misc
moving energy

TOGETHER WE KEEP MOVING

PEOPLE • PASSION • POSSIBILITIES

INTEGRATED ANNUAL REPORT 2020

We embrace opportunities in a fast-changing world to drive sustainable value for our shareholders

WE


We keep evolving to
exceed the expectations
of our customers
KEEP

We are committed to moving energy to build a better world

MOVING

WHAT'S INSIDE

ABOUT

MISC Berhad was incorporated in 1968 and is a world leading provider of international energy related maritime solutions and services. The principal businesses of the Group comprise energy shipping and its related activities, owning and operating offshore floating solutions, marine repair and conversion, engineering and construction works, integrated marine services, port management and maritime services as well as maritime education and training.

Operating a modern and diversified fleet, backed by a workforce of over 8,600 employees from all over the world, we are committed to creating value for our stakeholders and contributing to the sustainability of our industry.

VISION

To consistently provide better energy related maritime solutions and services

MISSION

To be consistently better, we strive:

- To exceed the expectations of our customers
- To promote individual and team excellence of our employees
- To create a positive difference to the lives of communities
- To care for the environment and operate responsibly
- To drive sustainable value for our shareholders

SHARED VALUES

Loyalty
Loyal to corporation

Integrity
Honest and upright

Professionalism
Strive for excellence

Cohesiveness
United, trust and respect for each other

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman, Independent Non-Executive Director
DATUK ABU HURAIRA ABU YAZID

Senior Independent Non-Executive Director
DATO' SEKHAR KRISHNAN

Independent Non-Executive Directors
DATUK NASARUDIN MD IDRIS
DATIN NORAZAH MOHAMED RAZALI
DATO' AB. HALIM MOHYIDDIN
LIM BENG CHOON
DATO' ROZALILA ABDUL RAHMAN
MOHAMMAD SUHAIMI MOHD YASIN

Non-Independent Non-Executive Directors
LIZA MUSTAPHA
MOHD YUSRI MOHAMED YUSOF

President/Group Chief Executive Officer
Non-Independent Executive Director
YEE YANG CHIEN

BOARD AUDIT COMMITTEE

Chairman
DATO' SEKHAR KRISHNAN
Members
DATUK NASARUDIN MD IDRIS
LIM BENG CHOON
LIZA MUSTAPHA

NOMINATION AND REMUNERATION COMMITTEE

Chairman
DATUK NASARUDIN MD IDRIS
Members
LIM BENG CHOON
DATO' ROZALILA ABDUL RAHMAN
MOHD YUSRI MOHAMED YUSOF

BOARD GOVERNANCE AND RISK COMMITTEE

Chairman
DATIN NORAZAH MOHAMED RAZALI
Members
DATO' SEKHAR KRISHNAN
DATO' AB. HALIM MOHYIDDIN
MOHAMMAD SUHAIMI MOHD YASIN

COMPANY SECRETARIES

AUSMAL KARDIN
(LS 0009383)
(SSM PC No. 201908001749)
NORIDAH KHAMIS
(LS 0010240)
(SSM PC No. 201908001731)

REGISTERED OFFICE

Level 25, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Tel : +603 2264 0888
Fax : +603 2273 6602
Website : www.misc.com.my
Email : miscweb@miscbhd.com

AUDITORS

Ernst & Young PLT
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : +603 7495 8000
Fax : +603 2095 5332

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7890 4700
Fax : +603 7890 4670

FORM OF LEGAL ENTITY

Incorporated on 6 November 1968 as a public company limited by shares under the Companies Act, 1965

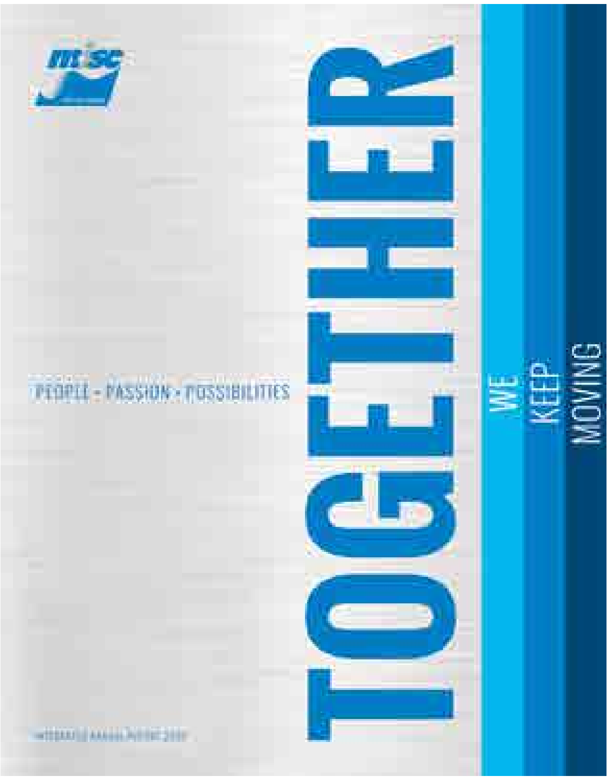
PLACE OF INCORPORATION AND DOMICILE

Malaysia

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : MISC
Stock Code : 3816

ABOUT THIS REPORT



Please scan the QR code to view our interactive report

This is MISC Berhad's 2020 Integrated Annual Report, representing the fourth year of our integrated reporting journey and marks the year of our full adoption of the International Integrated Reporting <IR> Framework as developed by the International Integrated Reporting Council (IIRC).

