. |
| Welding Institute of Malaysia (WIM) | Committee Member | Provides access to extensive technical information and discounted events, enhancing our technical knowledge and industry engagement. |
| Malaysia Anti-Corruption Academy (MACA) | Member | Supports the development of Certified Integrity Officers (CeIOs) and integrity training, reinforcing our commitment to ethical business practices. |
| Human Resource Development Corporation (HRD Corp) | Registered Employer (MHB & MMHE) | Utilises grants for training expenses, enabling continuous employee development and skill enhancement. |
| Construction Industry Development Board (CIDB) | Certified Facility for Welder Accreditation | Achieves recognition as a Certified Facility, endorsing our Centre of Excellence (CoE) in welding. |
| Malaysia Employer Federation (MEF) | Member | Provides access to expert HR legal and regulatory advice, and allows us to contribute to shaping HR regulatory frameworks. |
| Johore Skill Development Centre (PUSPATRI) | Member | Facilitates specialised skills training for MHB employees, customising training programme to meet our specific needs. |

Climate-Related Financial Risks and Opportunities

Our Climate Framework aligns with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, echoing the comprehensive approach of the MISC Group. It encompasses governance, strategy, risk management, and metrics/targets. This ensures that our disclosures in this report fully embody all TCFD thematic elements, offering a transparent and thorough perspective on how we navigate climate-related financial risks and opportunities.



GOVERNANCE

The Board and Board Risk Committee (BRC) integrate climate considerations into strategy, risk management, budgets, and business plans. They set objectives, oversee implementation, and monitor performance, including major expenditures and strategic actions. They track sustainability and climate initiatives quarterly to ensure alignment with goals, emphasising robust governance and effective oversight. The Risk Council (RC), comprising Management Committee (MC) members, addresses enterprise risks quarterly, reviewing key risks and mitigation plans and reporting to the Board. Climate risks are integrated into MHB's risk register and monitored regularly. The Corporate Sustainability Unit provides quarterly updates on sustainability and climate to the RC, BRC, and the Board. The Technical Committee/Custodian proposes new sustainability initiatives, including climate-related matters.

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

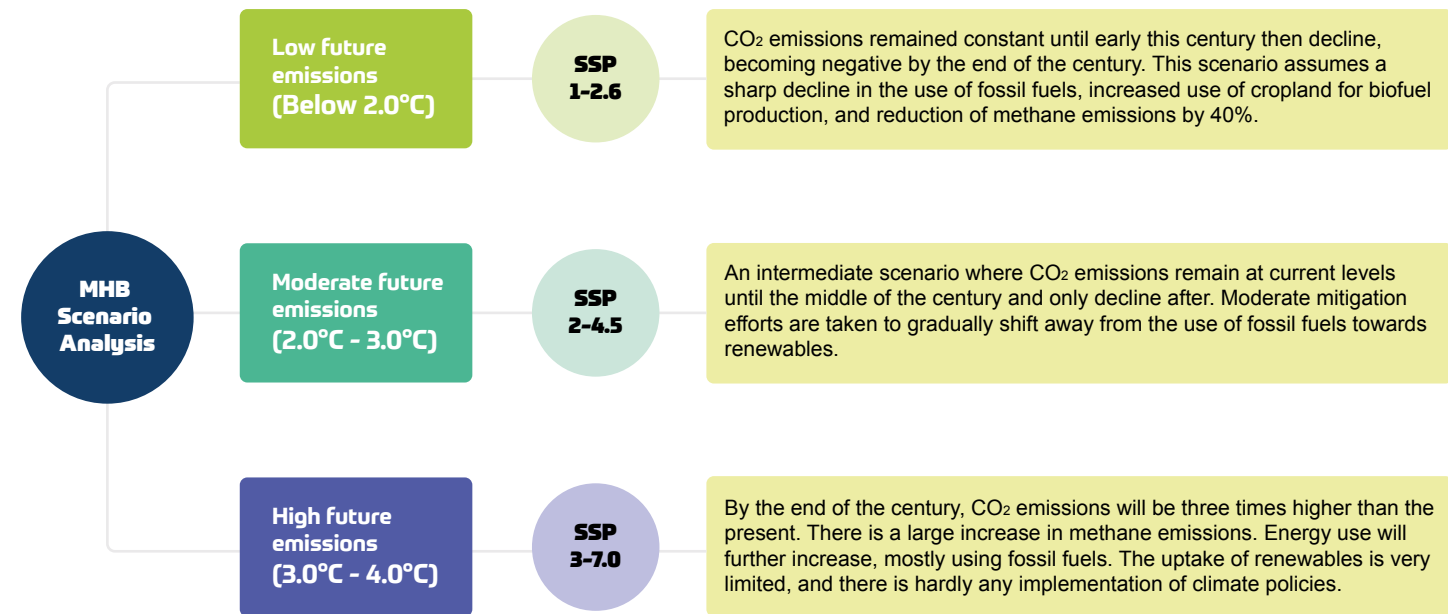
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Climate-Related Financial Risks and Opportunities

STRATEGY

Scenario Analysis

In 2023, we enhanced our climate scenario analysis as part of the MISC Group's initiative. We expanded from two to three climate scenarios, aligning with the Intergovernmental Panel on Climate Change's (IPCC) sixth assessment report from 2021. Below is an illustration of the three climate scenarios that we have implemented:



*The scenario modelling assumptions were sourced from the Intergovernmental Panel on Climate Change (IPCC), Shared Socioeconomic Pathways (SSP), International Energy Agency (IEA), and The International Renewable Energy Agency (IRENA).

Shared Socioeconomic Pathway (SSP) Scenario Projection

| MHB Scenario Analysis (°C) | Scenario | Projection of temperature rise from 2021 to 2040 | | Projection of temperature rise from 2041 to 2060 | | Projection of temperature rise from 2081 to 2100 | |
|----------------------------|----------|--|--------------|--|--------------|--|--------------|
| | | Mean | Range | Mean | Range | Mean | Range |
| Below 2.0 | SSP1-2.6 | 1.5 °C | 1.2 ~ 1.8 °C | 1.7 °C | 1.3 ~ 2.2 °C | 1.8 °C | 1.3 ~ 2.4 °C |
| 2.0 – 3.0 | SSP2-4.5 | 1.5 °C | 1.2 ~ 1.8 °C | 2.0 °C | 1.6 ~ 2.5 °C | 2.7 °C | 2.1 ~ 3.5 °C |
| 3.0 – 4.0 | SSP3-7.0 | 1.5 °C | 1.2 ~ 1.8 °C | 2.1 °C | 1.7 ~ 2.6 °C | 3.6 °C | 2.8 ~ 4.6 °C |

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 expected physical climate-related impacts, the climate analysis and scenarios were derived based on the following driving forces:

| Driving Forces | Low Emissions Scenario (< 2 °C) | Moderate Emissions Scenario (2 – 3 °C) | High Emissions Scenario (3 – 4 °C) |
|------------------------------|--|--|--|
| ENVIRONMENTAL | <ul style="list-style-type: none"> Sea level rise already occurring Changes in sea wave patterns Increased wind speed and wave power Extreme weather damage to infrastructure and navigational safety | <ul style="list-style-type: none"> Larger winter ocean waves, increase in wave heights Bad extreme weather led to Artic Sea ice loss Reshaping of coastlines and low-lying areas | <ul style="list-style-type: none"> Sea level rise worsening Extreme heatwaves and tropical cyclones Unpredictable sea wave patterns Extreme sea level rise and intense impact on coastal sectors |
| POLITICAL AND LEGAL | <ul style="list-style-type: none"> Strong commitment towards the 'Net Zero' transition Government initiatives on climate change Carbon pricing is well established Shipping Legal Frameworks and Acts | <ul style="list-style-type: none"> Moderate implementation of carbon pricing and approach towards Net Zero transition policies | <ul style="list-style-type: none"> Insufficient policies to meet climate targets Lack of regulations and standards Carbon pricing is not widely adopted |
| TECHNOLOGICAL | <ul style="list-style-type: none"> Extensive adoption of carbon-neutral fuels Rapid technological development Collaboration and widespread adoption of CCUS technologies Advancement of e-Fuels technologies | <ul style="list-style-type: none"> Limited investment in CCUS technologies Rapid technologies in transition to Renewable Energy (RE) RE supply is outpacing electricity demand | <ul style="list-style-type: none"> Slow technological advancement Lack of funding and incentive to deploy CCUS technologies Increased cost of energy transition |
| ECONOMIC | <ul style="list-style-type: none"> Higher GDP growth: average 3.3% annually Rapid transition to renewable energy sources Reduction in global demand of fossil fuel and non-RE Widely adapts to a low-carbon future in the Oil and Gas (O&G) industry Investment starts to slow down after 2030 in the energy sector | <ul style="list-style-type: none"> Small investment in green energy Half of the world's energy comes from Renewable Energy (RE) Small reduction in non-RE source demand Expand bioenergy adoption to replace fossil fuels Phase out coal-fired power plants Strong push for electrification Policy commitments to limit fossil fuel usage | <ul style="list-style-type: none"> Slower transformation towards RE Increased in energy-related CO₂ emission Increase in non-RE source demand |
| REPUTATION AND SOCIAL | <ul style="list-style-type: none"> Stakeholder pressure to reduce value chain emissions The O and G sector is progressively embracing zero-carbon fuels & RE energy sources Rising trend in clean energy employment | <ul style="list-style-type: none"> Consumer demand drives sustainability in purchasing decisions Companies adapt to meet sustainable consumer expectations Job losses in high-emission industries as the fossil fuel sector phases out | <ul style="list-style-type: none"> Lack of action on climate change Voluntary trend in carbon reduction commitment Lack of pressure from stakeholders |

Strategic Planning

MHB's strategic decisions concerning climate action are based on climate-related remuneration and internal carbon pricing. The incorporation of these factors integrates decarbonisation initiatives into ESG-related Key Performance Indicators (KPIs) and guides our approach to addressing carbon emissions in investment decisions.

- Climate-related Remuneration**
We incorporate decarbonisation initiatives into ESG-related Key Performance Indicators (KPIs) in the 2023 Balanced Scorecard. Business units directly involved in carbon management or addressing climate-related risks and opportunities are rewarded for their contribution to improving the Company's carbon and energy performance. The Nomination and Remuneration Committee (NRC) reviews senior management's ESG performance and remuneration. They also conduct performance appraisals on the Company and MD & CEO, making recommendations to the Board based on the balanced scorecard outcomes.
- Internal Carbon Pricing**
We adopt an internal carbon price of USD50/ton CO₂e for new investment assets emitting over 5,000 tonnes of CO₂ equivalent annually or contributing 0.10% or more to total CO₂ equivalent emissions. This pricing is integrated into financial investment decisions, aligning with the MISC Group's Internal Carbon Pricing processes.

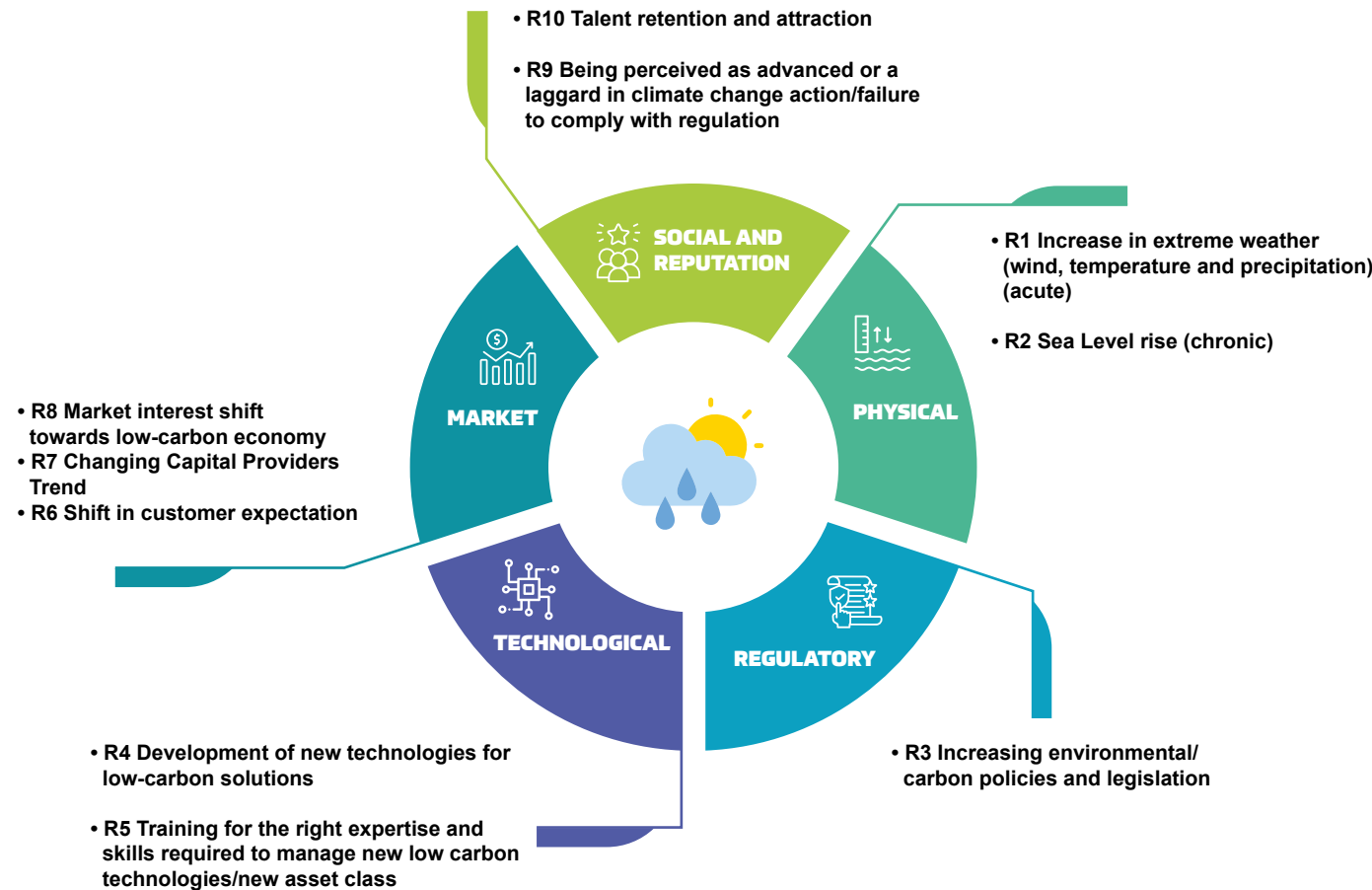
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Climate-Related Financial Risks and Opportunities

Climate-related Risks and Opportunities embedded into Business Strategies

The Corporate Planning, Risk, and Sustainability Division conducts an annual company-wide strategic planning exercise. This process involves evaluating business and climate-related risks and opportunities and translating them into short, medium, and long-term strategies for approval by the Board.

Overview of MHB Group Climate-related Risks and Opportunities



Climate-Related Financial Risks and Opportunities

Short, Medium and Long-term Time Horizon

We have defined our short, medium, and long-term time horizons to identify climate risks and opportunities. In doing so, we consider the impacts of these climate-related issues on our business.

| Time Horizon | Time Horizon Rationale on Material Financial Impact |
|---|---|
| Short Term (Within the next five years) | Any climate-related risks that have or are expected to have a material financial impact in the next five years from current and emerging climate legislation and market interest shift towards a low carbon economy. |
| Medium Term (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"> • Extreme weather threats (e.g., changes in precipitation, greater intensity, and frequency of typhoon/cyclone events). • Climate-related requirements imposed by existing or potential customers. |
| Long Term (2031 – 2050) | Any climate-related risks that have or are expected to have a material financial impact in addressing the risks and opportunities of the energy transition and global movement towards Net Zero Emissions by 2050. |

Identification of Climate-related Risks and Opportunities

We determine the risks and opportunities that have a material financial impact on our organisation by considering the following matters:

- Climate-related driving forces that present risks and opportunities for MHB. These driving forces are:
 - Physical
 - Regulatory
 - Technological
 - Market
- 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 impacts of climate risks on MHB's business objectives.

Climate Scenario Analysis on Physical and Transition Risks

Under each climate-related physical and transition risk, we have analysed the potential impact across different temperature increase scenarios (Low, Medium, High). The impact is evaluated in terms of operational costs (OPEX), capital expenditure (CAPEX), and other relevant factors.

| Risk Category | Element | Potential Risks and Opportunities | Low Emissions Scenario (Below 2.0 °C) | Medium Emissions Scenario (2.0 °C – 3.0 °C) | High Emissions Scenario (3.0 °C – 4.0°C) |
|---------------|---------|-----------------------------------|--|--|---|
| Physical | Acute | Extreme weather (acute) | Minimal impact as assets today is built to withstand certain extreme weather conditions | Increased operational cost (OPEX) to maintain and reinforce assets due to heightened extreme weather | Increased OPEX to maintain and reinforce assets due to heightened extreme weather |
| | Chronic | Sea level rise (chronic) | Additional cost of property maintenance / reinforcements and relocations due to erosion from sea level rise / tidal wave changes | Additional cost of property maintenance / reinforcements and relocations due to erosion from sea level rise / tidal wave changes | Increased OPEX to relocate or implement adaptation measures for operations at coastal locations |

SUSTAINABILITY STATEMENT

Climate-Related Financial Risks and Opportunities

| Risk Category | Element | Potential Risks and Opportunities | Low Emissions Scenario (Below 2.0 °C) | Medium Emissions Scenario (2.0 °C – 3.0 °C) | High Emissions Scenario (3.0 °C – 4.0 °C) |
|---------------|---------------------------------|---|--|--|--|
| Transition | Regulatory | Increasing environmental / carbon policies and legislations and Carbon pricing | Escalating compliance cost due to increasingly heightened carbon regulations - capital expenditure (CAPEX) and operational cost (OPEX) | Increased compliance cost due to moderately increasing carbon regulation - capital expenditure (CAPEX) and OPEX | Increased compliance cost due to moderately increasing carbon regulation - capital expenditure (CAPEX) and operational cost (OPEX) |
| | | Development of new technologies for low-carbon solutions | Significant increase for investment costs in low-carbon solutions | Increased investment costs in low-carbon solutions | Increased investment costs in low-carbon solutions |
| | Technological | Training for the right expertise and skills required to manage new vessels / shipment | Increased talent development cost (OPEX) | Increased talent development cost (OPEX) | Slight increase in talent development cost (OPEX) |
| | | Market | Shift in customer and market expectations towards a low-carbon economy | Reduced market demand for petroleum production, storage and transportation assets and logistics services | Moderate reduction in market demand for petroleum production, storage and transportation assets and logistics services |
| | Market | Changing capital providers trends | Lack of funding / Increased interest rates for conventional marine fuelled assets | Increased interest rates for conventional marine fuelled assets | Increased interest rates for conventional marine fuelled assets |
| | | Reputation and Social | Being perceived as advanced or a laggard in climate change action / failure to comply with regulation | Increased costs, potential fines, and a negative impact on reputation may result from failure to meet stakeholders' growing social awareness | Increased costs, potential fines, and a negative impact on reputation may result from failure to meet stakeholders' growing social awareness |
| | Talent retention and attraction | | Increased OPEX to attract and retain talents | Increased OPEX to attract and retain talents | Moderate increased OPEX to attract and retain talents |
| | | | Insignificant to minor impact to MHB's current business objectives | Moderate impact to MHB's current business objectives | Major impact to MHB's current business objectives |

Risk Assessment and Strategic Mitigation

In the series of tables that follow, we identify climate-related risks and opportunities with potential impact on 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:

- Physical risks created by a changing climate.
- Transition risks, created by the world's transition to a low-carbon economy.