As part of our commitment towards full adoption of the <IR> Framework, we have incorporated various improvements and enhancements in the content elements and placed greater emphasis on improving clarity and conciseness. In line with the <IR> Framework and other local and international reporting guidelines and frameworks, we have incorporated the following into our 2020 Integrated Annual Report:

- Enhancement of About This Report content with the inclusion of Reporting Scope and Boundary and disclosures on issues limiting availability of information
- Incorporated competitive advantages of each business segment in Who We Are section
- Included Statement of Value Added and Value Distributed in the Financial Review section
- Explained the trade-offs made and impact on our capitals in How We Create Value section
- Enhancements to Our Operating Environment section incorporating medium-term and long-term trends and growth opportunities
- Refined analysis of emerging risks in Our Risks and Mitigation Strategies section
- Disclosed plans to comply with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) going forward in Strategic Review section

52nd Annual General Meeting

Wednesday 21 April 2021

10.00 a.m.

Broadcast Venue:
MISC Berhad
Conference Room 2
Level 17, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia

MAKING USE OF THE SIX CAPITALS

We continuously strive to enhance the clarity of our reporting in accordance with the <IR> Framework requirements. This includes providing greater insight into how we interact with the external environment and utilise the six capitals to create sustainable value for our stakeholders over the short, medium and long term.

REPORTING SCOPE AND BOUNDARY

MISC Berhad, its subsidiaries, associates and joint ventures are referred to as MISC or the Group in this report.

This Report pertains to the activities and performance of the Group for the financial year ended 31 December 2020 (FY2020). The Report also includes any material events that occurred after this date up to the date of publication.

This Report covers information pertaining to the Group's business activities and operations which includes LNG Asset Solutions, Petroleum & Product Shipping, Offshore Business, Marine & Heavy Engineering, Integrated Marine Services, Port Management & Maritime Services and Maritime Education & Training. It also covers material business activities of our joint ventures and associates.

Through this Report, we aim to provide a comprehensive account of how the Group has created value by employing our corporate and sustainability strategies. Wherever possible, the Report presents relevant targets and performance indicators to quantify MISC's financial and operational performance for the year under review.

We recognise the strong linkages between economic, environmental, social and governance matters, and the high degree of influence these have on MISC's value creation abilities and outcomes. As such, our Report seeks to provide:

An insight into how our strategy creates sustainable value for our various stakeholders;

A record of our accomplishments in the journey towards attaining our strategic targets and sustainable value for our various stakeholders; and

An orientation of where we are, where we aim to be and how we plan to address the expectations and challenges ahead.

Towards presenting a holistic perspective of the Group's activities in FY2020, the internal reporting team has conducted engagements with each of MISC's business segments, subsidiaries and key internal departments in the preparation of this Report. It also incorporates the outcomes of engagements conducted with external stakeholders such as investors and analysts, pertaining to sustainability topics and issues, that in their professional opinion were relevant for them to make an informed decision.

ABOUT THIS REPORT

MATERIAL MATTERS

In developing our Report, we have taken cognisance of all material matters that impact the Group's ability to create value in the short, medium and long term. The Report focuses on global developments, industry challenges and opportunities that are material to both our business and our stakeholders, which could potentially impact our performance. Details of our material matters can be found on page 66 of this Report. Information on our stakeholders can be found on page 68, while details of our operating environment can be found on page 70.

REPORTING FRAMEWORKS

The content of this Integrated Annual Report is guided by the following reporting standards and frameworks:

- International <IR> Framework issued by the IIRC
- Main Market Listing Requirements of Bursa Malaysia
- Companies Act 2016
- Malaysian Code on Corporate Governance 2017
- Corporate Governance Guide (3rd edition) issued by Bursa Malaysia
- Malaysian Financial Reporting Standards (MFRS) and International Financial Reporting Standards (IFRS)

Our sustainability related disclosures have been guided by the principles and requirements of local and international statutory and reporting frameworks, including the following:

- Bursa Malaysia Sustainability Reporting Guide
- Global Reporting Initiative (GRI) Standards (Core Option)
- Sustainability Accounting Standards Board (SASB) Standards
- Dow Jones Sustainability Index (DJSI)
- Carbon Disclosure Project (CDP)
- Transition Pathway Initiative (TPI)

In addition, we refer to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to progressively guide our reporting on climate governance, strategy, related risks and opportunities and metrics. We will continue to work on disclosing more data on a best-effort basis moving into the future.