Climate-Related Financial Risks and Opportunities

| Physical Risks – Acute extreme weather | |
|---|--|
| Climate models forecast an escalation in the intensity and frequency of severe tropical cyclones globally. According to the IPCC, at 2°C and beyond, a rise in average temperature will contribute to extreme heatwaves, which expects 37% of the global population to be exposed to severe heat. | |
| Impact to Business | Management Approach |
| Time horizon: Medium- to Long-Term | <ul style="list-style-type: none"> • We safeguard critical assets (cranes, buildings, docks, transporters) with lightning protection systems and structural enhancements to withstand extreme weather • We continuously enhance asset specifications to address physical risks, supported by an integrated Emergency Preparedness and Response Plan within our business continuity and disaster recovery plans • We explore revenue opportunities by offering modifications, retrofits, or conversions on vessels and assets to better cope with extreme weather that fosters partnerships with vessel owners and low-carbon technology providers |
| Risks: | |
| 1. Increased insurance costs and damages to yard infrastructure from extreme weather events | |
| 2. Operational disruptions and health hazards due to extreme temperatures and weather incidents | |
| 3. Costs for upgrading building sites and infrastructure to withstand extreme weather conditions | |
| 4. Potential damage to structures and equipment exposed to external weather conditions | |
| 5. Increased costs and liquidity damage from operational delays caused by extreme weather | |
| 6. Rise in personal injury cases due to extreme weather, leading to higher insurance premiums. | |
| Opportunities: | |
| Potential revenue growth from marine repairs necessitated by the increasing intensity of extreme weather events. (Note: Limited by dock utilisation constraints) | |

| Physical Risks – Chronic extreme weather | |
|--|---|
| If temperatures are kept at 3°C and above, heatwaves will intensify the melting of glaciers which can be expected to melt completely even before 2030. | |
| Impact to Business | Management Approach |
| Time horizon: Medium- to Long-Term | <ul style="list-style-type: none"> • We continually monitor risk indicators and implement specific mitigation measures to ensure the resilience of our business infrastructure. Additionally, we manage the risk by progressively monitoring sea levels in our marine repair and heavy engineering operations • We explore the opportunity to enhance our shipyard's security by leveraging its strategic location, which is generally less exposed to the impact of extreme weather. This positioning aims to establish us as a more secure shipyard, the "yard of choice" for potential clients |
| Risks: | |
| 1. The increased costs 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" post-yard infrastructure update | |

| Transition Risks – Regulatory | |
|---|---|
| Addressing human-induced climate change is one of the most significant challenges that the international community must undertake. Protecting the earth's climate implies a transformational agenda requiring 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 for low-carbon technologies should be at the core of climate mitigation policy. More countries will be coming up with legislation, standards, and requirements. | |
| Impact to Business | Management Approach |
| Time horizon: Short- to Medium-Term | <ul style="list-style-type: none"> • We assess regulatory and compliance risks related to current and emerging climate regulations. Compliance requirements and costs are integrated into our processes to ensure adherence. To stay updated on regulations, we: • Attend MISC's annual sessions to learn about market outlook and regulatory developments • Engage with stakeholders, including regulatory bodies • Conduct internal assurance activities and self-assessments for compliance • Conduct studies on technological options and plan CAPEX allocations for compliance • We future-proof our Marine Operations segment to retrofit vessels for compliance with EEXI standards as shipowners are rapidly decarbonising vessels due to regulations like the Energy Efficiency Existing Ships Index (EEXI) from the International Maritime Organisation (IMO) |
| Risks: | |
| 1. Increased compliance costs as extreme weather can lead to an increased risk of spill leaks, leading to damages and potential litigation | |
| 2. Increased cost of compliance (e.g., newer technology) to meet growing stringent environmental and climate policies and regulations | |
| 3. Higher operational costs due to Carbon Tax incurred | |
| Opportunities: | |
| 1. Increased opportunities to collaborate on low-carbon solutions / existing new technologies to customers and receive buy-in, resulting in cost sharing and potential full investments from customers | |
| 2. Increased opportunities for retrofitting vessels | |

SUSTAINABILITY STATEMENT

Climate-Related Financial Risks and Opportunities

| Transition Risks – Technological | |
|---|---|
| Global climate policies and commitments have accelerated the development of new technologies for 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 | Management Approach |
| Time horizon: Short- to Medium-Term Risks: <ol style="list-style-type: none"> Insufficient funds for the development of new low-carbon solutions Inability to keep up with emerging low-carbon technologies, affecting fabricator preference Lack of skilled talent to manage low-carbon solutions Potential underperformance of technologies in meeting regulations Increased operating costs for talent in repairing or fabricating new asset class vessels Additional training costs for in-house employees on low-carbon technologies Potential cost increase for subcontractor services due to specialised skills Opportunities: <ol style="list-style-type: none"> Annual cost savings from reduced fuel and electricity consumption Collaboration opportunities with customers on low-carbon solutions, potentially leading to cost sharing or full investments Potential increase in market share and reputation as a steward of new low-carbon technology adoption Competitive advantage in catering to client needs for decarbonisation with enhanced engineering competency in low-carbon technologies | <ul style="list-style-type: none"> We ensure our readiness to handle low-carbon technology through training and collaboration with technology providers. With increased competency in low carbon technologies, we have an early advantage in catering to clients' decarbonisation needs We use alternative fuels such as biodiesel and Compressed Natural Gas (CNG) for our operations. Actively improving energy efficiency by replacing less efficient technologies with low-carbon alternatives has helped us reduce electricity consumption costs |

| Transition Risks – Market | |
|--|--|
| Market instability arises from global economic volatility, geopolitical shifts, and fierce competition. Increasing sustainability movements heighten customer expectations for a low-carbon economy. The transition to alternative and renewable energy will likely decrease in global demand for fossil fuels. This could impact market size requirements for oil and gas projects, offshore assets, and heavy engineering fabrication works. Additionally, capital providers' shift towards net zero and sustainable investments may reduce funding availability for fossil fuel-related projects. | |
| Impact to Business | Management Approach |
| Time horizon: Medium- to Long-Term Risks: <ol style="list-style-type: none"> Reduced demand for fossil-fuel-related offshore assets fabrication due to energy transition Failure to meet customer's low-carbon requirements Challenges in developing a responsible supply chain Risk of losing funding opportunities Inability to secure green projects due to non-compliance with climate-related contract requirements Opportunities: <ol style="list-style-type: none"> Collaboration with 'green' vendors to develop a responsible supply chain Additional revenue opportunities in decarbonisation and renewables segments (e.g., offshore wind farms, CCUS/CCS projects) Increased revenue through existing marine repair business by offering modifications to reduce GHG emissions Revenue from vessel modifications to comply with GHG emissions regulations Access to preferential rates from capital providers (e.g., sustainability-linked loans, green financing) Potential increase in market capitalisation | <ul style="list-style-type: none"> We address global economic volatility, geopolitical shifts, and intense competition to manage market risks We establish ourselves as a leader in the low-carbon economy through strategic partnerships and winning low-carbon projects. We intensify decarbonisation efforts, contribute to sustainable development, and secure new low-carbon projects We launch waste-to-value initiatives at West Yard to promote a circular economy We plan to secure preferential rates, such as sustainability-linked loans or green financing, to fund low-carbon technology development |

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 | Management Approach |
| Time horizon: Short- to Long-Term Risks: <ol style="list-style-type: none"> Potential additional revenue from new business opportunities like decarbonisation and renewables segments (e.g., offshore wind farms, CCUS/CCS projects, liquid CO₂ carriers supporting CCUS) Collaboration opportunities with 'green' vendors for responsible supply chain development Opportunities: <ol style="list-style-type: none"> Strengthening company branding and reputation Increased employee retention for improved productivity Retaining and attracting higher-quality talent Niche training opportunities for climate-related risk management | <ul style="list-style-type: none"> We consistently evaluate reputational risks, particularly those associated with climate challenges in the energy and marine industries. This is primarily due to high stakeholder expectations for environmental stewardship We meet stakeholder expectations by: <ul style="list-style-type: none"> Enhancing TCFD recommendations, supporting MISC's Internal Carbon Pricing studies, setting emissions reduction targets, and communicating sustainability efforts Maintaining our position in the FTSE4Good Bursa Malaysia Index We demonstrate commitment to decarbonisation by: <ul style="list-style-type: none"> Sharing knowledge in energy forums Introducing sustainability initiatives with investors and analysts We also prioritise employee capability development to align with new low-carbon technologies, positioning ourselves as stewards in driving decarbonisation advancement |

CLIMATE STRATEGY

Our climate strategy is divided into two-time horizons to decarbonise existing businesses 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.
- A long-term climate strategy.

| |
|--|
| <p>Low-Carbon Transition Plan (Short – Medium Term) We implement decarbonisation initiatives aligned with MISC Group's Net zero commitment by integrating climate factors into our business strategy and financial planning, including internal carbon pricing. Our efforts include deploying low-carbon technologies at our yards. Key initiatives include:</p> <ul style="list-style-type: none"> • Increasing renewable energy usage through electrification of yard activities. • Building strategic partnerships with carbon removal technology providers. • Exploring new businesses in Renewable Energy. • Continuously enhancing technical and operational efficiency. <p>We have transitioned to biofuel usage at our yards as part of our decarbonisation efforts. Additionally, we offer modifications and retrofits on vessels and assets to reduce GHG emissions through collaboration with low-carbon solution providers.</p> |
| <p>Long-term Plan (2031-2050) •Net Zero GHG Emissions Commitment We align with the MISC Group's goal of achieving Net Zero Greenhouse Gas emissions by 2050. Our business model will evolve by decarbonising operations to meet market demands and exploring new income streams supporting renewable energy value chains.</p> <p>•Decarbonisation of Existing Operations Initiatives include replacing conventional CFL with LED lighting for energy efficiency and transitioning air conditioner refrigerants from R22 to R32, reducing global warming potential.</p> <p>•Residual Emissions Acknowledging unavoidable emissions, we seek offset solutions to achieve net zero GHG emissions by 2050.</p> <p>•New Income Streams - MHB 2050 As the world shifts towards renewable energy, we aim to integrate new business opportunities into our portfolio, focusing on the Renewable Energy Value Chain. This strategic approach ensures financial sustainability and relevance leading up to 2050.</p> |

SUSTAINABILITY STATEMENT

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

| |
|---|
| <p>Strategic Risk and Enterprise Risk Management (ERM)</p> <p>• Identification and Translation We identify strategic climate risks through external analysis and regulatory considerations, translating material risks and opportunities into five-year business priorities.</p> <p>• Scope and Review Process Risk management operates at service/business unit/subsidiary levels, with quarterly reviews by the Risk Management Department, then escalation to the Risk Committee (RC) and deliberation by the Business Risk Committee (BRC) before reporting to the MHB Board.</p> <p>• Annual Review and Adoption of Standards Service / business units conduct annual risk profile reviews, emphasising alignment with MHB’s objectives, including climate-related risks. We adopt the PETRONAS Resiliency Model (PRM) and follow ISO 31000 and the Malaysian Code of Corporate Governance (MCCG) 2021 for risk management best practices.</p> |
|---|

METRICS AND TARGETS

MHB employs a strategic set of key metrics to diligently measure and manage climate-related risks and opportunities. These essential metrics encompass:

- 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

These metrics serve as critical benchmarks for us to assess and enhance MHB’s environmental performance, aligning with established protocols and industry best practices.

Climate-Related Data Performance

| Metrics | Item | 2021 | 2022 | 2023 |
|-------------------------------------|--|-----------|-----------|-----------|
| Total GHG | Scope 1 tonnes CO ₂ e | 4,926 | 8,258 | 9,928 |
| | Scope 2 tonnes CO ₂ e | 25,819 | 28,312 | 27,882 |
| Emission (tonnes CO ₂ e) | Scope 3 | | | |
| | Breakdown by category: | | | |
| | Category 6 (Business Travel) | - | 266.5 | 578.0 |
| | Category 7 (Employee commuting) | - | *5,288 | **1,436 |
| Total Energy Consumption | Petrol (litres) | 13,080 | 20,571 | 30,124 |
| | Gas Consumption (tonnes CO ₂ e) | 1,186 | 2,268 | 2,339 |
| | Biodiesel (litres) | 1,450,717 | 2,318,251 | 2,930,082 |
| | Electricity (MWh) | 38,709 | 42,446 | 41,803 |
| | Renewable Energy (Solar Panel Power) MWh | 6,843 | 8,956 | 8,826 |

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

**The emission data is derived from the responses collected in an employee commuting survey.

Climate-Related Financial Risks and Opportunities

Greenhouse Gas (GHG) Targets and Commitment

As a subsidiary of MISC Group, MHB supports the Group’s commitment to net zero GHG emissions by 2050. The following key standards and references guide our GHG emissions monitoring and reporting:

- 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 | |
|---------------------------|---|--|
| Scope (Boundary) | Main Greenhouse gases (GHG); • Carbon Dioxide (CO ₂) • Methane (CH ₄) • Nitrous Oxide (N ₂ O) | MHB Value Chain: • MHB operations (Scope 1 and 2) • Material upstream and downstream operations to MHB (Scope 3) |
| Measurement Metric | Total GHG in CO ₂ e | |

Moving Forward

As we navigate the landscape of climate challenges, our commitment is to keep stakeholders well-informed about our climate-related impacts through diligent assessment and disclosure. This deep understanding of MHB’s corporate responsibility towards a low-carbon future will only further fortify our business resilience. In the coming years, MHB will champion sustainable practices, innovation, and responsible stewardship. These focus areas will be intensified to create long-term value for our organisation, our value chain, and our valued stakeholders.

SUSTAINABILITY STATEMENT

Creating Value Through

FINANCIAL GROWTH - PROJECT AND FINANCIAL PERFORMANCE

Why is it Important?

The seamless integration of project excellence and financial performance represents MHB's core business projections. In driving our current growth trajectory and positively impacting the well-being of our stakeholders, the success of our projects and the adept management of financial metrics play a pivotal role. Beyond that, the positive correlation between financial health and total shareholder value emphasises its critical importance for both investors and shareholders.

In the dynamic landscape of market fluctuations and uncertainties, having robust financial performance is the essential guarantee for safeguarding both the present and future of MHB. Thus, maintaining a steadfast and consistently upward trajectory in financial performance is the key to our enduring strength and resilience.

What is Our Approach?

We employ comprehensive oversight in managing our project and financial performance. In accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), the board management, specifically the Directors, has a clear sense of responsibility to diligently oversee the MHB's state of affairs and financial health.

What Value was Created in 2023?

1. Analyst Yard Visit

We continued with our efforts towards transparency and stakeholder engagement and hosted exclusive Analyst Yard Visits for fund managers and equity research analysts. These visits, meticulously curated, provide a succinct yet immersive experience into our operations and projects, reinforcing our positive relationships with our investment community.

What We Did

Organised 1-hour focused yard tours to showcase the progress of MHB's Heavy Engineering and Marine ongoing projects at MMHE West yard, operational progress and yard facilities.

2. Overall Performance

Throughout the year, we encountered several challenges that demanded strategic navigation. Predominantly, challenges emanated from project execution, including meeting stringent deadlines, adhering to allocated budgets, and fulfilling clients' exacting requirements. Additionally, the aftermath of the post-COVID-19 landscape and resulting market dynamics brought about price escalation, posing a significant hurdle to our operational efficiency and financial stability.

For more information on our project and financial performance, refer page 203 and 301.

What is Our Outlook?

We envision a strong outlook for upcoming projects in Heavy Engineering and Marine that aligns to our long-term sustainability goals. Our focus in the coming years involves optimising revenue streams and enhancing yard resource management through strategic measures for improved operational efficiency and financial performance.

Looking ahead to 2030, our commitment extends to refining organisational design for optimal utilisation of manpower, balancing talent and operational needs strategically. In the long run, we want to remain committed to excellent project delivery that is on-time. Through these collective goals, MHB is firmly grounded in a strategic vision for sustained success.

Creating Value Through

FINANCIAL GROWTH - TECHNOLOGY AND OPERATIONAL INNOVATION

Why is it Important?

Digital transformation is an indispensable reality in today's business landscape. It delivers added value to our business while enhancing our operational speed and precision. Meanwhile, operational innovation serves as a catalyst for continuous improvement, allowing us to maintain a competitive edge. Our adaptability to technological and operational innovation will ensure seamless evolution with dynamic market conditions in today's ever-changing business environment. When executed effectively, the integration of technology and operational innovation elevates our ability to anticipate and engage in strategic business planning with enhanced proficiency.

What is Our Approach?

MHB's comprehensive approach to better technology and operational innovation encompasses the following key components:

Research Design

1. Develop a thorough understanding of the change process.
2. Identify pain points and propose mitigations.
3. Formulate process optimisation strategies.
4. Present findings and outline data analysis methods.
5. Keep all stakeholders informed about the project progress.

Integrated Project Management (IPM) Methodology

1. Develop a project charter.
2. Clearly define the project scope.
3. Formulate a comprehensive project management plan.
4. Execute the project according to plan.
5. Monitor progress and implement change control as needed.

Change Management

1. Conduct effective communication and roadshows to promote awareness.
2. Gather feedback from stakeholders.
3. Share success stories within the project team.
4. Focus on continuous improvement for sustained success.

SUSTAINABILITY STATEMENT

Creating Value Through

FINANCIAL GROWTH - TECHNOLOGY AND OPERATIONAL INNOVATION

What Value was Created in 2023?

1. Digital Transformation in Procurement

The PANTHERA initiative is spearheading digital transformation in our procurement processes, focusing on category management, strategic sourcing, and end-to-end digital solutions.

| Key Highlights | What We Achieved |
|--|---|
| Decision-Making Enhancements through Data Analytics | <ul style="list-style-type: none"> Established a Single Source of Truth for data to accelerate decision-making. |
| Procure-to-Pay (P2P) System Implementation and Catalogue Standardisation <i>A comprehensive solution that integrates and automates the entire procurement process, starting from requisitioning and purchase order creation to invoice processing and payment.</i> | <ul style="list-style-type: none"> 100% implementation of the P2P system. Standardised Master Services and Material Catalogue to create a uniform and consistent framework for categorising and classifying the items and services that are available for procurement. |
| Digital Roadmap and Business Optimisation <i>MISC Group utilises Coupa for cloud-based business spend management, Icertis for contract lifecycle management, and S4/Hana System as an Enterprise Resource Planning (ERP) accounting solution to meet diverse business needs seamlessly.</i> | <ul style="list-style-type: none"> Integrated Coupa System, Icertis System (Apple project), and S4 Hana System (Financial ERP System) for seamless operations. Ongoing process optimisation for automation and integration. |
| Completion of Cheeta System in the PANTHERA Project <i>An in-house digitalisation solution to optimise the procure-to-pay cycle, category management, and strategic sourcing, covering the entire process from early bidding to project handover and warranty management.</i> | <ul style="list-style-type: none"> Completed three crucial modules relevant to digitalisation: <ul style="list-style-type: none"> Procurement Management System (Cheeta 6) Material Management and Logistics (Cheeta 7) Vendor Performance and Material Cataloguing (Cheeta 2 Phase B) |

2. Yard Optimisation and Manpower Readiness

In an effort to continuously optimise our yard operations, we have increased our workforce preparedness through the following ongoing initiatives:

| Our Progress |
|---|
| <ul style="list-style-type: none"> Exploring robot rental and at the vendor analysis stage through Chariot Robotic Blasting. Working on enhancements to the Daily Work Checklist (DWC) 2.0. |

While we are in the planning stages of integrating robotic blasting technology into our workforce, this advancement is expected to yield substantial benefits for operational efficiency. This step is anticipated to play a pivotal role in eliminating dust and grit marine sedimentation and enhancing productivity in our blasting process.

What is Our Outlook?

In our pursuit of sustained profitability and operational excellence, we aim to address key challenges and enhance our competitiveness. Through digitalisation, we aim to drive analytics for informed decision-making by establishing a Single Source of Truth for data in the digital transformation programme, PANTHERA project. In the coming years, this transformation journey will have a series of processes in order to ensure the digital platform addresses the pain points. Our focus includes:

| | |
|---|---|
| <ul style="list-style-type: none"> Cost control and profit generation Procurement process optimisation Cycle time improvement Surplus management Structured vendor profiling | <ul style="list-style-type: none"> Effective price database Delivery enhancement Bargaining power strengthening Price competitiveness improvement |
|---|---|

Creating Value Through

FINANCIAL GROWTH - BUSINESS SUSTAINABILITY

Why is it Important?

Business sustainability remains the core strategy across our products and services. It serves as the driving force behind innovation in low-carbon products, renewable energy, and nature-based solutions for our stakeholders. In a landscape where our customers are embracing new ventures, sustainability becomes the bridge ensuring our business relevance and long-term viability. Therefore, we are not merely adapting to change but actively shaping a future where our income streams are robust yet sustainable. In essence, we are contributing to a more resilient and responsible business ecosystem.

What is Our Approach?

Aligned with our parent company MISC Group, our approach to business sustainability is linked to the shared goal of achieving Net Zero Greenhouse Gas (GHG) emissions by 2050. Beyond alignment with active efforts, we reinforce our core business segments and actively pursue diversification strategies through new business ventures. This approach not only aligns with industry-leading sustainability goals but positions us as a dynamic and forward-thinking entity dedicated to both environmental responsibility and strategic growth.

What Value was Created in 2023?

1. Energy Transition and Decarbonisation

To accelerate the green energy transition at MHB, we focused on decarbonising our operations. This has led us to prepare for climate change requirements and clients' preferences when it comes to sustainable business practices. This year, we made substantial progress with our decarbonisation journey throughout the value chain.

| Key Progress Highlights |
|---|
| <ul style="list-style-type: none"> Aligned with our clients' requirements on sustainable business practices. Established the Net Zero Committee to strategise and guide MHB's decarbonisation agenda. Developed the MHB 2030 Roadmap for Scope 1 and 2 emissions. Set a targeted reduction of greenhouse gas (GHG) emissions by 2030. Integrated TCFD recommendations into our assessment of the business impact arising from climate change. Embarked on a strategic transition into the clean energy sector, with a specific emphasis on Offshore Wind (OSW). Conducted engagement sessions with pivotal Scope 3 vendors, securing their commitment to support our sustainability journey and contributing to the refinement of our Scope 3 GHG Emission Inventory. Implemented ongoing decarbonisation initiatives, including enhancements in energy efficiency and electrification. |

For more information on our decarbonisation initiatives, refer page 113 of Climate Change.

2. Digitalisation and Automation

With a focus on enhancing efficiency, planning, and price accuracy, we advanced our digitalisation efforts to successfully minimise manual intervention and potential non-compliance in our operations. In parallel, automation initiatives have been instrumental in boosting productivity, optimising manpower, and fostering a generative Health, Safety and Environment (HSE) culture in our workplace.

Additionally, the establishment of PANTHERA, our Single Source of Truth for data in procurement systems aligns with MHB's process optimisation for automation and integration. For more information on the PANTHERA project, refer page 109 of Technology and Operational Innovation.

SUSTAINABILITY STATEMENT

Creating Value Through

FINANCIAL GROWTH - BUSINESS SUSTAINABILITY

3. Climate Change Impact Assessment

As we move forward, our focus on operational efficiency is set to be enhanced through the implementation of MHB's digitalisation and automation strategies. Within our heavy engineering and marine sectors, a key focus is on prioritising the integration of an advanced Project Management System, complemented by the recruitment of skilled experts. This initiative not only fortifies our Project Management Office but also ensures our workforce's readiness to adapt to evolving market trends.

A pivotal aspect of our sustainability endeavours involves active engagement in projects within the clean energy space that will strategically position ourselves ahead of the anticipated energy shift trend by 2030. This resonates with the growing client preference for sustainability and responsible business practices. Simultaneously, we want to establish leadership in heavy engineering project delivery and marine repair to ensure strong revenue growth from both conventional and clean energy projects. As we expand our footprint in clean energy, we are shaping a sustainable and environmentally responsible future.

What is Our Outlook?

We took proactive steps to assess the impact of climate change on our business. By doing so, we strengthened our commitment to the enhancement of climate-related risks and opportunities reporting. Thus, ensuring a comprehensive understanding and strategic response to the evolving environmental landscape.

What We Did in 2023

- Transitioned from two to three climate scenario analysis.
- Developed and reviewed key climate metrics.
- Explored the application of Internal Carbon Pricing.

For more information on MHB's Climate-Related Financial Risks and Opportunities, refer page 97.

Creating Value Through

ENVIRONMENTAL STEWARDSHIP - CLIMATE CHANGE AND GREENHOUSE GAS (GHG) EMISSIONS

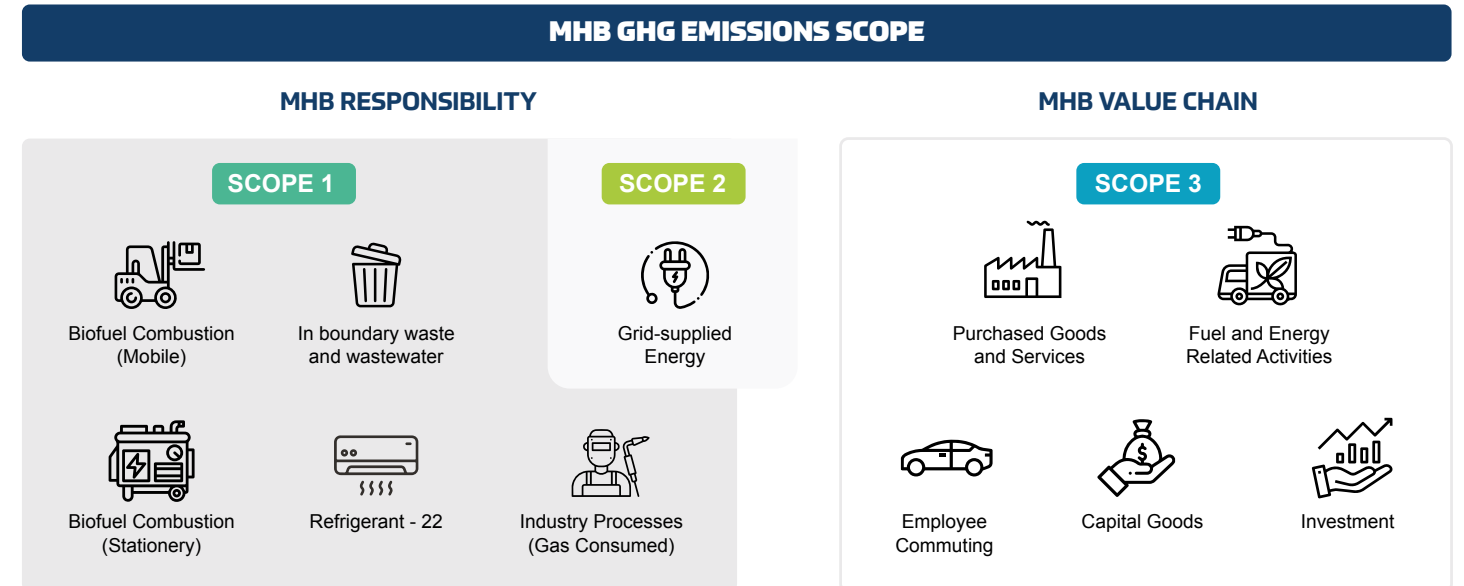
Why is it Important?

In the fight against climate change, we actively support the global climate movement to mitigate its impact in our business. Our commitment to environmental sustainability is evident in our targets to reduce CO₂ emissions (Scope 1 and 2) and collaborative efforts across our value chain to mitigate Scope 3 emissions. Sustainability is ingrained in our core, making us a key player in combating climate change, with a focus on adopting renewable and clean energy solutions on our journey to achieve Net Zero GHG emissions by 2050.

What is Our Approach?

We have embraced the global movement toward achieving Net Zero GHG emissions by 2050, recognising that commitments to this cause and the impacts of climate change must extend beyond mere rhetoric and remain resolute in our daily operations. Our resolve to combat the impacts of climate change is embedded in our daily operations.

Certified with ISO 14001: 2015 Environmental Management System, our governance practices in environmental management include mandatory risk identification and mitigation measures. As part of this, we also actively participate in the Malaysia Government's Guided Self-Regulations (GSR) programme, ensuring adherence to regulatory standards.



For more information on the role of the Board in climate-related matters, see page 97 of Climate-Related Financial Risks and Opportunities.

SUSTAINABILITY STATEMENT

Creating Value Through

ENVIRONMENTAL STEWARDSHIP - CLIMATE CHANGE AND GREENHOUSE GAS (GHG) EMISSIONS

We employ rigorous metrics and targets to measure and mitigate environmental impacts. Emissions from our business activities are monitored through the pollution control system, utilising bag filters. MHB's commitment to the NetZero GHG emissions by 2050 initiative vividly demonstrates our adherence to environmental regulations, with a specific focus on reducing carbon emissions. Additionally, we invest in a performance monitoring laboratory to ensure water discharge from operations meets stringent standards outlined in Environmental Quality (Industrial Effluent) and Environmental Quality (Sewage) Regulations 2009.



We actively champion the Malaysia HCFC Phase-Out Management Plan to progressively reduce our reliance on Refrigerant-22 in operational activities. As part of our renewable energy initiatives, we proudly host the largest solar panel installation within a single compound. Through MHB's ongoing research collaborations with different industries and universities, our strategic approach aligns with Malaysia's green initiatives and climate action.

1. Sustainable Energy Management

Understanding the energy-intensive nature of our yard operations, we actively promote electricity conservation. Solar panels significantly contribute to our electricity needs, and insights about energy consumption are shared with end-users, fostering a collective commitment to achieving our low emission targets. As part of our dedication to energy efficiency, we have successfully replaced 11,985 conventional lights with advanced light-emitting diode (LED) lights in our yard by the end of 2023. This transition aligns with ecological principles, enhances energy efficiency, and prolongs the lifespan of lighting fixtures.

2. Sustainable Fuel Adoption

To address the environmental impact of transport and machinery emissions, we have embraced biodiesel as a sustainable alternative to conventional diesel. Meticulous tracking of biogenic CO2 emissions from biodiesel-consuming facilities aligns with reporting standards set by governmental organisations such as Pasir Gudang City Council under Low Carbon City (LCC) 2030.

Creating Value Through

ENVIRONMENTAL STEWARDSHIP - CLIMATE CHANGE AND GREENHOUSE GAS (GHG) EMISSIONS

3. Circular Economy and Waste Management:

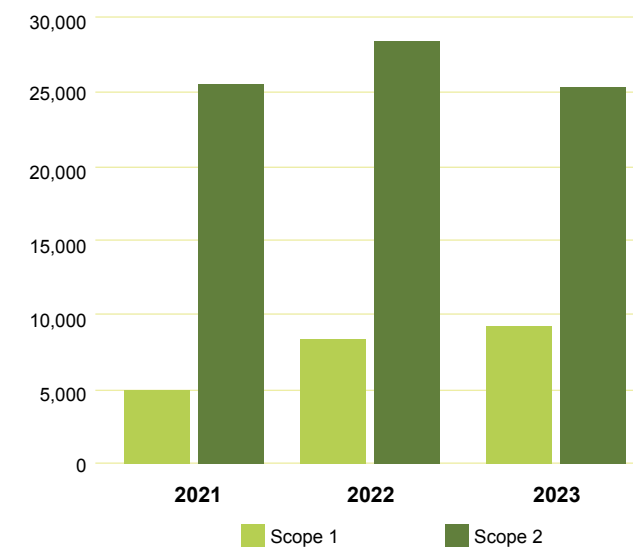
Our adoption of the Waste-to-Value (WtV) concept serves as part of our circular economy strategic initiative. In August 2023, we established an in-house Trash to Cash Centre in our main yard, acting as a recycling hub for employees. This initiative not only minimises waste to landfill but also fosters sustainability by promoting the reuse, recycling, and repurposing of materials. The hub has successfully recycled 25.312 metric tonnes of waste (e.g., papers, plastics, glasses, and aluminium), worth RM 7,773.

4. Global Awareness and Climate Change Education:

Recognising climate change as a global threat, we emphasise the necessity for collective action and heightened awareness. Acknowledging the challenges posed by modern conveniences contributing to climate change, we advocate for a paradigm shift from climate worry to active climate stewardship. Underscoring the critical importance of climate change education for global citizens, we are committed to raising awareness about the impacts of climate change. By providing guidelines for individual actions, we empower individuals to understand and mitigate their contributions to climate change. Over the year, we organised a webinar titled "Carbon Neutrality vs Net Zero - How Can It Be Achieved." For this event, we invited speakers including the Dean of Resource Sustainability Research Alliance at University of Technology Malaysia (UTM) and a Lead Assessor from the National Energy Awards (NEA). This webinar served as a platform to delve into crucial discussions surrounding the journey towards carbon neutrality and achieving Net Zero emissions.

Overall Performance

SCOPE 1 AND SCOPE 2 DATA



The measurement of GHG emissions within our core operations is crucial for ensuring precise accountability. Aligned with the GHG Protocol Corporate Accounting and Reporting Standard, we established our emissions boundaries and scope. This year, we have provided disclosure for Scope 1, Scope 2, and selected Scope 3 emissions, specifically categories 6 (Business Travel) and 7 (Employee Commute).

While our organisation experienced an overall decrease in emissions compared to 2022, we noted a nuanced pattern within our Scope 1 and Scope 2 emissions.

A 20% increase in Scope 1 emissions is primarily due to ongoing projects such as the Kasawari Gas Development Project and SK408W Jerun Development Project. Conversely, we observed a 2% decrease in Scope 2 emissions, due to the conversion of conventional lights to LED lights in our yard and the use of renewable energy from our solar panels. Notably, the rooftop solar PV system installed at MMHE West Yard generates up to 10,000 MWh of clean energy annually. We are currently expanding our renewable energy efforts with the installation of rooftop solar PV at MHB's Pasir Gudang Centre of Excellence, with a total installed capacity of 131 kWp.

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Creating Value Through

ENVIRONMENTAL STEWARDSHIP - CLIMATE CHANGE AND GREENHOUSE GAS (GHG) EMISSIONS

Furthermore, our commitment to emission reduction extends beyond operational changes to innovative environmental initiatives. The “Yard in the Garden” project exemplifies this commitment, aiming to create a sustainable ecosystem within MMHE West Yard. Through strategic tree planting, we aim to purify the air, sequester carbon dioxide, and foster a cooler microclimate, aligning with broader sustainability objectives and UN Sustainable Development Goal 13 - Climate Action.

Looking forward, our decarbonisation goals remain ambitious yet achievable. With a firm commitment to achieving NetZero GHG emissions by 2050, we have developed a roadmap extending to 2030. Preliminary targets include a 20% reduction in carbon emission intensity by 2030 benchmarked against our 2016 baseline. Our progress is promising, with a 7.8% reduction in direct man-hour emission intensity already achieved by 2023.