SUSTAINABILITY

Consistent with our commitment to sustainability, we also provide extensive reporting on our response to our stakeholders in relation to economic, environmental, social and governance matters. MISC's sustainability agenda is also aligned to the United Nations' Sustainable Development Goals (UNSDG). Further information can be found in the Anchoring Sustainability @ MISC section on page 104 of this Integrated Annual Report.

DATA MEASUREMENT TECHNIQUES AND ASSUMPTIONS

The Group's current organisational boundary for greenhouse gas (GHG) reporting is defined based on the operational control approach. Our reported GHG emissions data are calculated based on the following:

- Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- Third International Maritime Organisation (IMO) GHG Study 2014
- American Petroleum Institute (API) Compendium of GHG Methodologies for the Oil and Gas Industry, Aug 2009
- International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI
- European Union (EU) Monitoring, Reporting and Verification (MRV) 2015/757

ASSURANCE

This Report uses third party assurance in the following aspects:

- Our external auditors, Ernst & Young PLT, provide assurance on the audited financial statements
- Each of our vessel's fuel consumption and relevant activity data have been verified by a third party i.e. DNVGL confirming the data were collected and reported in accordance with the methodology and processes set out in the ship's Ship Energy Efficiency Management Plan (SEEMP) as required by Regulation 22A of Annex VI of MARPOL Convention

The internal team has maintained its continuous oversight in the preparation of this Report to ensure that the data provided is reliable.

INFORMATION ON EXCLUSIONS

The information presented in this Report is guided by our appetite for disclosure. We have withheld information that fall within the following categories:

- Information that would jeopardise our strategic and competitive advantage;
- Information that we are contractually precluded from sharing; and
- Information which we are unable to verify

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements which shares the Group's expectations of its future value creation prospects. These forward-looking statements involve a marked degree of uncertainty due to the continually changing operating environment and the vagaries of the industry within which MISC operates. This could result in actual results differing from those stated in the forward-looking statements.

ABBREVIATIONS AND ACRONYMS

A list of the abbreviations and acronyms used in this Report can be found on pages 493 to 495.

The Group's Corporate Disclosure Guidelines identify the following management personnel responsible for Investor Relations activities:

- President/Group CEO
- Vice President, Corporate Planning
- Vice President, Finance
- General Manager, Corporate Planning

Further information can be found on our website
www.misc.com.my
Contact us at:
gcc@miscbhd.com

Business Solutions
misc.com.my/solutions

Investor Relations
misc.com.my/investor-relations
Contact us at:
investor.relations@miscbhd.com

Sustainability
misc.com.my/sustainability
Contact us at:
misc.sustainability@miscbhd.com

Corporate Governance
misc.com.my/corporate-governance

SECTION 1

WHO WE ARE

WHO WE ARE AND WHAT WE DO

52
years of proven experience in delivering energy related maritime solutions and services

Among the world's **top 5** shipping conglomerates by market capitalisation at **USD 7.7 billion**

Strongest credit rating in marine transport sector
- BBB+ (Stable) S&P Global Ratings
- Baa2 (Stable) Moody's Investors Service

Modern fleet of **109** LNG, Petroleum and Product vessels

FPSO/FSO owner-operators with **14** assets

International and diverse workforce of more than **8,600** sea and shore employees from various nationalities

Offshore Business

Services Performed
- Engineering, procurement, construction, installation, commissioning, operations and maintenance, decommissioning and demobilisation (EPCICODD) solutions
- Operate offshore assets to extract, store and offload hydrocarbons to shuttle tankers
- Provide operations and maintenance services for offshore floating assets

Human Capital
- 360 employees

Physical Capital
- 14 offshore floating solutions
- One FPSO under construction

Customers
- PETRONAS Group
- Energy majors
- National oil companies (NOCs)

Revenue Structure
- Revenue from time charter contracts and bare boat charter contracts
- Non-shipping income generated from operations and maintenance of offshore floating assets

Cost Structure
- Operational costs such as employee/crew costs, repair and maintenance, materials and supplies as well as professional and purchased services and depreciation

Competitive Advantage
- Highly skilled workforce
- Strong relationships of mutual trust with key Asia-based partners, subcontractors and suppliers
- Outstanding contractual deliveries

Marine & Heavy Engineering

Services Performed
Heavy Engineering Segment
- Wide range of EPCIC services for offshore facilities
- Fabrication services for onshore modules and facilities

Marine Segment
- Conversion of offshore facilities in one location
- Repair and refurbishment for various types of vessels, rigs and marine facilities

Plant Maintenance and Turnaround
- Plant shutdown and maintenance
- Routine maintenance
- Upgrading works

Human Capital
- 2,625 employees

Physical Capital
- Dry Dock 1,2 and 3
- Fabrication Yards
- Land Berth Cranes

Customers
- PETRONAS Group
- International oil companies (IOCs)
- Production sharing contract (PSC) contractors
- EPCC contractors (offshore and onshore)
- Petrochemical companies
- Domestic and international shipping companies

Revenue Structure
- Construction and conversion contract revenue based on stage of completion
- Marine repair and refurbishment revenue
- Plant maintenance and turnaround revenue

Cost Structure
- Operational costs (direct and indirect costs, fixed and variable costs, depreciation)

Competitive Advantage
- Owns and operates one of the region's largest marine and heavy engineering facilities
- The only Malaysian yard with the capacity and skills to see through complex offshore mega structures and marine facilities projects

Port Management & Maritime Services

Services Performed
- Operator of ports and terminals
- Pilotage, mooring master, loading master and marine controller services
- Jetty maintenance services
- Logistic support services
- Ship vetting services
- Offshore vessel inspection services
- Marine assurance and consultancy services which includes ship screening, Tanker Management and Self Assessment (TMSA), Offshore Vessel Management and Self Assessment (OVMSA) and Roving Marine Marshall Services (RMMS)

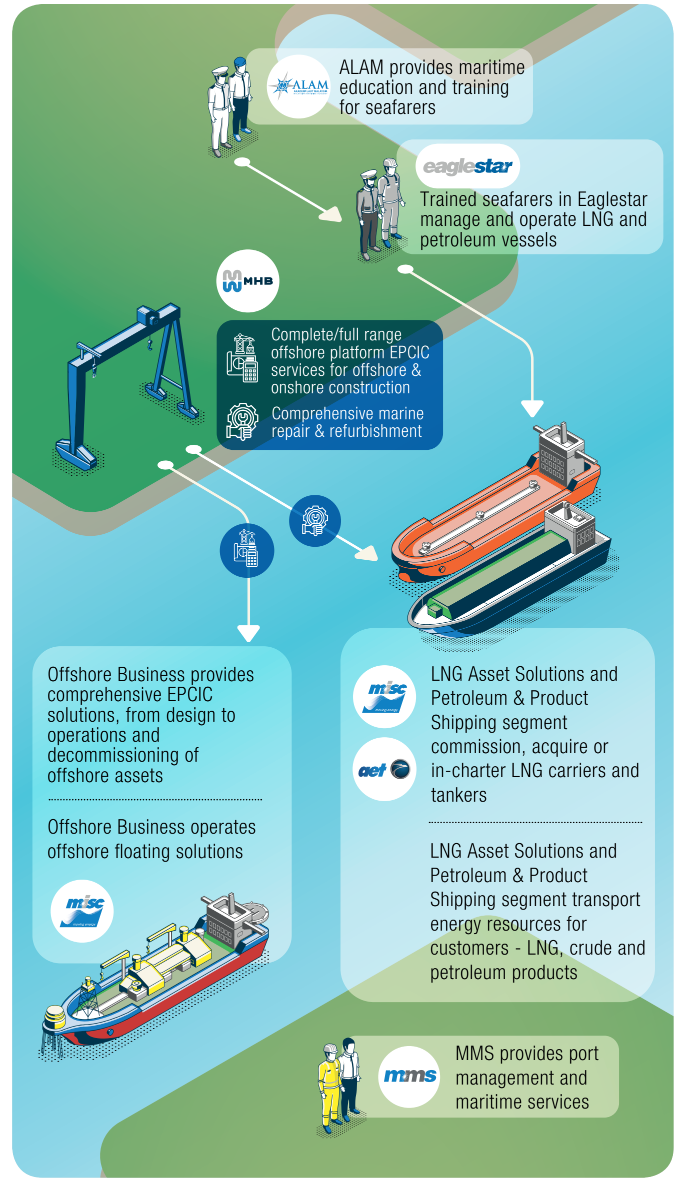
Revenue Structure
- Revenue from contract agreements and service fees

Cost Structure
- Operational cost such as salary and wages, rental and lease, business travelling, material and supplies as well as professional fees

Human Capital
- 171 employees

Customers
- PETRONAS
- Pengerang Terminals
- Domestic and international shipping companies

Competitive Advantage
- More than two decades of reputable experience in port and terminal operations and maritime services
- Own proprietary digital applications for Vessel Inspection System (VIS) and Offshore Support Vessel Inspection System (OSVIS)
- The acknowledged and preferred operator for the Terengganu Crude Oil Terminal, Miri Crude Oil Terminal, Bintulu Crude Oil Terminal and Sabah Oil and Gas Terminal



Integrated Marine Services

Services Performed
- Ship management, engineering and procurement as well as project management (supervision and consultancy service for dry docking and new building of vessels)