Greenhouse Gas Emissions Trends

| Disclosures | 2021 | 2022 | 2023 |
|---|-----------------------|-----------------------|----------------------|
| Direct (Scope 1) GHG Emissions (tonnes CO ₂ e) | 4,926 ^(a) | 8,258 | 9,928 |
| Energy Indirect (Scope 2) GHG Emissions (tonnes CO ₂ e) | 25,819 ^(b) | 28,312 ^(b) | 27,882 |
| Energy consumption within the organisation (Litres) - Petrol | 13,080 | 20,571 | 30,124 |
| Energy consumption within the organisation (tonnes CO ₂ e) - Gas | 1,186 | 2,268 | 2,339 |
| Energy consumption within the organisation (Litres) - Biodiesel | 1,450,717 | 2,318,251 | 2,930,082 |
| Energy consumption within the organisation (MWh) - Electricity | 38,709 ^(c) | 42,446 ^(c) | 41,803 |
| Energy consumption within the organisation (MWh) - Renewable Energy (Solar Power) | 6,843 | 8,956 | 8,826 |
| Energy consumption within the organisation (MWh) | 71,585 | 70,558 | 75,545 |
| Energy intensity (GJ/ RM million) | 146 | 158 | 87 |
| Reduction of energy consumption from the previous year (%) | 33.9 | 25.5 | (33.9)* |
| Other Indirect (Scope 3) GHG Emissions (tonnes CO₂e) | | | |
| Category 6 – Business Travel (tonnes CO ₂ e) | N/A | 266.5 | 578 |
| Category 7 – Employee Commuting (tonnes CO ₂ e) | N/A | 5,288 ^(d) | 1,436 ^(e) |
| NOX Emissions (tonnes) | 4.49 | 7.17 | 9.07 |
| SOX Emissions (tonnes) | 1.27 | 2.03 | 2.55 |
| PM10 Emissions (tonnes) | 0.57 | 0.95 | 1.19 |
| Carbon Intensity (tCO ₂ e/revenue) (RM million) | 22 ^(f) | 23 | 12 |
| Carbon Intensity (tCO ₂ e/thousand man-days) | 2.14 | 1.91 | 1.72 |
| Reduction of GHG Emissions from the previous year (%) | N/A | 13 | 3 |

Notes:
 (a) Restated due to exclusion of biodiesel.
 (b) Restated due to inclusion of MMHE premises other than West Yard.
 (c) Restated after internal verification to the primary data.
 (d) Estimated average emission of the whole MHB employee population based on the projection from the available number of employee commuting data.
 (e) The emission data is derived from the responses collected in an employee commuting survey.
 (f) Restated after internal verification.
 * Increase of energy consumption.

What is Our Outlook?

In the short term, we prioritise quick returns with solar panel installations, allocating resources for decarbonisation. Looking five to ten years ahead, our medium-term strategy focuses on sustained progress, implementing initiatives in line with evolving technologies and industry best practices. In the long term, our aspiration is NetZero GHG emissions by 2050, aligned with The Paris Agreement’s goals. We simultaneously enhance adaptation capabilities for climate-resilient development and align financial flows with low greenhouse gas emissions pathways, reflecting our commitment to global goals.

Creating Value Through

ENVIRONMENTAL STEWARDSHIP - NATURAL RESOURCES AND CONSUMPTION

Why is it Important?

Our operations require the use of natural resources, forming the foundation of our business model and project delivery. The efficient extraction and consumption of these resources are vital to our continued growth. Due to our projected growth the demand for materials has proportionally risen.

Unsustainable consumption and production practices not only deplete natural resources but also contribute to environmental impacts across every stage of a product or service lifecycle. Recognising the crucial interplay between our operations and the environment, there is a need to identify ways to minimise the use of natural resources while at the same time maximising the economic growth and social benefit of natural resource use.

What is Our Approach?

We are dedicated to optimising the use of natural resources and prioritising efficiency throughout the entire lifecycle - from material procurement to project consumption. The strategic selection of materials plays a crucial role in shaping their outcomes. Our commitment aligns with industrial ecology principles, with a central focus on responsible operations to foster a green industry.

In tandem with this commitment, we embrace a holistic approach to waste management. This approach encompasses waste reduction, recycling, and the proper treatment and disposal of both hazardous and non-hazardous waste. By integrating environmental risk assessment into our operational procedures, we ensure a comprehensive identification, assessment, and mitigation of potential risks. This process informs resource management and policy decisions.

Our effective environmental monitoring programme serves as a key tool to manage impacts on the environment. The following figure illustrates our Waste and Water Management Framework, applied within our operations:



SUSTAINABILITY STATEMENT

Creating Value Through

ENVIRONMENTAL STEWARDSHIP - NATURAL RESOURCES AND CONSUMPTION

This framework is essential in tackling both risks and opportunities tied to ecological impacts, particularly within the landscape of the Blue Economy. Through proactive collaboration with local authorities and universities, we implement impactful programmes aimed at reversing biodiversity loss and fostering sustainable development. Among our workplace practices is the phased Single-Use Plastics (SUPs) Phase Out initiative to combat plastic pollution. To kickstart the SUPs initiative at MHB yards, we have already banned single-use plastic carriers at the canteen and coop mart. This effort involves active engagement with canteen operators and external caterers, showcasing our dedication to making a tangible difference in sustainability.

SINGLE USE PLASTICS (SUPs) PHASE OUT AND PLASTIC BOTTLE REDUCTION PLAN

An internal Office Memorandum (IOM) was issued on 7 February 2023 to all divisions and departments regarding the implementation of the SUPs' Phase Out and Plastic Bottle Reduction plan across the entire yard. MHB aims to significantly reduce the generation of plastic wastes.



'Plastic pollution in oceans and other bodies of water continues to grow sharply and could more than double by 2030' - UN Environment Programme (UNEP).

| | | |
|--|----------|---|
| <p>February - June 2023</p> <p>Continuous communication on the SUPs Phase Out and Plastic Bottle Reduction across all divisions and departments in MHB.</p> | 1 | <p>June - July 2023</p> <p>Enforcement of a 'No SUPs supply and Plastic Bottle' usage policy at company events and meetings.</p> |
| | 2 | <p>August - September 2023</p> <p>'SUPs Phase Out and Plastic Bottle Reduction' Walkabout and Yard Tour during morning toolbox talk at offices and projects.</p> |
| | 3 | <p>October - December 2023</p> <p>Implementation of the 'No Plastic Carrier' policy at canteens, Coop Mart and MHB entrance effective from mid-October 2023.</p> |
| | 4 | <p>January - March 2024</p> <p>Phasing out of additional SUPs, such as plastic cutlery and straws, in canteens, Coop Mart and company events.</p> |
| | 5 | <p>April 2024 onwards</p> <p>Full implementation of the Prohibition of SUPs and Plastic Bottle Reduction in MHB offices and sites.</p> |
| | 6 | <p>April 2024 onwards</p> <p>Full implementation of the Prohibition of SUPs and Plastic Bottle Reduction in MHB offices and sites.</p> |

Creating Value Through

ENVIRONMENTAL STEWARDSHIP - NATURAL RESOURCES & CONSUMPTION

An investment of RM28,000 has been directed towards environmental campaigns and programmes. This allocation signifies a commitment to proactive measures aimed at reducing environmental impact, waste generation, and resource use through awareness initiatives.

| | | |
|---|---|--|
|  <p>Environmental Monitoring</p> <p>RM 166,743</p> |  <p>Industrial and Sewage Effluent Mini Laboratory</p> <p>RM 500,000</p> |  <p>Environmental Campaigns and Programmes</p> <p>RM 28,000</p> |
|---|---|--|

1. Effective Waste Management

What Value was Created in 2023?

In our commitment to efficiently manage hazardous and non-hazardous waste, we have pioneered solutions across our operations.

| |
|---|
| <p>Hazardous Waste</p> <ul style="list-style-type: none"> Implemented safety handling measures of abrasive materials safely, including copper slag. Partnered with a local cement factory to purchase copper slag and returned spent material for co-processing. Utilised durable abrasives for specific operations enabling material reuse, thus reducing blasting waste. Applied Waste Recovery Technology at appointed prescribed premises to generate recovered products for other industries. Embraced the Cradle-to-Cradle concept and actively fostered a circular economy. Received 10 licensed prescribed premises to diversify Reduce, Reuse, Recycle (3Rs) for scheduled waste. |
| <p>Non-Hazardous Waste</p> <ul style="list-style-type: none"> Established Trash to Cash Centre (TCC) as MHB's in-house recycling hub to increase the recycling rate for non-hazardous waste. Utilised crushed glass abrasive, DURAGRIT, and produced quality steel surfaces to enhance Blasting Process. Implemented resource management and Reduce, Reuse, Recycle, Recover (4Rs) strategies, supporting the circular economy approach. Scheduled the installation of a food composting machine for early March 2024 to leverage organic compost for in-house landscaping. Addressed challenges in meeting non-hazardous waste recycling targets, including plastics, paper, glass, food waste, wooden pallets, and aluminium cans. Promoted a cultural shift to instill environmental consciousness and environmentally sound practices. |

SUSTAINABILITY STATEMENT

Creating Value Through

ENVIRONMENTAL STEWARDSHIP - NATURAL RESOURCES AND CONSUMPTION

2. Overall Performance

• Hazardous Waste

Over the past five years, our hazardous waste recycling rates have exhibited remarkable consistency, surpassing a steady percentage of 95% or more. This achievement reflects our sustained commitment to responsible and effective hazardous waste management practices. Through stringent adherence to regulations and the implementation of innovative processes, we have consistently met and exceeded the high standards set for recycling hazardous waste.

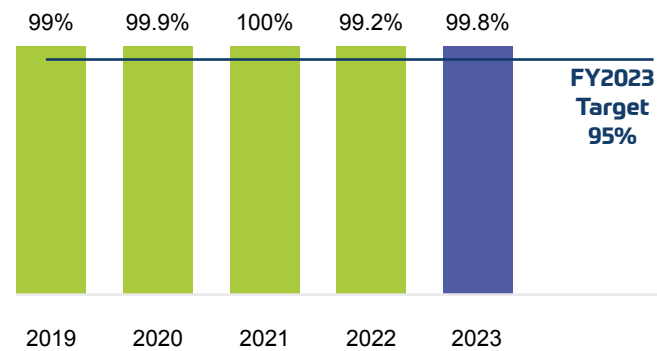
• Non-Hazardous Waste

The non-hazardous recycling rate for this financial year stands at 2%. This figure prompts a critical examination of our current waste management practices to identify opportunities for improvement. To address this challenge, we are actively exploring strategies to enhance recycling initiatives, such as refining segregation processes and leveraging advanced recycling technologies. Additionally, fostering a culture of environmental awareness within the organisation is integral to improving recycling rates and achieving more sustainable waste management outcomes. While the current rate highlights a need for improvement, it also serves as a catalyst for proactive measures to elevate our commitment to environmental responsibility and resource conservation.

• Water Consumption

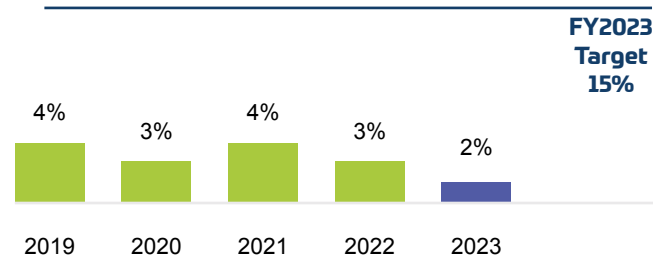
The increase in water consumption can be attributed to the heightened activity in our Marine Operation segment during the year 2023. The segment received 86 vessels; this surge in vessel arrivals has directly influenced the demand for water, primarily used for maintenance and service works associated with these incoming vessels. Approximately two-thirds of the total water consumption can be attributed to serving the needs of these vessels, including routine maintenance, cleaning, and other operational requirements. As project demand escalates, so does the necessity for water resources to sustain the operational activities associated with the growing number of vessels serviced.

Hazardous Waste Recycling Rate



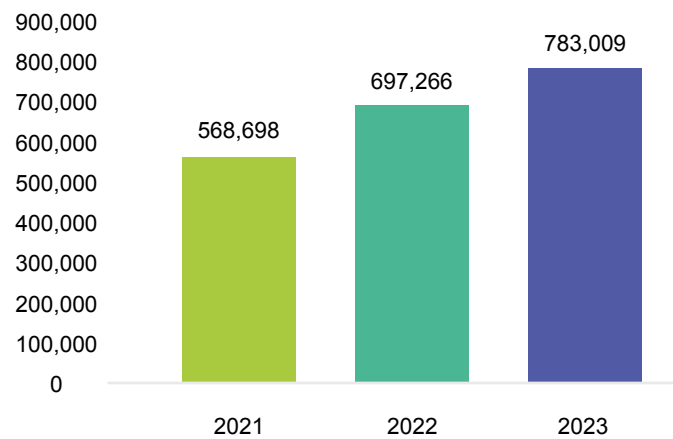
Graph: MHB Hazardous waste recycling rate

Non-Hazardous Waste Recycling Rate



Graph: MHB Hazardous waste recycling rate

Water Consumption (m³)



MHB Water Consumption (m3)

Creating Value Through

ENVIRONMENTAL STEWARDSHIP - NATURAL RESOURCES AND CONSUMPTION

| Disclosures | 2021 | 2022 | 2023 |
|---|----------|----------|----------|
| Scheduled Waste | | | |
| Scheduled waste generated (MT) | 15,729 | 16,364 | 19,009 |
| Waste diverted from disposal (MT) | 11,650 | 20,730 | 18,979 |
| Waste directed to disposal (MT) | 0.00 | 175.92 | 15.00 |
| Non-Scheduled Waste | | | |
| Waste generated (MT) Inclusive waste diverted from landfill | 3,899.99 | 4,868.83 | 4,768.09 |
| Waste diverted from disposal (MT) | 154.91* | 124.93 | 108.08 |
| Waste directed to disposal (MT) | 3,745.08 | 4,743.90 | 4,659.45 |
| Waste Recycled (MT) | 154.91* | 124.93 | 108.08 |
| Iron / Steel from Yard Cleaning - Recycled (MT) | 51.33 | 646.26 | 468.69 |
| Total non-scheduled and scheduled waste to landfill | | | |
| Scheduled Waste (MT) | 0 | 175.92 | 15.00 |
| Non-Scheduled Waste (MT) | 3,745.00 | 4,743.90 | 4,659.45 |
| Food Waste (MT) | 0 | 68.32 | 62.04 |
| Type of Recycled Waste | | | |
| Plastic (MT) | 3.55 | 78.91 | 25.24 |
| Paper (MT) | 8.61 | 19.46 | 29.21 |
| Scrap iron (MT) | 51.33 | 646.26 | 468.69 |
| Wood (MT) | 81.81 | 26.56 | 53.63 |

*Restated after internal verification.

| Water Management | | | |
|---------------------------------------|---------|---------|---------|
| Disclosures | 2021 | 2022 | 2023 |
| Industrial Wastewater Discharged (m3) | 21 | 61 | 439 |
| Water consumption (m3) | 568,698 | 697,266 | 783,009 |

| Environmental Impacts of Project Development | | | |
|---|------|------|------|
| Disclosures | 2021 | 2022 | 2023 |
| Number of incidents of non-compliance with environmental permits, standards and regulations | 0 | 2 | 0 |

What is Our Outlook?

In the short and medium term, we will enhance our recycling rate with a food composting machine and the Trash to Cash Centre. Our plan includes integrating recycling targets into employees' Key Performance Indicators (KPI) and involving the project management team in efficient waste segregation. Long-term goals involve exploring new recycling technologies. We are committed to ongoing water management awareness programmes, emphasising continuous water quality monitoring for marine activities. Our wastewater mini laboratory ensures compliance, and in the long term, we will assess critical processes to improve water quality discharge.

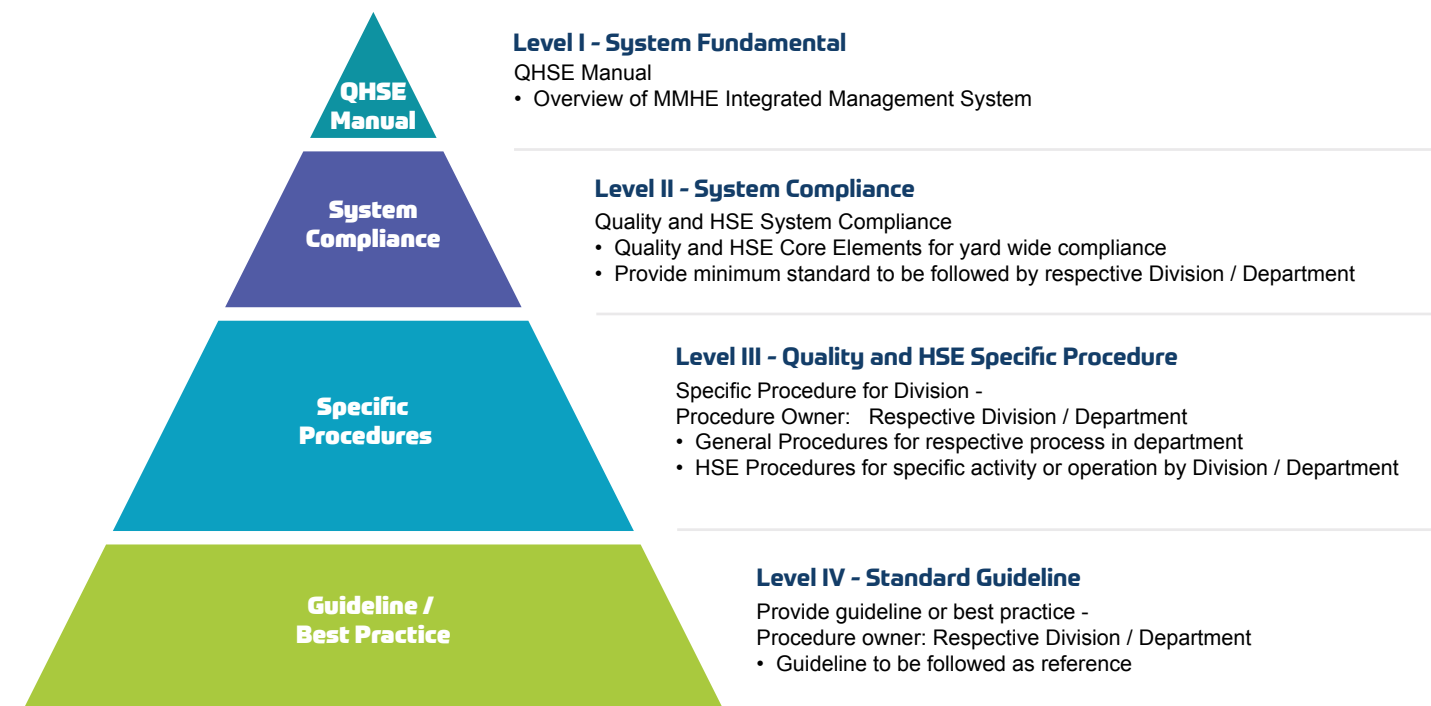
SUSTAINABILITY STATEMENT

Creating Value Through

SOCIAL RESPONSIBILITY - HEALTH AND SAFETY

Why is it Important?