Human Capital
- 4,638 employees including 4,348 seafarers

Customers
- MISC Group
- External

Revenue Structure
- Shipmanagement fees
- Maritime consultancy fees

Cost Structure
- Operational costs such as employee/crew costs, overheads, logistics and personnel travel, research & development, materials and supplies, professional services and depreciation

Competitive Advantage
- Specialised experience in niche areas of LNG bunkering vessels, very large ethane carriers, floating storage and regasification, dynamic positioning shuttle tankers, dual-fuel crude tankers and modular capture vessel
- Deep knowledge of regional shuttle tanker trade in the Brazilian basin and Northern Europe
- Globally renowned shipmanagement company, with stellar track record for the highest quality and standards of delivery

LNG Asset Solutions

Services Performed
- Transportation of LNG
- New LNG asset-based solutions
- Transportation of ethane

Human Capital
- 66 employees

Physical Capital
- 33 vessels
- Four vessels under construction

Customers
- PETRONAS
- Energy majors
- Energy traders

Revenue Structure
- Revenue from time charter contracts with customers

Cost Structure
- Operational costs such as employee/crew costs, repair and maintenance, materials and supplies as well as professional and purchased services and depreciation

Competitive Advantage
- Sterling reputation for operational excellence
- Consistent track record of reliable and on-time cargo deliveries
- Leveraging on our proven industry experience to successfully expand into the emerging sectors of LNG bunkering vessels and very large ethane carriers

Petroleum & Product Shipping

Services Performed
Conventional Services
- Transportation of crude oil, petroleum products and chemicals

Specialised Services
- Owner and operator of DPSTs in the North Sea and Brazil
- Owner and operator of lightering services in the US Gulf and Latin America

Human Capital
- 207 employees

Physical Capital
- 76 vessels
- 9 vessels under construction

Customers
- Energy majors
- Refiners
- NOCs
- Energy traders

Revenue Structure
- Revenue from time charter contracts, voyage charter contracts, contract of affreightment, lightering, and other shipping related income

Cost Structure
- Operational costs such as bunker (marine fuel), employee/crew costs, repair and maintenance, materials and supplies, depreciation as well as professional and purchased services

Competitive Advantage
- Advancing green shipping solutions with modern and technologically advanced fuel-efficient vessels
- Industry pioneers in the fields of modular capture vessels and LNG dual-fuel vessels
- Focused people investments to expand their sea and onshore skills and capabilities

Maritime Education & Training

Services Performed
- Conducts Pre-Sea Diploma, Post-Sea, Ratings and Modular Programme
- Offers research and consultancy services

Human Capital
- 196 employees including 76 academicians

Customers
- Students with SPM certificates
- Marine Officers
- Participants from shipping companies

Revenue Structure
- Tuition fees / Course fees
- Research and consultancy fees

Cost Structure
- Faculties' salaries and benefits
- Training and learning facilities costs

Competitive Advantage
- Providing a broad spectrum of maritime education and training, beyond Standards of Training, Certification and Watchkeeping (STCW)
- Research and consultancy expert, providing flexible solutions encompassing the total lifecycle of port development

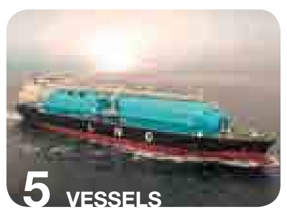
WHAT WE OWN/OPERATE

LNG ASSET SOLUTIONS

LNG carriers allow natural gas to be transported in liquid state, making it feasible to be transported across oceans without pipelines. The containment systems on board the vessels are capable of storing the natural gas at below the boiling point of -162° Celsius. At this temperature, the gas turns to liquid, occupying a volume 600 times smaller. MISC's fleet of LNG carriers consist of two types of containment systems which are known as membrane and Moss types.

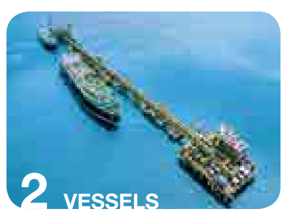
MEMBRANE-TYPE LNG CARRIER

The membrane-type system is more space-efficient and is able to have higher capacity than a Moss-type vessel of the same dimension.



MOSS-TYPE LNG CARRIER

A Moss-type vessel has self-supporting spherical tanks making it more robust and resistant to sloshing. It provides a higher degree of operational flexibility for worldwide trading capability including the ability to load cargoes at a floating liquefied natural gas (FLNG) unit.

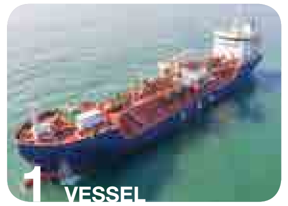


FLOATING STORAGE UNIT (FSU)

An FSU is a flexible LNG storage solution which is an alternative to land-based facilities.

VERY LARGE ETHANE CARRIER (VLEC)

A specialised gas carrier which transports very large quantity liquified ethane trading over long distances, for example between North America and the Far East. The vessel transports ethane at -94° Celsius in membrane tanks and equipped with dual-fuel propulsion and reliquefaction systems.



LNG BUNKER VESSEL (LBV)

LBV is a small scale LNG vessel used to supply LNG as marine fuel (bunker) to LNG-fueled vessels via ship-to-ship transfer operation. This vessel can also be utilised for small scale LNG transportation, and for Gas Up Cool Down (GUCD) operation for conventional LNG vessels.

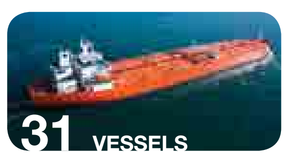
PETROLEUM & PRODUCT SHIPPING

VERY LARGE CRUDE CARRIER (VLCC)

Tanker vessel with a capacity of approximately 2 million barrels of crude oil. Used to transport crude oil over long distances in inter-regional trade.

SUEZMAX TANKER

Tanker vessel with a capacity of approximately 1 million barrels of crude oil. Used to ship crude oil and has the flexibility to do longer haul cargo as well as shorter regional trades.

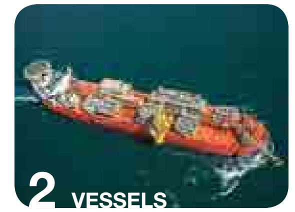


AFRAMAX TANKER*

Tanker vessel with a capacity of approximately 0.7 million barrels of crude oil. Used to carry crude oil or dirty products such as fuel oil in mainly regional trades.

DYNAMIC POSITIONING SHUTTLE TANKER (DPST)

DPST possesses dynamic positioning technology to carry crude oil from offshore production facilities to the shore for storage or distribution.



MODULAR CAPTURE VESSEL (MCV)

Unique Aframax-sized vessel that combines FPSO and dynamic positioning technology. The MCV forms part of an innovative marine system solution designed to respond to a subsea well control incident.

CLEAN PRODUCT TANKER

Long-range 2 (LR2) tanker vessels with capacity of approximately 0.7 million barrels. Used to ship refined petroleum products over both long-haul and short-haul trades.

CHEMICAL TANKER

Used to ship a variety of chemicals and vegetable oils primarily in both inter and intra-regional trades.

LIGHTERING SUPPORT VESSEL (LSV)

Transports mooring equipment and crew to conduct lightering operations.

* includes one Panamax Tanker and three LR2 tankers currently trading crude oil

OFFSHORE BUSINESS

FPSOs and FSOs today have become the effective way of extracting hydrocarbon for many offshore oil and gas producing regions around the world. The vessel sizes depend on the oil and condensed storage capacity requirements and the vessels are secured to the seabed via mooring systems which are determined by the environment where they operate.

FLOATING PRODUCTION, STORAGE AND OFFLOADING (FPSO)

An FPSO unit is a vessel-type production system that receives full well stream fluids such as crude oil, water and others from a subsea reservoir through risers. It has topside production facilities that separate the fluids into crude oil, natural gas, water and impurities. It also has storage tanks where processed crude oil is stored. Crude oil is offloaded onto tankers for further refining onshore. It can be designed with the capability of staying on location for continuous operations for 20 years or longer.

FLOATING STORAGE AND OFFLOADING (FSO)

An FSO unit is simpler than an FPSO as it does not have production processing capabilities. It is normally integrated with other production systems such as fixed platforms, MOPU, tension leg platforms (TLP) among others. An FSO is also equipped to store and offload crude oil to a tanker.

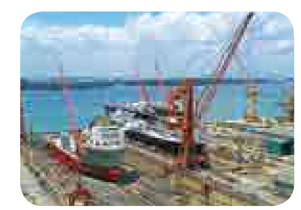
MOBILE OFFSHORE PRODUCTION UNIT (MOPU)

A MOPU is a mobile structure for offshore well production, operating in shallow waters. It has production facilities to process oil and natural gas and export oil through subsea pipeline to an FSO.

SEMI-SUBMERSIBLE FLOATING PRODUCTION SYSTEM (FPS)

A semi-submersible FPS is a large pontoon-like structure submerged below the sea surface at a predetermined depth with an FPS that receives fluids such as crude oil, water and others from a subsea reservoir through risers. The topside production facilities separate the fluids into crude oil, natural gas, water and impurities. Our semi-sub FPS operates at a depth of 1,400 metres. The oil is exported via a 200-kilometre long pipeline to an oil and gas terminal in Kimanis, Sabah.

MARINE & HEAVY ENGINEERING



HEAVY ENGINEERING ASSETS

We have the largest fabrication area by tonnage capacity, to provide engineering, procurement, construction, installation and commissioning (EPCIC) of complex structures for offshore and onshore facilities.