Safeguarding the health and safety of each individual within our company is foundational to MHB's integrated operations. Beyond a commitment to regulatory standards, it's a strategic imperative that guides our moral compass, fostering resilience for our employees and partners alike. This proactive stance not only protects our workforce but also aligns with our commitment to operational excellence, thus reinforcing MHB's position as a conscientious and reliable corporate entity.



What is Our Approach?

Aligning with our revised Health, Safety and Environment (HSE) Policy, the Integrated Management System (IMS) was enhanced in 2022 to ensure MHB's operations are efficient and maintain a healthy, safe working environment. The primary document for these updates is the Quality, Health, Safety, and Environment Manual (QHSEM), reflecting our renewed commitment.

Our IMS covers all activities involving MHB's employees, subcontractors, clients, and third parties associated with MHB's operations. The aim is to achieve quality excellence, safeguard against safety or health risks, and minimise the environmental impact from our activities. Internally, our workforce refers to the MHB's QHSEM on the scope of the Quality and HSE Management System. To support the IMS, we developed an annual HSE Plan to outline the strategies, initiatives, and programmes to achieve our HSE objectives and targets. The plan addresses MHB's process governance, performance, and continual improvement.

Creating Value Through

SOCIAL RESPONSIBILITY - HEALTH AND SAFETY

• HSE Performance Management

We strive to continually improve our HSE performance by setting and reviewing targets, as well as monitoring and evaluating progress through performance management and audits. Our HSE Performance is measured using two methodologies:

- **At Operational Level**
MHB tracks performance using indicators like leading and lagging indicators, as well as the Incident Triangle. This data is reviewed quarterly at the HSE Management Committee meeting, chaired by the MD/CEO, with the Management Committee and Union Representative in attendance.
- **At Corporate/Group Level**
Corporate HSE creates an annual HSE Scorecard, a strategic tool for monitoring and managing various business aspects, including Health, Safety and Environment (HSE) performance, such as incident rates and HSE audits. It focuses on four key elements: Lost Time Injury Frequency (LTIF), Total Recordable Cases Frequency (TRCF), Total Number of Fatalities, and Total Number of Non-personnel Major Incidents.

• HSE Risk Management

As an organisation, the method adopted by MHB is the Hazard and Effect Management Process (HEMP) methodology. HEMP is conducted by the Risk Management Assessing Team consisting of the Risk Management Committee (coordinator) and group of subject matter experts for the relevant hazard groups identified. In addition to that, when scoped down to day-to-day activity conducted at working level, additional risk assessment is being conducted through Job Hazard Analysis which emphasised more on a particular activity and all its steps.

| | | |
|---|---|--|
| <p>1. Safety hazard Any force strong enough to cause injury, or damage to property. Examples are slippery or uneven surfaces, unguarded and moving machinery parts and confined spaces, etc.</p> | <p>2. Health hazard Agents causing immediate (acute) or long-term (chronic) illness, including physical agent (noise, vibration), chemical (welding fume), biological (virus, bacteria), ergonomic and psycho-social (stress).</p> | <p>3. Environmental impact Change to the environment whether adverse or beneficial, wholly or partially resulting from an organisation's environment aspect such as generation of waste and/or by-product, emission to air and use of raw material / natural resources.</p> |
|---|---|--|

To ensure effective risk management, at least one team member has undergone HEMP assessor training, either internally or externally. By utilising HEMP, we employ a methodology aimed at minimising risks and impacts to As Low As Reasonably Practicable (ALARP).

MHB's HEMP Procedure

- Identifying and assessing HSE hazards throughout activities that could adversely affect People, Environment, Asset, and Reputation.
- Considering life cycle perspectives for all activities, establishing a HEMP document from product procurement to operational activities.
- Determining threats and consequences associated with identified hazards.
- Rating hazards to identify Major Risks capable of causing a significant incident. For high-risk categories, a Critical Activity Catalogue (CAC) is established to emphasise the need to maintain control and recovery barriers, aligning with the ALARP concept.
- In cases of a Very High-risk category, work cannot proceed until a Remedial Action Plan (RAP) is established to mitigate the risk in accordance with the ALARP concept.

• Incident Management

Following our company's incident reporting process, departments must report all incidents to Corporate HSE (CHSE) within 24 hours. In cases of incidents that are specified in the Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease (NADOPOD) Regulation 2004, CHSE promptly notifies the nearest Department of Environment Safety and Health (DOSH) Office within 7 days. After the notification has been made, the following course of actions are taken:

- Action #1 Immediate Action: Halt work until the incident site is safe.
 - Action #2 Awareness Session: Conduct a stand-down session to inform involved work groups.
 - Action #3 Securing the Site: Barricade the incident site until a preliminary investigation is completed, approved by the Lead Investigator.
 - Action #4 Investigation Team Formation: Assemble an independent team led by an unaffected department, with members from diverse disciplines and relevant experience.
 - Action #5 Investigation Process: Explore events leading to the incident, how it occurred, and post-incident actions. Utilise methods like 5 Whys or Tripod-beta for Root Cause Analysis (RCA).
 - Action #6 Preventive Measures: Develop corrective action plans to prevent recurrence.
- Documentation: Along the course of incident management, investigations of several reports and updates are to be produced such as Incident Notification Form, HSE Alert, Minor / Final Incident Investigation Report, and HSE Lessons Learned.

SUSTAINABILITY STATEMENT

Creating Value Through

SOCIAL RESPONSIBILITY - HEALTH AND SAFETY

• **Our Policies and Certifications**

All MHB’s HSE plans and activities are implemented in accordance with the following policies and certifications:

| | |
|--|---|
| <ul style="list-style-type: none"> • Health, Safety and Environment (HSE) Policy • Substance Misuse Control Policy • Stop Work Policy | <ul style="list-style-type: none"> • ISO 45001: 2018 Occupational Health and Safety Management System • ISO 14001: 2015 Environmental Management System |
|--|---|

What Value was Created in 2023?

1. Pandemic Influenza Specific Procedure

In response to COVID-19, we swiftly implemented a robust Pandemic Influenza Specific Procedure to protect employees, suppliers, and communities. This procedure guides MHB’s Management and employees in preventive measures, ensuring preparedness, and effective management of pandemic challenges.

MHB’s Pandemic Influenza Specific Procedure Control Measures

| |
|---|
| <p>Travel Advisories</p> <ul style="list-style-type: none"> • Guidance: Overseas employees are advised on vaccination and preventive measures. • Restrictions: Sick employees with symptoms are prohibited from travel to affected countries. |
| <p>Entry Point Screening</p> <ul style="list-style-type: none"> • Screening: Thermal scanning and mandatory health declaration for all entering the yard. |
| <p>Management of Ill Employees</p> <ul style="list-style-type: none"> • Reporting: Immediate reporting of symptoms to supervisors. • Screening: Suspect cases are sent to the MMHE Clinic, followed by prompt transfer to a Designated Hospital. • Sanitisation: Swift cleaning and disinfection of workstations. |
| <p>Self-Health Monitoring and Reporting</p> <ul style="list-style-type: none"> • Encouragement: Employees are encouraged to perform self-health monitoring at home or workplace. |
| <p>Hygiene Practices</p> <ul style="list-style-type: none"> • Hand Hygiene: Strict adherence to hand hygiene using sanitiser or soap with water. |
| <p>Face Masks</p> <ul style="list-style-type: none"> • Requirement: Enforcement of appropriate face mask usage (surgical or N95). |
| <p>Closures and Cancellations</p> <ul style="list-style-type: none"> • Proactive Measures: Temporary yard closures as needed for safety. |

2. Rebranding of Emergency Response Team

We rebranded our Emergency Response Team (ERT) to Fire and Rescue Services (FRS), reflecting the expanded roles and responsibilities in emergency response and management. The expansion and upgrading of the FRS workforce, assets, and equipment have enhanced our emergency response capabilities across various areas, including rope rescue, confined space rescue, water rescue, spillage response, and medical assistance.

A Forward Operation Base (FBO) and the establishment of the CPOC project’s First Responder at MMHE East Yard were strategically implemented, showcasing our preparedness to respond to a myriad of emergency situations. New assets, including emergency response vehicles, rescue boats, and upgraded tactical rope rescue equipment, were integrated to complement the expanded scope of roles and responsibilities. Additionally, we solidified our emergency response abilities through comprehensive training initiatives, such as:

- Cardiopulmonary Resuscitation (CPR)
- Automated External Defibrillator (AED) usage
- Choking Rescue Demonstrations.

Creating Value Through

SOCIAL RESPONSIBILITY - HEALTH & SAFETY

3. HSSE and Sustainability Week 2023

Health, Safety, Security, and Environment (HSSE) and Sustainability Week was launched on 12 July 2023 at MMHE Multipurpose Hall. We dedicated one week to provide a holistic platform for promoting awareness, knowledge sharing, and empowering our employees in initiatives that will enhance the workplace culture of HSSE.

What We Did

- Launched International Association of Oil and Gas Producers (IOGP) 9 Life Saving Rules and MISC’s 5+5 Rules and Commitment, replacing MMHE’s 10 Safety Rules.
- Engaged with regulatory bodies and safety specialists to gain insights into the latest safety technology and OSH Regulations.
- Showcased key HSE stakeholders and recognised achievements with Best HSE awards.
- Conducted health screening for 20% of total staff annually with Naluri and SOCSO, enhancing personal health monitoring.
- Collaborated with DBC Asia Healthcare for physiotherapy and body postural screening checks to prevent back pain.
- Organised a Blood Donation Programme, Health Talks, and featured the PETRONAS MestiFit Health consultation booth.
- Installed an interactive Smoke and Fire House Simulator, providing hands-on experience in emergency response scenarios.

4. Employee H&S Engagements

Throughout the year, we conducted the following H&S initiatives for our employees:

| | |
|---|---|
| H.A.Y – How Are You? Programme | Continued the 'H.A.Y – How Are You?' Programme, introducing SPOT Award Cards to recognise positive behaviour and commitment to HSE excellence. |
| Healthy Lifestyle Promotion | Conducted impactful Non-Communicable Diseases (NCD) programmes in collaboration with partners, featuring health talks, quizzes, e-posters, infographics, weight loss challenges, and stress management initiatives. |
| Blood Donation Drive | Organised a successful Blood Donation Drive in collaboration with KPJ Hospital and Sultan Ismail Hospital, Johor Bahru, reinforcing our commitment to corporate social responsibility and community well-being. |
| Substance Misuse Control testing | Maintained a zero tolerance stand on substance misuse through comprehensive 100% mass Substance Misuse Control testing initiative. |

5. Collaborative Training, Leadership Visibility

Our collaborative training and leadership visibility initiatives were pivotal in fostering a culture of excellence, safety, and continuous improvement across our operations.

| Our Initiatives | What We Achieved |
|------------------------------|---|
| Rakan HSE Enrolment | In partnership with MISC Berhad and PETRONAS, MMHE enrolled a new batch of Rakan HSE to reinforce our health and safety standards by equipping our workforce with the latest practices. |
| Top Management Visibility | The top management organised monthly Greenfield Talks to cultivate awareness and proactive safety practices. During the Annual Leaders’ HSE Roundtable Talk, our MD/CEO’s leadership showcased our commitment to safety at the highest level. |
| Reflective Learning Sessions | Non-HSE leaders actively participated in Reflective Learning sessions by sharing valuable insights for a safer work environment. |
| HSE Conferences and Councils | We co-hosted the PD&T and Partners HSE Conference (PHC) 2023 and continue to be an active member in the PETRONAS PD&T HSE Leadership Partner Council. |
| Benchmarking Visits | Facilitated visits with key entities such as University of Putra Malaysia (UPM), Port of Tanjung Pelepas, and the Department of Environment (DoE) that contributed to the continuous improvement in H&S practices, aligning MHB with industry benchmarks. |

SUSTAINABILITY STATEMENT

Creating Value Through

SOCIAL RESPONSIBILITY - HEALTH AND SAFETY

6. Standards in Excellence

Under the Certification and Standards umbrella, we achieved the Clean, Safe, and Healthy (BeSS) Certification for in-house canteen operators, reinforcing our commitment to clean premises, safe food, and proper nutrition for our employees. Concurrently, we successfully completed key audit programmes, including the MISC HSSE Contractor Audit, MISC HSEMS Audit, and the ISO 45001 and 14001 Certification Audit. These achievements reflect our continuous efforts to ensure a secure and compliant working environment that prioritises employee health and safety excellence.

7. Overall Performance

| MHB HSE Performance Trends | | | |
|--|-------------------|--------------------|-------------------|
| KPIs | 2021 | 2022 | 2023 |
| Number of staff trained on health and safety standards (man-hours) | 1,709 (13,044) | 6,737 (39,101) | 5,693 (45,903) |
| Number of contractors trained on health and safety standards (man-hours) | 8,347 (35,327) | 10,633 (52,559) | 9,987 (47,715) |
| Number of total man-hours achieved (Inclusive of Contractors) | 13,952,986 | 19,368,454 | 22,304,938 |
| Safe man-hours without Lost Time Injury (LTI) | 3,401,385 | 5,744,499 | 4,454,094 |
| Major Property Damage | 0 | 0 | 0 |
| Major Fire | 0 | 0 | 0 |
| Major Oil Spill | 0 | 0 | 0 |
| Lost Time Injury (LTI) | 3 | 2 | 2 |
| Total Recordable Cases (TRC) | 7 | 3 | 9 |
| Fatality | 0 | 0 | 1 |
| Lost Time Injury Frequency (LTIF) | 0.22 | 0.10 | 0.13 |
| Total Recordable Case Frequency (TRCF) | 0.50 | 0.16 | 0.40 |

It is with a heavy heart that we acknowledge the tragic incident that occurred this year, resulting in the loss of one of our valued employees. Through our investigations, this single case of fatality was due to the failure of a scaffolding structure that was being dissembled on a top panel of a central processing platform jacket. As a company, we mourn the passing of our colleague and friend, and we are committed to ensuring that every possible measure is taken to prevent such tragedies in the future.

What is Our Outlook?

Looking ahead, we are focusing on implementing the MMHE HSSE Strategy 2024 – 2028 : System In Gauging HSSE Performance Journey Towards #MHB2030 with a comprehensive action plan to improve MHB’s safety practices and uphold the highest standards in our operations.

HSSE Strategy 2024-2028

HSE is not a 'bolt-on extra', but it must be integrated at all physical activities. Below are the three-working principles adopted by HSE in delivering our strategies:

- Visible**
Ensuring that HSSE is valued and making efforts visible to amplify their positive impact
- Proportional**
Deliver HSSE needs and requirements to the point at the best level
- Collaborative**
Working on the basis of integrating HSSE with multidisciplinary talents

GENERATIVE & COMMUNITY WELL-BEING
Our goal is to embrace a "Generative in HSE" approach, preparing our yard's leaders and community with GC values and qualities. We believe that good yard performance only comes from a healthy and well-cared-for community

SMART AND EFFECTIVE COMMUNICATION
To achieve clear, simple, and transparent communication. Knowledge and skill sets valuable to HSSE are not supposed to be isolated; they are meant to be shared

ENVIRONMENTAL STEWARDSHIP
We acknowledge that conserving our environment is equally as important as our success in delivering business results

UPSCALING OPERATIONAL SAFETY
Raising the bar on operational safety deliveries

INTEGRATED ASSURANCE APPROACH
We operate a flexible yard operations and embrace the possibility of error might emerge in various angle. We will monitor and learn from mistakes, always seeking ways to improve

Creating Value Through

SOCIAL RESPONSIBILITY - STRATEGIC COMMUNITY INITIATIVES

Why is it Important?

Building sustainable communities is an investment that yields economic prosperity for our people. When we cultivate strong relationships with the communities we serve, we lay the foundation for mutually beneficial long-term success. More than that, we also enhance our investors' confidence and generate increased inquiries for bidding activities.

Our efforts in community engagement creates a positive ripple effect that extends beyond financial metrics to encompass the well-being of our stakeholders and the broader societal landscape. As a result, this contributes to the growth of social, relationship, and financial capital. Thus, our commitment to society transcends the mere construction of physical structures as strategic community initiatives are crucial reinforcements to solidify our responsibility as corporate citizens.

What is Our Approach?

To elevate our socioeconomic value creation management, we established the MHB Community Investment Principles. This guideline serves as a strategic framework designed to guide the planning and implementation of effective programmes for MHB as a corporate entity. Our workforce, driven by a shared commitment to social responsibility, frequently volunteers to contribute their time and efforts to various Corporate Social Responsibility (CSR) initiatives. Thus, we actively encourage employee participation in CSR activities through targeted communication strategies, by clearly communicating the purpose and benefits of the programme using various channels such as email, intranet portal, digital board, roadshow and text message to keep them informed about the upcoming activities and how they can get involved.

MHB's Community Investment Principles

| | | | | |
|---|--|--|--|---|
| Strategic | Aligned | Multi-stakeholder Driven | Sustainable | Measurable |
| <p>Evolves as the business phase progresses and employs various strategies throughout the project cycle</p> | <p>Aligning the strategic issues of the business with the development priorities of local communities, civil society, and/or government to create shared value</p> | <p>Positioning the Company as a partner in multi-stakeholder processes rather than as the principal actor in promoting local development</p> | <p>Seeks to avoid dependency, encourage, self-reliance, and generate long-term benefits that can endure beyond company support</p> | <p>Measuring the return on community investment to both the Company and the community</p> |

SUSTAINABILITY STATEMENT

Creating Value Through

SOCIAL RESPONSIBILITY - STRATEGIC COMMUNITY INITIATIVES

MHB's Approach to Measuring CSR Impact

In evaluating the concrete outcomes of our CSR impact, we focus on mid to long-term initiatives, exemplified by the MHB River Rehabilitation programme. Collaboratively, we establish Key Performance Indicators (KPIs) to intricately measure our progress. A systematic approach is maintained through quarterly reports, where qualitative assessments and quantitative metrics are diligently incorporated. This rigorous evaluation process serves as a vital tool in comprehensively assessing the effectiveness of our initiatives.

MHB's Approach to Communities Investments

Our investments are rooted in a comprehensive commitment to both commercial and non-commercial initiatives. As part of addressing socio-economic challenges within the community, the MHB Free Market establishment provides a cost-free marketplace, specifically designed to alleviate the burdens faced by the underprivileged communities. Reflecting on our approach to environmental stewardship, we invest a substantial amount of RM50,000 annually for a three-year duration to the MHB River Rehabilitation programme. This investment goes to support various facets, including a special study, development of revitalisation mechanisms, and the coordination of stakeholders and community programmes.

What Value was Created in 2023?

1. MHB River Rehabilitation Programme

As the ongoing River Rehabilitation Programme holds a collaborative bond between Pasir Gudang City Council (MBPG) and University of Technology Malaysia (UTM), we have also engaged local communities within the Sungai Buluh vicinity. Through this programme, we actively engage and educate local communities, fostering awareness that aligns with sustainable development goals. By integrating these initiatives, we are contributing to the quality of life for the local communities and environmental rehabilitation of Buluh River.

This year, we organised various activities under the MHB River Rehabilitation Programme, including:

| Our Activities/Events | Participation Rate | Key Highlights |
|--|--|---|
| <ul style="list-style-type: none"> River Plogging Water Quality Demonstration Microalgae Demonstration <p>Date: 28 January 2023 Location: Buluh River Recreational Park, Pasir Gudang</p> | 30 volunteers from MHB River Warriors, MBPG and UTM. | <ul style="list-style-type: none"> Utilised the Rubbish – Love Where You Live application is utilised to efficiently track and monitor waste collection, providing insights for informed waste management decisions aligned with our Sustainability Strategic Priorities. Analysed the water of Buluh River using a digital water quality metre, which indicated a Water Quality Index (WQI) of Class II, signifying clean river water. Demonstrated the presence of microalgae in river water using a tiny microscope attached to a cell phone camera. Volunteers were also able to identify the species of microalgae using Google Images. |
| Awareness on Waste Management | 30 volunteers from MHB River Warriors, 40 MMHE flat residents, MBPG and UTM. | <ul style="list-style-type: none"> Collected a total of 2271 pieces of waste from the river and surrounding areas. Raised awareness on long-term tree planting benefits and utilising biodegradable waste as fertiliser. |
| <p>Date: 28 February 2023 Location: Buluh River Recreational Park, Pasir Gudang</p> | | |
| MHB River Rehabilitation: Strategic Workshop #1 | Attended by government agencies namely MBPG, UTM, Johor Department of Environment, Johor Department of Irrigation and Drainage, and Johor Forestry Department. | <ul style="list-style-type: none"> Proposed for the establishment of a river committee and appointment of UTM to conduct the special study. Identified roles and responsibilities of all stakeholders involved in the MHB River Rehabilitation Programme. Discussed on the establishment of the river committee, the agencies to be involved, and the terms of reference for the committee. |
| <p>Date: 7 March 2023 Location: Johor Bahru</p> | | |
| MHB Tree Planting Programme | Collaborative initiative between MHB, UTM, MBPG, and Johor Forestry Department. | <ul style="list-style-type: none"> Planted 100 trees to promote continuous tree planting as part of our decarbonisation effort. |
| <p>Date: 29 July 2023 Location: Buluh River Recreational Park, Pasir Gudang</p> | | |

Creating Value Through

SOCIAL RESPONSIBILITY - STRATEGIC COMMUNITY INITIATIVES

| Our Activities/Events | Participation Rate | Key Highlights |
|---|---|---|
| <p>MHB River Rehabilitation: Strategic Workshop #2</p> <p>Date: 8 September 2023 Location: MMHE West Yard</p> | Attended by MBPG and UTM. | <ul style="list-style-type: none"> Identified river segments (locations) for us to conduct MHB River Rehabilitation Programme Identified activities and key deliverables to support each core element under MHB River Rehabilitation Programme. |
| <p>MHB River Rehabilitation: Technology Transfer Workshop (Session #1)</p> <p>Date: 4 November 2023 Location: MMHE Flat and Buluh River</p> | 60 volunteers from MBPG, MHB, UTM and Sekolah Menengah Kebangsaan (SMK) Pasir Gudang 2. | <ul style="list-style-type: none"> Introduced two revolutionary tools, iNaturalist and Geo-Tree for communities to engage in river rehabilitation, species identification, and tree planting initiatives. Planted over 60 trees, including <i>Merawan Siput Jantan (Hopea odorata)</i>, <i>Merawan Kanching (Hopea subalata)</i> and <i>Penaga Lilin (Ceylon ironwood)</i>. Geo-tagged 160 trees at MMHE Flat and Buluh River. |
| <p>MHB River Rehabilitation: Technology Transfer Workshop (Session #2)</p> <p>Date: 18 November 2023 Location: MMHE Flat</p> | 20 volunteers from MMHE Flat Residents, UTM and MBPG. | <ul style="list-style-type: none"> Established five hugelkultur beds at MMHE Flat for urban farming where volunteers planted vegetables using compost waste. Compiled 100kg of landscape compost and 25kg of food waste. Produced 4000 litres of Green Waste Vinegar (GWV) to improve the water quality by pouring the vinegar at selected discharge points. |

2. Community Upliftment Initiatives

Our social impact within Pasir Gudang is a vital initiative where we wholeheartedly strive to empower underprivileged communities.

| |
|---|
| <p>Donation to the Underprivileged Residents</p> <p>What We Did: Supported 55 families with groceries and financial assistance, valued up to RM450 for each families, amounting to RM24,750 in total.</p> <p>Our Impact: Fostered stronger relationships with local stakeholders for collaborative support.</p> |
| <p>MHB Flood Relief Phase 1</p> <p>What We Did: Assisted 42 families in Kampung Sentosa Damai Cahaya Baru with post-flood house cleaning activities, providing essential items and meals for more than 250 individuals involved from various agencies during the activity.</p> <p>Our Impact: Strengthened community ties and eased the burden of flood victims.</p> |
| <p>MHB Flood Relief Phase 2</p> <p>What We Did: Providing post-flood assistance to nine families in Kampung Cahaya Baru by supplying essential items such as mattresses, pillows, gas stoves, blankets and toiletries.</p> <p>Our impact: Reduced burdens of the affected victims and strengthened the relationship with the community.</p> |
| <p>Iftar Celebration with Stakeholders and Orphanage</p> <p>What We Did: Hosted an <i>iftar</i> event for 105 orphans at Renaissance Hotel and distributed <i>raya</i> gift consisting of <i>raya</i> money packet and new clothes for each recipient.</p> <p>Our Impact: Encouraged a positive work environment through charitable activities.</p> |
| <p>MHB Back to School 2023</p> <p>What We Did: Provided free school uniforms and supplies to 75 underprivileged students from three schools in Pasir Gudang.</p> <p>Our Impact: Reduced the financial burdens of underprivileged families.</p> |
| <p>MHB Free Market</p> <p>What We Did: Assisted 125 families and 135 students from four villages in Pasir Gudang with donated items and groceries. MHB employees contributed over five tonnes of donated items, with 350 kg of damaged items channeled to Life Line Clothing Sdn Bhd. These contributions were valued up to RM16,000.</p> <p>Our Impact: Demonstrated collaborative commitment to CSR, benefiting both business and society.</p> |

SUSTAINABILITY STATEMENT

Creating Value Through

SOCIAL RESPONSIBILITY - STRATEGIC COMMUNITY INITIATIVES

3. Our Overall Performance

In 2023, MHB had over 200 employees volunteering in 16 CSR programmes, totaling 90 recorded man-hours.

| Disclosures | 2021 | 2022 | 2023 |
|---|----------|----------|-----------|
| Total amount of corporate or group donations/community investments made to registered not-for-profit organisations. | *N/A | RM9,630 | *N/A |
| Total amount invested in the community where the target beneficiaries are external to the listed issue (RM) | RM23,982 | RM78,730 | RM146,603 |
| Number of beneficiaries of the investment in communities | 82 | 531 | 350 |
| Number of operations with local community engagement, impact assessments and development programmes | 13 | 28 | 56 |

**In 2021 and 2023, our strategic decision not to make contributions was grounded in a careful assessment of priorities to channel resources where they are most needed, particularly in supporting our community.*

What is Our Outlook?

In the short term, MHB is committed to advancing community engagement and enrichment through a multifaceted approach. We will actively foster collaboration and partnerships with various stakeholders to create a syndicated network that shares a common vision for community development. In the works of setting targets, clear and measurable targets will be established to guide our efforts. These targets will serve as benchmarks for assessing the impact and success of our community initiatives. Within the next two years, we will also launch targeted initiatives specifically designed to address the unique needs and aspirations of the communities we serve.

Moving into the mid-term horizon, MHB's focus will shift towards deepening our commitment to community enrichment and fostering sustainable growth. We will amplify our investment in community-driven projects and programmes to ensure a broader reach and more profound impact. There is also a plan to strengthen local economies by supporting local businesses through job creation and skills development opportunities.

Creating Value Through

SOCIAL RESPONSIBILITY - DIVERSITY AND INCLUSION (D&I)

Why is it Important?

MHB is dedicated to being an 'employer of choice,' employing and retaining a diverse talent pool that mirrors the communities in which we operate. Valuing diversity in our workforce, we believe that bringing together individuals with various backgrounds and experiences fosters unique perspectives and drives innovation within our business. It can also enhance MHB's ability to reach and serve diverse markets, resulting in increased customer satisfaction and loyalty.

What is Our Approach?

Our commitment to diversity and inclusion is in alignment with our parent company, MISC Group. On the 1 January 2023, we launched the MHB Group Diversity & Inclusion Statement to emphasise the importance of diversity in our talent strategy. Our goal is to cultivate a workplace that is open, trusting, respectful, and safe, allowing each individual to authentically be themselves, experience a sense of belonging, and contribute to their fullest potential. This commitment extends throughout the Group, ensuring all employees have equal opportunities for development and success.

Our recruitment and promotion processes strictly adhere to merit-based principles, focusing on qualifications and competence. In aligning with Diversity & Inclusion (D&I), we uphold unbiased practices, avoiding preferences based on gender, race, or religion. Thus, MHB's selection criteria are designed for a rigorous and impartial process. While we don't have a specific D&I survey, we actively participate in the PETRONAS Organisation Survey (POCS) and conduct internal Human resources (HR) surveys on an annual basis. From the feedback gained, actions to rectify the issues raised are addressed.

Diversity & Inclusion Principles at MHB

- Merit-Based Approach
- Unbiased Practices
- Gender Diversity Goals

In pursuit of gender diversity goals outlined in the Malaysian Code on Corporate Governance (MCCG) 2021, we aspire to achieve a 30% gender diversity target in both Board renewal and Senior Management appointments. Emphasising meritocracy, our Board candidacy criteria prioritise relevant qualifications, experience, knowledge, and expertise. For more information on MHB's Board Charter, visit our website at <https://mhb.com.my/about-us/#boardofdirectors>.

What Value was Created in 2023?

1. D&I Awareness Training Programmes

We are pleased to announce the implementation of the initial phase of our D&I Awareness Programme. This initiative strives to enhance understanding of D&I principles, mitigate unconscious biases, create an environment where each individual is valued, respected, and empowered to contribute their unique perspectives. Reinforcing our commitment, the Board has incorporated attendance, including new hires, in the D&I awareness programme as a key metric in the MHB corporate scorecard.

Key Highlights

- Achieved 97% coverage of the employee population who attended the first phase of D&I awareness programme.
- Appointed 42 D&I divisional champions, representing diverse gender and age groups.

Our Impact

Established a network of D&I champions across divisions to facilitate the roll-out of the D&I awareness programme.

To enhance accessibility and flexibility, we have added D&I modules into our e-Learning platform. This digital approach allows employees to participate in interactive sessions and acquire practical tools for fostering inclusivity, all at their own pace. For MHB's executive employees and above, completion of the D&I e-Learning module on our LinkedIn Learning platform is now a mandatory requirement.

SUSTAINABILITY STATEMENT

Creating Value Through

SOCIAL RESPONSIBILITY - DIVERSITY AND INCLUSION (D&I)

2. Building Inclusive Spaces

We proactively cultivate a culture of respect and understanding. Where practicable, our facilities are designed for People With Disabilities (PWD) ability, including wheelchair ramps, special parking, and elevators. Additionally, we offer a residential complex, featuring 16 flat-type blocks, exclusively for employees, with assistance prioritised for those within specified income brackets. Notably, accommodation availability is open without limitations based on race, gender, position, or religion. Presently, more than 300 employees and their families stay in this complex.

3. Our Overall Performance

| Disclosures | 2021 | 2022 | 2023 |
|--|------|-------|-------|
| Breakdown of Employees by Gender (%) | | | |
| Female | 20.1 | 18.5 | 18.7 |
| Male | 79.9 | 81.5 | 81.3 |
| Breakdown of Female Employees by Position (headcount) | | | |
| Board of Directors | 0 | 0 | 0 |
| Senior Management | 2 | 3 | 2 |
| Management | 35 | 46 | 57 |
| Senior Executive | 53 | 67 | 90 |
| Executive | 217 | 242 | 350 |
| Non-Executive | 225 | 264 | 384 |
| Breakdown of Male Employees by Age Group (headcount) | | | |
| 60-69 years | 16 | 24 | 37 |
| 50-59 years | 349 | 371 | 417 |
| 40-49 years | 449 | 549 | 771 |
| 30-39 years | 908 | 1,014 | 1,305 |
| 20-29 years | 394 | 721 | 1,253 |
| 18-19 years | 1 | 64 | 51 |
| Breakdown of Female Employees by Age Group (headcount) | | | |
| 60-69 years | 0 | 1 | 2 |
| 50-59 years | 42 | 43 | 46 |
| 40-49 years | 117 | 152 | 218 |
| 30-39 years | 244 | 250 | 269 |
| 20-29 years | 129 | 175 | 343 |
| 18-19 years | 0 | 1 | 5 |
| Number of Senior Management from Local Communities | 26 | 29 | 29 |
| Female in Technical Position (%) | 9.4 | 8.8 | 11.8 |
| Number of Discrimination Incidents | 0 | 0 | 0 |

What is Our Outlook?

Our overall outlook is to ensure sustained progress and crafting a truly inclusive MHB Group for future generations. Next year, we aim to amplify D&I initiative by focusing on Inclusive Leadership (De-biasing for conscious inclusion) for Managers and above. As we transition into the medium term, our focus will be fortifying leadership and diversity metrics, creating an atmosphere where diverse talents thrive across the organisation. Our long-term vision is to embed D&I practices deeply within the organisation.

Creating Value Through

SOCIAL RESPONSIBILITY - SKILLED WORKFORCE

Why is it Important?

Given the evolving landscape, it is important for MHB to futureproof its workforce with the right skills and capabilities. Investing in employees' competency will enhance our operational efficiency to better adapt to dynamic market trends and needs.

From our stakeholders' viewpoint, MHB stands out as a reputable business with the capability of attracting top-tier talents and committed to fostering future-ready skills among our workforce. We build our stakeholders' trust in MHB's ability to consistently meet evolving customer needs. In positioning ourselves as a forward-thinking entity within the competitive landscape, we recognise the imperative of cultivating a skilled and engaged workforce.

What is Our Approach?

Capability Development Framework

MHB empowers professional development through a 70-20-10 (70% On-the-Job, 20% Learning From Others and 10% Formal Learning) approach. This provides equal training access for self-enrolment, financial aid for certifications, and an Education Assistance Plan (EAP) for higher education.

Focused on strengthening MHB's skills and competency, our Capability Development Framework aims to propel us towards a robust workforce. We have implemented strategic initiatives across our workforce and establish collaborations with new business partners in the realm of cutting-edge low-carbon or zero-carbon technologies.



Through MHB's Leadership and Functional Competency programmes, we provide essential leadership skill sets and job-specific skills competencies.

SUSTAINABILITY STATEMENT

Creating Value Through

SOCIAL RESPONSIBILITY - SKILLED WORKFORCE

Leadership Competency

- **Staple Leadership (SL)**
Designed to focus on fundamental knowledge, including Communication 101, Structured Problem Solving, and Making an Impactful Presentation.
- **Intervention Leadership (IL)**
Equips individuals with the skills, knowledge, and attributes needed for effective leadership interventions through Executive Development Programme (EDP), Manager Development Programme (MDP).
- **Mandatory Leadership (ML)**
Tailored for new executives and managers to prepare them in their new roles through Aspiring Leaders Development Programme (ALDP).
- **e-Learning**
Online platform that offers self-paced learning on expert-led courses covering business, technology, and creative skills.

Functional Competency

- **Common Functional (CF)**
Provides all staff with fundamental skills including Integrated Management System, Microsoft Office, and Health, Safety, and Environment Awareness.
- **Discipline Functional (DF)**
Offers tailored training for job roles, including Lead Auditor, Hydraulic System Training, and Crane Maintenance, among others.
- **Craft/Technical and Vocational Education and Training (TVET)**
Caters practical skills programme for trades or technical careers, covering various training on welding, grinding, and overhead crane operations training.
- **e-Learning**
Online platform that offers self-paced learning on expert-led courses covering business, technology, and creative skills.

Performance Management System (PMS)

To provide regular performance and career development reviews for our employees, we have the Performance Management System (PMS) in place. This system ensures transparency and consistency in our evaluation process of the performance and career development of our dedicated workforce.

| |
|--|
| <p>Step 1: Establishing Clear Objectives Employees and line managers engage in discussions to identify specific objectives. This stage ensures a shared understanding of expectations.</p> |
| <p>Step 2: Individual Performance Contracts (IPCs) Objectives set the foundation for creating Individual Performance Contracts (IPCs) where it serves as personalised roadmaps for each employee, delineating key responsibilities, performance metrics, and developmental goals.</p> |
| <p>Step 3: Performance Management Cycle Check-ins Regular mid-year and year-end reviews are conducted within the performance management cycle to provide comprehensive evaluations that discuss accomplishments, areas for improvement, and overall performance.</p> |
| <p>Step 4: Performance Ratings Criteria Employees are eligible for performance ratings including direct-hires (both permanent and contract). The eligibility requires continuous service to the Company for at least six months in the specific year.</p> |

PETRONAS Organisation Survey (POCS)

MHB diligently monitors workplace productivity through the PETRONAS Organisation Survey (POCS) while maintaining a yearly employee participation rate of over 90%. Furthermore, we conduct our own HR survey to provide employees with a platform to express their viewpoints directly to management.