MARINE BUSINESS ASSETS

Our well-equipped yard includes three dry docks, land berths, quays and a shiplift. These facilities enable us to perform repair works, maintenance, marine conversion and refurbishment of a wide range of vessels.

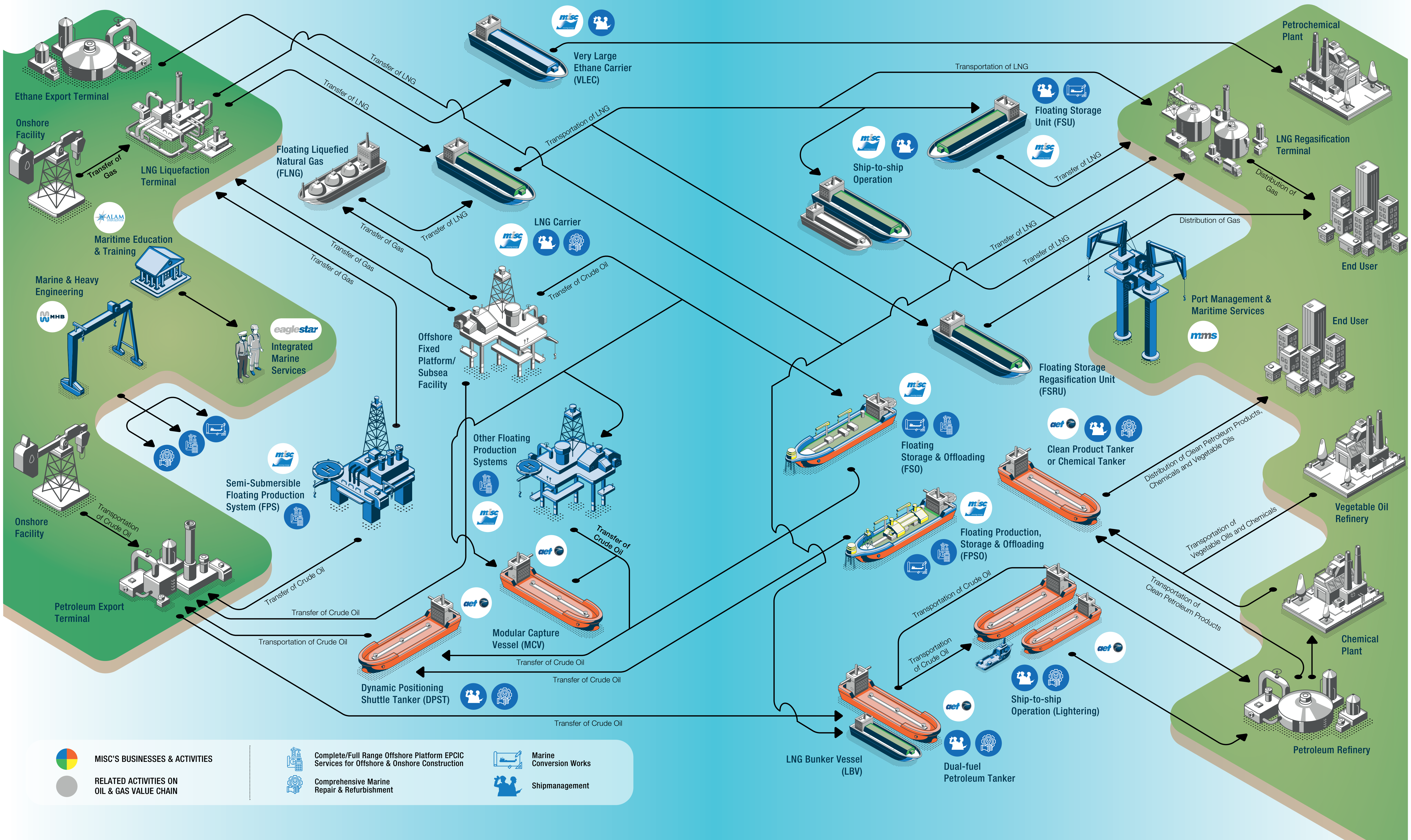
Introduction / Who We Are / Key Messages / Highlights / Strategic Review