1. High Employee Participation

This year, we observed a significant increase in employee participation in internal training programmes. This has been achieved through self-enrolment initiative, utilising the MHB Portal's training calendar.

Creating Value Through

SOCIAL RESPONSIBILITY - SKILLED WORKFORCE

Key Highlights

- 99% of active employees are actively engaged in training programmes.
- Employee self-enrollment rates have increased from 70% in 2022 to 82% in 2023.

Additionally, our robust training initiatives have yielded a remarkable 111,280 training man-hours, surpassing our target by 123%.

- Functional training: 94,524 man-hours
- Leadership training: 16,756 man-hours

As a result, our employees have demonstrated a genuine commitment to fostering a unified culture of continuous learning towards their professional growth.

2. e-Learning Adoption Success

With the goal of covering a broad spectrum of topics and skills to offer flexible learning opportunities for MHB's workforce, 89% of eligible employees have accessed our e-Learning platform. As this highlights our success in widespread adoption of our e-Learning platform, we are determined to continue to provide accessible and user-friendly learning resources to our employees.

Our Impact

11,829 module completions through our e-Learning platform. This accomplishment, equivalent to 17,244 learning man-hours, represents a remarkable 289% completion rate, surpassing our 2023 target.

3. Our Overall Performance

Ranked in the Top 10 'Graduates' Choice Employers to Work For' in Malaysia for 2023, specifically in the Engineering category by GCA Graduates Choice.

| Disclosures | 2021 | 2022 | 2023 |
|--|--------|--------|---------|
| Training investment (RM Million) | 3.67 | 3.59 | 3.81 |
| Number of hours spent on employee development training | 92,668 | 83,484 | 111,280 |
| Number of employee upskilling programmes | 220 | 322 | 370 |
| Employees receiving regular performance and career development reviews (%) | 72 | 65 | 60 |

Note: The figure for Employees receiving regular performance and career development review is based on the eligible direct-hire employees (permanent & contract) who have continuously served the Company for at least 6 months in that particular year.

What is Our Outlook?

In shaping our future workforce, we aim to prioritise a culture of accountability and compliance. This entails instilling responsibility and ownership in team members, with upcoming plans to standardise consequence management processes across all departments for increased efficiency. By embracing a Lean and Agile organisational model, we will integrate continuous improvement methodologies like Kaizen to enhance operational efficiency.

Within MHB's leadership team, regular communication and visibility of leaders will reinforce a shared commitment to our core principles. Additionally, we will focus on proactive employee engagement and empowerment initiatives to foster a positive and inclusive work environment. Feedback mechanisms, robust mentorship programmes, and skill development opportunities will only empower our employees further for meaningful contributions.

In our pursuit of a high-performance organisation, we will set and measure challenging goals against key metrics. We are committed to rewarding high-performance outcomes, serving as a driving force to motivate both individuals and teams. This cultivation of an excellent workforce will propel MHB towards sustained excellence in the days ahead.

SUSTAINABILITY STATEMENT

Creating Value Through

STRONG GOVERNANCE - GOVERNANCE AND ETHICS

Why is it Important?

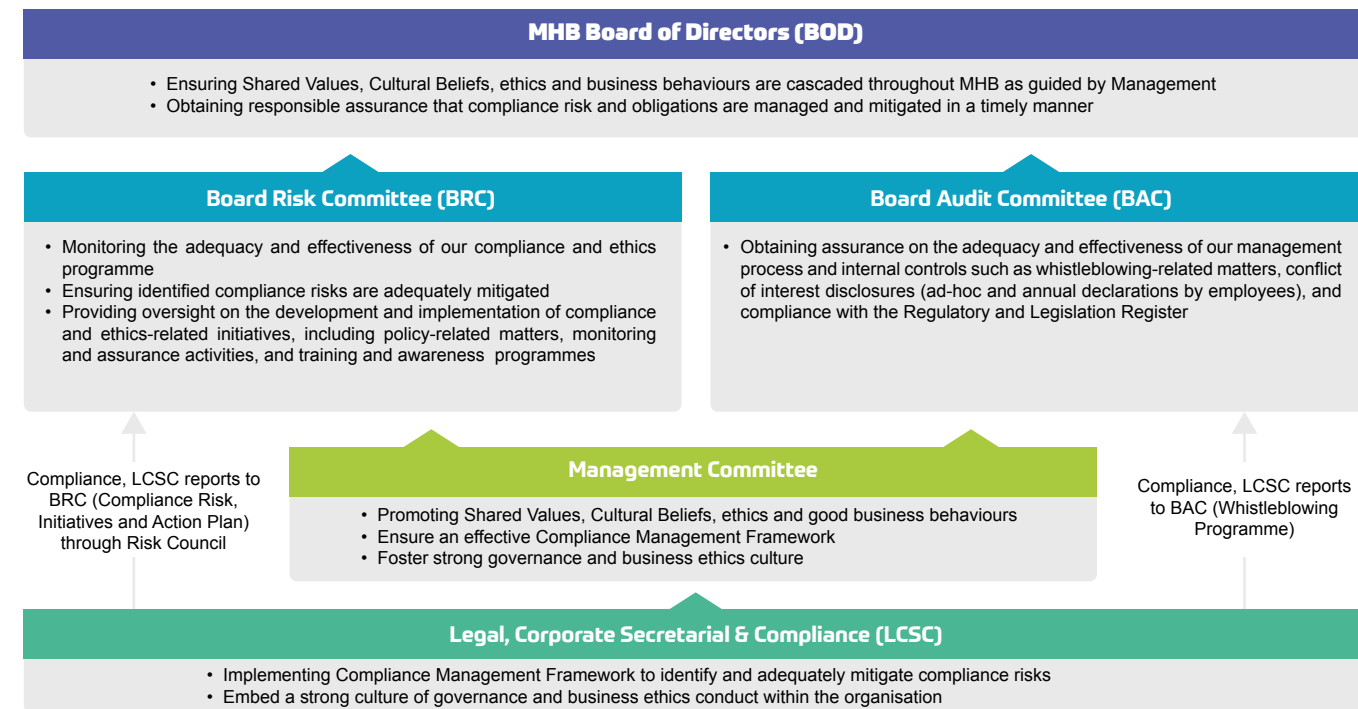
Strong governance and ethical practices serve as the foundation for our operational framework, ensuring effective decision-making, accountability, and transparency. In line with this commitment, MHB has implemented tangible initiatives aimed at reinforcing these principles throughout our organisation. One such initiative involves the establishment of robust governance structures and processes, which provide clear guidelines for decision-making and ensure accountability at all levels.

This includes regular reviews of policies and procedures to ensure compliance with regulatory standards and best practices. Furthermore, we recognise the importance of ethical conduct in building trust and credibility with our stakeholders, including investors and employees. As part of our efforts to prioritise governance and ethics, MHB has implemented training and awareness programme focused on promoting a culture of integrity, fairness, and social responsibility among employees.

What is Our Approach?

At MHB, we are dedicated to maintaining the highest standards of governance, which are crucial for our long-term success. We prioritise values, assurance, and business ethics within our Governance pillar to build stakeholder confidence, ensure organisational resilience, and enhance overall performance. Our board of directors play a vital role in shaping governance and ethical practices, emphasising transparency, accountability, and effective risk management through a diverse perspective.

**MHB Compliance Governance Structure
Main Roles and Responsibilities**



Creating Value Through

STRONG GOVERNANCE - GOVERNANCE AND ETHICS

• Governance Framework

Our governance framework, which outlines values, principles, and practices, empowers the board to actively promote ethical behaviour. We maintain clear expectations and open communication to ensure effective risk management, encompassing legal, compliance, and ethical considerations. The board's composition and structure highlight diversity, while dedicated committees provide focused oversight in areas such as audit, risk, and nominations.

• Monitoring and Oversight

Monitoring and oversight responsibilities extend to comprehensive compliance programmes, covering sanction and export control, human rights and modern slavery, anti-corruption, competition and data privacy. We have established whistleblower protection mechanisms, allowing individuals to report concerns through various channels with strict confidentiality. Protection is granted to whistleblowers acting in good faith, with clear guidelines for revocation under specific circumstances.

• Compliance and Reporting

We ensure compliance with local and international laws through various platforms, including Compliance Attestation programme, Regulatory and Legislation collation, and MyAssurance. Concurrently, we ensure continuous improvement is driven by internal audits and quarterly reporting to the Board, aligning with the highest standards of integrity and the Malaysian Code on Corporate Governance 2021. For more information about our compliance-related policies, please visit: <https://mhb.com.my/about-us/>

• Prevention of Child Labour and Forced Labour

We prohibit the employment of individuals below the age of 18. Recognising the inherent hazards in heavy engineering workplaces, our policy serves as a proactive safeguard to ensure a secure and conducive work environment. Our Code of Conduct and Business Ethics (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.

• Upholding the Right to a Minimum or Living Wage

In adherence to our Code of Business Ethics, MHB rigorously complies with local wage laws. We advocate for and uphold the right to a minimum wage, as prescribed by the Minimum Wage Act.

• Supporting Freedom of Association

MHB has recognized the right of our staff to be members of a union since our inception in 1979. As of the end of 2023, there are 224 union members, benefiting a total of 320 unionized employees.

SUSTAINABILITY STATEMENT

Creating Value Through

STRONG GOVERNANCE - GOVERNANCE AND ETHICS

What Value was Created in 2023?

1. Employee Morale and Retention

Our commitment to strong governance and ethical practices has a positive impact on employee morale and talent retention in various ways. By fostering transparency, fairness, and a values-driven approach, we create a culture of trust and respect. MHB has established clear and easily accessible channels for reporting unethical behaviour, conflicts of interest, and corruption. These channels include a whistleblowing platform which all whistleblowers can raise their concerns through email at whistle@mmhe.com.my and online submission via MHB’s website. This enables employees to easily report any misconduct and promote highest standard of integrity, openness and accountability in the conduct of its business and operations. This dedication to robust governance and ethical practices not only benefit our workforce, but also fuels innovation and sustainability within MHB. Our culture of trust and openness encourages diverse perspectives and creative problem-solving. Additionally, our commitment to ethical procurement practices ensures the establishment and maintenance of sustainable supply chains. MHB demonstrates its commitment to its values by offering targeted training and development opportunities like the Anti-Bribery and Corruption Awareness Talk and e-Learning programme on the CoBE.

2. Human Rights Management

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. 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. MHB is committed to acting 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 throughout MHB’s supply chain.

Our approach to tackling modern slavery throughout our supply chain is consistent with our disclosure obligations under international and local applicable laws, such as the UK Modern Slavery Act 2015. MHB expects the same high standards from all our subcontractors, suppliers and other business partners. 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. MHB expects that our suppliers will hold their own vendors and subcontractors to the same high standards. MHB requires our third parties to adhere to the principle of Freedom of Labour, Prevention of Child Labour, Wages and Benefits, Working Hours, Establish Grievance Mechanisms, Non-Discrimination, Freedom of Association, Humane Treatment and Foreign or Migrant Workers.

We will continue to strengthen our human rights culture by conducting training and awareness programmes for our employees. In 2023 we rolled out the Human Rights Management e-Learning module and achieved an 83% completion rate of the total Talent Management System (TMS) population. The objective of this training is to provide an overview of the UN Guiding Principles on Business and Human Rights and MISC Group’s Human Rights Commitments.

In 2023, we conducted the Human Rights Risks Assessments (HRRA) on the material human rights matters at our MMHE West Yard. The purpose of the HRRA is to determine and analyse the social impacts derived from MHB’s Human Rights commitments associated with MHB’s operations and develop mitigation plan to reduce and address human rights risks for MHB.

The identification and mitigation of human rights risks enables us to manage actual or potential impacts created through our business activities, including through our relationships with partners and contractors. The scope of the assessment is in accordance with MISC Group’s Human Rights commitment:

- Labour and Working Conditions
- Community Well-being
- Supply Chain Management
- Responsible Security

Creating Value Through

STRONG GOVERNANCE - GOVERNANCE AND ETHICS

2. Our Overall Performance

| Anti-Corruption and Integrity | | | |
|---|-------|-------|-------|
| Disclosures | 2021 | 2022 | 2023 |
| Number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | 0 | 0 | 0 |
| Number of staff disciplined or dismissed due to non-compliance with anti-corruption policy/policies | 1 | 0 | 0 |
| Number of political contributions | 0 | 0 | 0 |
| Percentage of employees who have received training on anti-corruption by employee category (%) | | | |
| <i>Executive</i> | 45.73 | 77.31 | 100 |
| <i>Senior Executive</i> | 51.38 | 81.63 | 100 |
| <i>Management</i> | 42.72 | 84.55 | 70.90 |
| <i>Senior Management</i> | 37.93 | 68.75 | 93.33 |
| Percentage of operations assessed for corruption-related risks (%) | 100 | 100 | 100 |
| Number of cost of fines, penalties or settlements in relation to corruption (RM) | 0 | 0 | 0 |
| Whistleblowing Incidents | 2 | 7 | 3 |
| Number of confirmed corruption incidents and actions taken | 1 | 0 | 0 |

| Compliance | | | |
|--|------|------|------|
| Disclosures | 2021 | 2022 | 2023 |
| Number of investigations conducted | 0 | 0 | 0 |
| Penalty, private or public reprimand by Regulators | 0 | 0 | 0 |
| Regulatory non-compliances | 0 | 0 | 0 |
| Number of days between the date of AGM notice and date of meeting (DD-MM-YY) | 34 | 36 | 30 |
| Number of grievance mechanism cases resolved | 0 | 0 | 4 |

| Data Privacy and Cybersecurity | | | |
|---|------|------|------|
| Disclosures | 2021 | 2022 | 2023 |
| Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | 0 | 0 | 0 |
| Number of substantiated complaints concerning breaches of customer privacy and losses of customer data resolved | 0 | 0 | 0 |

What is Our Outlook?

In our pursuit of strong governance, we aim to advance our internal policies and nurture a culture deeply rooted in ethical principles. In the near term, our focus is on championing transparency and accountability through regular policy reviews, fortified communication channels, and rigorous independent audits. This commitment ensures that we adapt to evolving best practices and address emerging challenges.

Our mid-term aim is to build a culture of integrity. We plan to achieve this by implementing ongoing training and awareness programmes and setting up feedback mechanisms to inculcate the culture of integrity within MHB. These efforts are meant to provide our employees with the knowledge and tools to make informed ethical decisions and encourage a positive ethical culture.

Looking ahead, our long-term plan is to leverage on technological advancements to enhance governance and ethics. This includes using online compliance platforms and data analytics for proactive risk management. These advancements aim to make processes more efficient and streamline.

SUSTAINABILITY STATEMENT

Creating Value Through

STRONG GOVERNANCE - ASSET INTEGRITY AND RELIABILITY

Why is it Important?

The significance of maintaining the integrity and reliability of our assets impacts various facets of our operations. It is a linchpin in cultivating a secure work environment, ensuring the safety of our workforce and stakeholders. Compliance with regulations is our utmost priority, as it not only safeguards against penalties and legal consequences but also upholds our commitment to ethical business practices. Prioritising asset integrity plays a pivotal role in guaranteeing operational continuity, reducing disruptions, and sustaining productivity.

What is Our Approach?

Our approach to maximising asset life and reliability starts with implementing regular reviews. Systematic assessments are conducted to evaluate the condition and performance of all assets, ensuring that emerging issues are addressed promptly and critical areas for improvement and investment are identified.

An integral aspect of our asset management strategy is strict adherence to industry best practices and maintenance standards. We recognise that maintaining assets to the highest standards is crucial for sustained reliability. By following established maintenance protocols, we ensure the consistent performance of our assets foster a culture of excellence and compliance within our operations.

MHB's Preventive Maintenance Strategy

Our preventive maintenance strategy is a comprehensive and multi-faceted approach designed to ensure the longevity and efficiency of our assets through:

Routine Inspections

- Identify signs of wear, deterioration, or potential issues.
- Provide valuable insights into asset conditions.

Lubrication and Timely Parts Replacement

- Crucial for extending asset life and maintaining efficiency.

Performance Testing

- Ensure assets consistently meet operational standards.
- Validate reliability and serve as a proactive measure.

Integration of Technology

- Incorporate smart technologies and Internet of Things (IoT) devices.

Real-Time Data Utilisation

- Provide dynamic influx of real-time data.
- Ensure responsive and adaptive maintenance scheduling.

We employ a risk-based inspection approach to prioritise asset integrity assessments:

Employment of Risk-Based Inspection Methodologies

This involves evaluating assets based on factors such as age, operating conditions, and historical performance. Older assets or those operating in challenging conditions may undergo more frequent and thorough inspections. By aligning inspection priorities with risk profiles, we ensure that resources are efficiently allocated to areas where they are most needed, enhancing overall operational reliability and safety.

Creating Value Through

STRONG GOVERNANCE - ASSET INTEGRITY AND RELIABILITY

What Value was Created in 2023?

1. Operational Efficiency and Lifespan Expansion

Our focus on asset integrity and reliability significantly enhances operational efficiency by minimising unexpected downtime through maintenance and real-time condition monitoring. Simultaneously, our approach to management plays an important role in controlling maintenance costs over time, fostering a cost-effective and sustainable operational model. This also directly contributes to the extended lifespans of critical assets. Through preventative maintenance, early issue identification, and rigorous programmes, we minimise wear and tear, significantly extending the operational life of key components.

2. Mitigation of Operational Risks

Our training programmes empower our team to proactively identify and address operational risks, enhancing both the safety and reliability of our operations. This integrates with our overall strategy for risk mitigation. In tandem, through regular certifications and audits, we consistently demonstrate our dedication to compliance, solidifying our reputation for operating in accordance with industry standards.

What is Our Outlook?

Looking ahead, our strategic vision is to cultivate a culture marked by continuous improvement and innovation in asset integrity and reliability. We aim to diligently conduct global benchmarking studies, systematically comparing our practices to identify areas for enhancement and innovation. This approach identifies areas for enhancement and innovation. Additionally, we will actively seek and integrate direct input on asset performance to establish robust feedback loops with customers and field operators. Our future is centred on combining insights from benchmarking with real-time feedback. This dynamic combination will empower us to embrace emerging technologies, refine methodologies, and pioneer innovative approaches in asset management.

SUSTAINABILITY STATEMENT

Creating Value Through

STRONG GOVERNANCE - RISK MANAGEMENT

Why is it Important?

Managing our risk is crucial as it safeguards our reputation, ensures financial stability, and informs strategic decisions. By effectively navigating risk, we foster stakeholder trust, encourage innovation, and lay the foundation for sustainable growth, ultimately enhancing the overall value we deliver to our stakeholders.

What is Our Approach?

Our Board of Directors place paramount importance on the approach to risk management, ensuring that the Group is equipped to effectively mitigate any potential risks that may arise.

Key Performance Indicator and Reporting

We have aligned measurable tolerance levels with Board-defined Key Performance Indicators (KPIs) for precise risk management. Our approach includes a detailed risk register, regularly reviewed by the Risk Owners, Risk Management Department and the Management Risk Council. Quarterly updates to the Board Risk Committee ensure a timely and comprehensive monitoring of our risk landscape.

Adaptability to Risks

We employ an Enterprise Risk Management Framework (ERMF) that describes in detail the Enterprise Risk Management process, which providing a structured approach to identify, assess, mitigate, monitor, and review risks to improve company's ability to anticipate and prepare itself to face the imminent and emerging risks. Implementing a structured ERM process fosters risk awareness and transparency. When risk management is embedded in the organisational culture, employees at all levels are more likely to identify and respond to risks in a timely manner, enhancing overall adaptability.

Risk Assessment for decision-making

Risk assessment plays a critical role in our decision-making process. We employ Risk Assessment in Decision-Making (RADM) for papers that require approval from Board Risk Committee and MHB Board. The papers under the category of decision and discussion includes strategic business development, high impact and/or high value investments, corporate development exercise including but not limited to mergers/acquisition/divestment and project bid submission. RADM provides decision-makers with a balanced view of exposure associated with the decision and considers the level of risks they want to take and implement necessary controls to achieve the desired business objectives. By integrating risk assessment into decision-making process, we are able to prioritise our risks, effectively allocate our resources, addressing compliance risks, enhance stakeholders' confidence by navigating uncertainties effectively and develop more robust strategies to address potential challenges, leading to increasing the likelihood of success and minimising potential losses.

Crisis Management Strategies and Preparedness

We embrace the PETRONAS Resiliency Model, incorporating the Crisis Management Framework (CMF) to fortify our crisis management capabilities. The Crisis Management Plan (CMP) demonstrates our readiness to address potential crises that have an adverse effect on operations, impacting People, Environment, Asset and Reputation, while the Crisis Management Team (CMT) oversees the effective implementation of crisis management strategies.

Employee Training and Awareness

The Risk Management Department plays a crucial role in fostering risk awareness among employees. Periodic publications such as the 'Risk Buzz' are disseminated to provide insightful information and cultivate a risk-conscious culture within the organisation.

Creating Value Through

STRONG GOVERNANCE - RISK MANAGEMENT

What Value was Created in 2023?

Advancing the Project Risk Management

Effective Project Risk Management process is crucial for the success of project that helps to identify potential risks that could affect the project's objectives, timeline, budget, and quality. Our Project Risk Management consists of a stage-gated process conducted at different phase of a project life cycle from the Pre-Qualification stage until the Close-out stage. This process helps to reduce risks of unexpected technical and/or commercial factors that may significantly affecting project's viability. Cost Risk Analysis (CRA) and Schedule Risk Analysis (SRA) have been introduced as part of MHB Project Management System (MPMS) to enhance quantitative assessment of risk impact on project cost and schedule.

What is Our Outlook?

Looking ahead, we are dedicated to continually enhancing our Risk Management practices, ensuring that it remains robust and adaptive in the face of evolving challenges. A key focus is also fostering close collaboration with our parent company, MISC Berhad to align our risk management procedures seamlessly.

SUSTAINABILITY STATEMENT

Creating Value Through

STRONG GOVERNANCE - SUPPLY CHAIN

Why is it Important?

We consider the sustainability performance of our vendors and suppliers as essential in our sustainability journey, as our largest environmental and social impact falls within our supply chain. When our operations are supported by a robust supply chain, we can ensure business resilience, operational efficiency, and exceeding customer needs. More than that, elevating ESG understanding within our supply chain also enhances productivity and aligns with our Group's sustainability goals. We seek enduring partnerships with vendors who share our sustainability vision to grow a resilient and ESG-aligned supply chain.

What is Our Approach?

Identifying and mitigating potential supply chain vulnerabilities is integral to our operations. With this in mind, we have compiled a list of our critical supply chain providers who provide the following specialised materials and services:



Material

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

Services

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

Creating Value Through

STRONG GOVERNANCE - SUPPLY CHAIN

Defined by our MHB Code of Conduct and Business Ethics (CoBE), we uphold core principles such as ethics and integrity in all external engagements. This foundational framework not only sets the tone for our interactions, but also establishes a business culture that values ethical business practices.

| | |
|--|--|
| KYC Process and Legal Alignment | Our Know Your Counterparty (KYC) process goes beyond routine compliance checks, incorporating thorough due diligence for new and existing partners. This ensures legal alignment and fosters a commitment to ethical business practices as embedded in our CoBE. |
| Proactive Supply Chain Risk Management | Identifying high-risk areas within our supply chain is a proactive step. We analyse gaps according to established policy guidelines and take strategic actions to strengthen these areas, maximising overall Group performance. |
| Strategic Objectives and Continuous Improvement | Setting clear objectives and action plans, we actively support our sustainability commitment. This includes pursuing continuous improvement in line with MISC Group practices, aligning with our policy guidelines and ensuring our operations evolve responsibly. |
| Supplier Evaluation for Sustainability | Aligned with our sustainability commitment, we assess suppliers using the Quantis Categories framework, prioritising those actively fostering sustainability. Beyond compliance, our focus on specific impact areas ensures a holistic reduction of environmental footprints, in line with our broader sustainability objectives. |
| Employee Awareness and Sustainability | Every MHB employee is made aware of our sustainability-related policy. Specifically, those who are responsible for procurement undergo targeted training, empowering them to make sustainable decisions that resonate with our commitment to responsible practices. |
| Advocacy for Responsible Supply Chain Practices | All vendors and subcontractors are required to adhere to the Health, Safety, and Environment (HSE) policy throughout the project execution. Moreover, as part of our commitment to ethical conduct, we extend our advocacy for responsible supply chain practices beyond our organisational boundaries. We actively promote these principles within our industry, playing a pivotal role in fostering ethical behaviour across the broader business landscape. |

What Value was Created in 2023?

1. Operational Milestones

Throughout 2023, our commitment to operational excellence drove the implementation of targeted programmes, with a special emphasis on sustainability and strategic initiatives.

| Programme | What We Achieved | Our Impact |
|---|---|---|
| Supply Chain Management (SCM) Digitalisation via PANTHERA project | <ul style="list-style-type: none"> • Go-Live Cheeta: - CT1 and CT3 Bidding Stage (Commercial Bidding and Scope of Work) - CT2 Vendor Onboarding, Vendor Performance Management, MSMC/ MEFA - CT6 Sourcing Execution - CT7 Warehousing, Inventory and Logistics | <ul style="list-style-type: none"> • Transitioning manual activities for selected processes into a digital platform |
| Scope 3 - Materiality Assessment | <ul style="list-style-type: none"> • Sustained partnerships with key vendors • Obtained primary data | <ul style="list-style-type: none"> • 7 vendors were identified • 18% of secondary data from 2022 was turned into primary data |

2. Supply Chain Excellence

Our endeavours to enhance supply chain excellence have led to increased transparency, reinforced partnerships, and ongoing improvement of our supply chain processes.

SUSTAINABILITY STATEMENT

Creating Value Through

STRONG GOVERNANCE - SUPPLY CHAIN

| Programme | What We Achieved | Our Impact |
|---------------------|--|---|
| Grievance Channel | <ul style="list-style-type: none"> Established a transparent supplier support platform via https://mhb.com.my/be-our-partner/. Conducted strategic supplier engagement throughout active project and during bidding phases. Participated in the annual event focusing on briefing and assistance in the digitalisation and automation of the Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) SCM process. | <ul style="list-style-type: none"> Improved vendor's quality to better operational standards. Mitigated site incident risks through strategic measures. Cultivated subcontractors' commitment in meeting contract obligations. |
| Supplier Engagement | <ul style="list-style-type: none"> 42% of suppliers met the criteria assessment for CRA. Conducted 44 supplier engagements. Generated innovative ideas for MHB's advancement. | <ul style="list-style-type: none"> Reduced risk and better compliance. Increased opportunities to mitigate the risk/issue upfront. |

3. Overall Performance

| Disclosures | 2021 | 2022 | 2023 |
|---|------|------|------|
| Proportion of spending on local suppliers (%) | 87 | 96 | 93 |
| Number of new suppliers that were screened using environmental criteria | 1 | 7 | 52 |
| Number of new suppliers that were screened using social criteria | | | |

| Year | Vendor Performance Evaluation | | | |
|------|-------------------------------|-------------|----------|---------------|
| | Good (%) | Average (%) | Poor (%) | Total Vendors |
| 2023 | 74 | 18 | 8 | 55 vendors |
| 2022 | 47 | 24 | 29 | 33 vendors |
| 2021 | 29 | 61 | 10 | 122 vendors |

What is Our Outlook?

Looking ahead, MHB is committed to a path of digital evolution aligned with our shared commitment to reaching Net Zero by 2050. This commitment includes the implementation of cutting-edge prioritising sustainability through the establishment of a digital platform fostering ease of transaction and enduring partnerships based on MHB culture values.

Creating Value Through

STAKEHOLDER ENGAGEMENT - EMPLOYEE ENGAGEMENT

Why is it Important?

Employee engagement stands as a catalyst for value creation in our business. It allows us to cultivate an environment fostering higher service standards, customer satisfaction, driving increased sales and profitability which ultimately enhances our shareholder returns. Beyond statistics, engaging with our employees emerges as a driving force propelling us towards operational excellence, that is an integral aspect of our corporate ethos.

What is Our Approach?

In developing leadership capabilities, we have introduced Corporate Culture Beliefs to promote comprehensive people leadership and foster a culture of engagement across all levels. To ensure employee voices are heard, we use an e-Feedback system that is accessible via QR codes that are placed throughout all departments. This quick and common feedback approach enables employees and subcontractors to raise concerns effectively. Our quarterly MD/CEO Townhalls serve as an effective platform to communicate company expectations and performance standings to foster appreciation for employees' contributions. Additionally, regular e-portal updates keep employees well-informed about all matters related to MHB and the broader Group.

Our workforce actively engages in meetings, collaborates on new ideas, and shares valuable insights. At MHB, we prioritise the following workplace practices:

| |
|--|
| Positive Company Culture Set core values and actions for employees. |
| Lead by Example Utilise effective engagement tactics, leading by example. |
| Emphasise Collaboration Prioritise collaboration and internal communication within teams. |
| Utilise Technology Effectively Employ communication tools for enhanced networking and effective communication. |
| Employee Feedback Collect feedback to actively involve employees in shaping the Company's culture. |
| Motivational Strategies Go beyond performance rewards, embed reward systems and task incentives into the culture to add a sense of fun and reduce stress in the workplace. |

We are also currently developing a comprehensive human rights policy and regulations, extending our coverage to subcontractors, vendors, and suppliers.

What Value was Created in 2023?

1. Advocating for Work-Life Balance

MHB places a strong emphasis on the holistic well-being of its workforce. This year, we organised 12 employee relations events focused on fostering work-life balance. These events spanned recreational, sports, religious, and community programmes, including:

| |
|--|
| Sports and Recreational: MHB Family Day, Badminton, Fishing Competition, Universal Studio Singapore Trips. |
| Religious: Maulidur Rasul Procession, Ibadah Qurban 2023. |
| Welfare: Foreign Worker Familiarisation Programme, Back to School 2023, Influenza vaccination programme. |

SUSTAINABILITY STATEMENT

Creating Value Through

STAKEHOLDER ENGAGEMENT - EMPLOYEE ENGAGEMENT

Supplementing these efforts, fitness classes were introduced twice a week starting June 1, 2023, to enhance the existing gym facilities. To further support employees' physical and mental health, informative talks covering a range of health topics were conducted to encourage proactive health measures.

Our Impact

- Employees have a higher level of commitment to their work at MHB.
- Positive Work Environment where employees feel valued, supported, and motivated.

2. Employee Awareness Programmes

We invited guest speakers from external organizations to give talks on Human Rights to a dedicated team involved in the establishment of human rights initiatives at MHB. Eventually in-house trainers will take over to brief the masses, and subcontractors create awareness and commitment to human rights. Moreover, MHB had also implemented a Diversity & Inclusion (D&I) programme, led by divisional champions to promote diversity, equity, and inclusion within the organisation. For more information on our D&I initiatives, refer page 132.

In 2023, we engaged with over 97% of our active workforce.

Our Impact

- Increased rate in performance and productivity.
- Enhanced Problem-Solving and Innovation approach.
- Improved time management skills.

3. Overall Performance

Our employee satisfaction surveys reflect the positive impact of engagement initiatives that have allowed them to communicate their expectations to the Company.

| Disclosures | 2021 | 2022 | 2023 |
|-----------------------------------|------|------|------|
| Employee Engagement Surveys Score | 7.3 | 7.2 | 7.1 |
| Employee Turnover (%) | | | |
| Female | 2.1 | 3.3 | 2.5 |
| Male | 13.5 | 15.5 | 13.9 |

What is Our Outlook?

Feedback drives continuous improvement, and our goal is to position MHB as a top employer. Our upcoming plans to improve MHB's employee engagement involve a series of short and medium-term initiatives. This includes utilising various platforms, such as townhalls, surveys, and collaborative channels, to receive feedback from our employees. Looking at our long-term vision, we want to provide employees with a multilevel communication channel through the Joint Consultative Committee.

Creating Value Through

STAKEHOLDER ENGAGEMENT - CUSTOMER SATISFACTION

Why is it Important?

Customers are a key stakeholder group, making them essential contributors to our sustainability agenda. Recognising that customer needs are dynamic and continually evolving, it is imperative for MHB to stay attuned to these changes. Thus, our efforts to continuously improve customer satisfaction is a reflection of MHB's quality service and strategic response to the evolving landscape of customer expectations. In the pursuit of sustainability and business resilience, our customers help fortify MHB's branding and cultivate enduring partnerships.

What is Our Approach?

Harnessing customer feedback as a catalyst for continuous improvement, we meticulously analyse every customer's input received. Thus, placing an importance on addressing concerns and identifying areas for enhancement.

- Our Process to Better Customer Satisfaction**
1. Initiate Comprehensive Follow-Up Report
 - When projects receive ratings of 4 and below, a comprehensive follow-up report is initiated.
 - The report delves in-depth into all aspects of concern, aiming to identify specific issues and areas requiring improvement.
 2. Thorough Investigations and Strategic Action Plans
 - Conduct thorough investigations into the identified concerns to gain a detailed understanding.
 - Implement strategic action plans for rectification based on the findings of the investigations.
 3. Utilise Customer Feedback Data
 - Evaluate customer feedback data strategically to discern patterns and trends.
 - Equip teams with an in-depth understanding of customer satisfaction levels.

From our management level, we work efficiently to resolve concerns promptly and ensure continuous improvements for the future. Optimising our efforts for continuous improvement, we systematically categorise feedback on a scale from one to ten across various elements such as facilities management, project execution, safety, and more. From the overall satisfaction score, we can gauge levels from satisfied to partially satisfied or not satisfied to serve as a compass guiding the refinement of our services and products.

What Value was Created in 2023?

1. Strategic Customer Adaptations

- MHB has established the context of the organization by identifying relevant external and internal issues and understanding the needs and expectations of interested parties, especially customers.
- MHB monitors and reviews the information and provides strategies to adopt and adapt to evolving customer needs and expectations, ensuring projects run smoothly and meet all requirements.

2. Marine Customer Expansion

- MHB experienced notable growth by attracting new clientele characterized by high-level workloads.
- As of November 30, 2023, our marine business successfully secured 25 new customers, including 9 domestic clients and 16 international partners from various countries.

3. Overall Performance

- Positive customer satisfaction ratings contribute to a strong market reputation.
- Satisfied customers tend to become loyal, consistently choosing MHB for their projects and recommending our services to others, creating valuable opportunities for new business.

SUSTAINABILITY STATEMENT

Creating Value Through

STAKEHOLDER ENGAGEMENT - CUSTOMER SATISFACTION

| Disclosure | 2021 | 2022 | 2023 |
|--|------|------|------|
| Total number of customers | 59 | 63 | 55 |
| Marine Business | 55 | 59 | 50 |
| Heavy Engineering Business (HEB) | 4 | 4 | 5 |
| Total number of vessels/ projects | 98 | 91 | 80 |
| Marine Business | 94 | 87 | 75 |
| Heavy Engineering Business (HEB) | 4 | 4 | 5 |
| Customer Satisfaction Survey Index Results-Heavy Engineering | 6.8 | 6.6 | 6.5 |
| Customer Satisfaction Survey Index Results-Marine | 8.4 | 7.8 | 8.7 |
| Total Number of Customer Complaints Dealt With-Heavy Engineering | Nil | Nil | 7 |
| Total Number of Customer Complaints Dealt With-Marine | 12 | 97 | 4 |

What is Our Outlook?

In pursuit of our Vision 2030, we aim to prioritise excellence in heavy engineering project delivery and premium marine yards. For instance, our Project Delivery Improvement is channelled through Time, On Budget, On Scope (OTOBOS) and superior quality. At this stage of Strategic Priorities (SP) 1, we aim to streamline Standard Operating Procedures (SOPs) to ensure resource readiness, enhance productivity, and embed a culture of quality for our customers. Many strategic priorities and initiatives are lined up to achieve the MHB 2030 vision.

MHB Vision 2030

Strategic Priorities 1: Project Delivery Improvement

Strategic Priorities 2: Increase Revenue and Margin

Strategic Priorities 3: Increase Contribution from Marine

Strategic Priorities 4: Accelerate Clean Energy Transition

Strategic Priorities 5: Organisational Improvement