MISC Berhad / Integrated Annual Report 2020

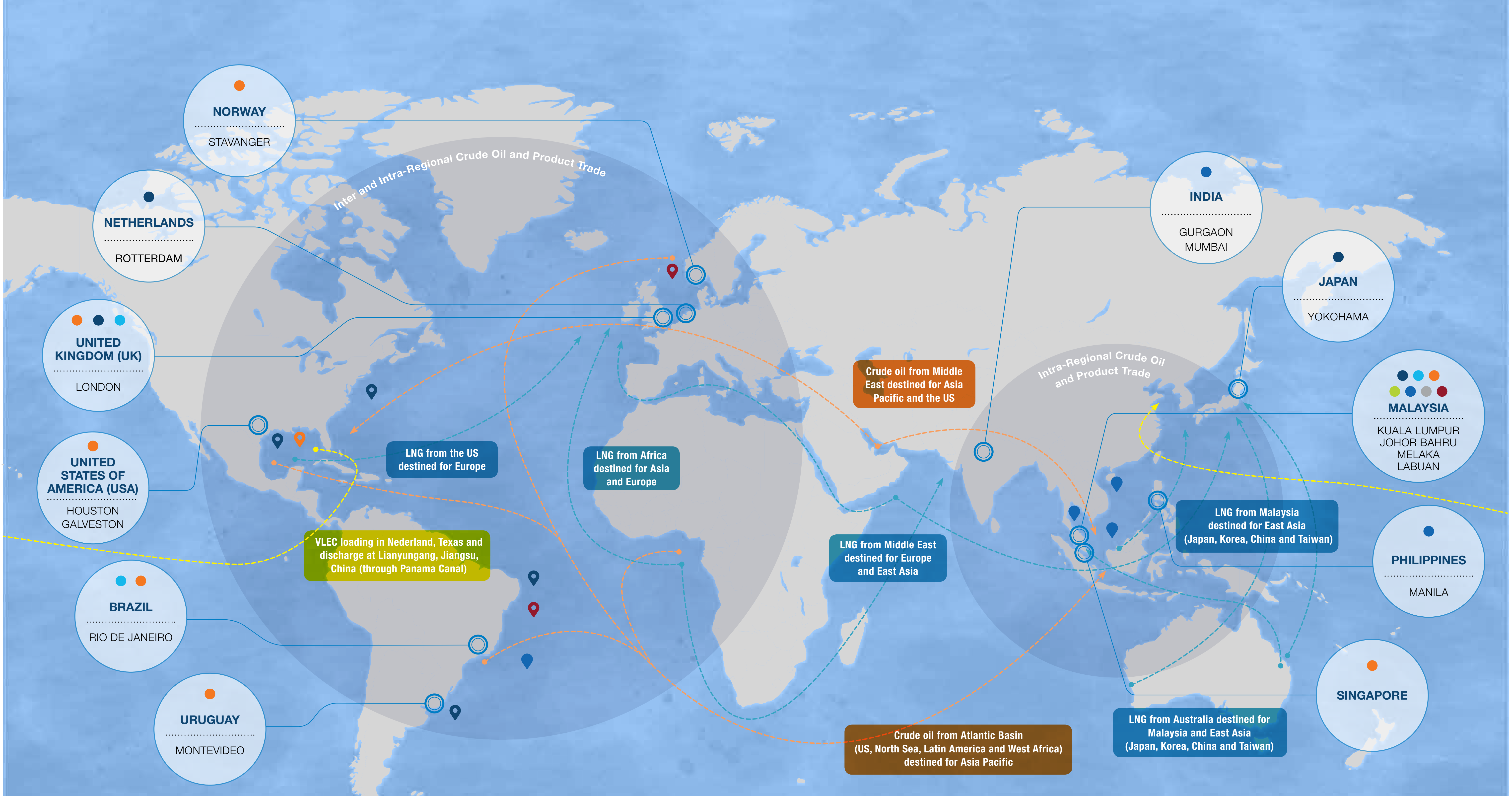
HOW WE MOVE ENERGY

MISC Group Core Business Solutions and Capabilities Across the Energy Value Chain

Natural gas and oil are resources which are central to our modern lives. We rely on them for fuel, electricity and all kinds of products. Today, these commodities are transported by sea over large distances to their eventual end users. MISC is proud to play its role in providing maritime transportation solutions to meet the energy needs of the world.



WHERE WE OPERATE



MISC Group's Global Business Network

- LNG ASSET SOLUTIONS
- PETROLEUM & PRODUCT SHIPPING
- OFFSHORE BUSINESS
- MARINE & HEAVY ENGINEERING
- INTEGRATED MARINE SERVICES
- PORT MANAGEMENT & MARITIME SERVICES
- MARITIME EDUCATION & TRAINING

Shipping Routes and Asset Locations

- KEY LNG TRADE
- KEY VLCC TRADE
- KEY VLEC TRADE
- LIGHTERING
- DYNAMIC POSITIONING SHUTTLE TANKER
- MODULAR CAPTURE VESSEL
- OFFSHORE ASSETS

KEY MILESTONES

MISC's history began in 1968 to support trade and economic development and at the same time promote the maritime sector for Malaysia. Since then, we have grown into a global maritime conglomerate with over 123 vessels and floating assets and more than 8,600 professionals at sea and shore.

Throughout the years, MISC had various streams of businesses which cut across multiple aspects of shipping and logistics, liner, dry and liquid bulk, LNG, petroleum and chemical products.

Over time, we have defined the focus of our businesses in supporting the energy value chain through our range of energy related maritime solutions and services. We have successfully built our presence in the global energy industry with a distinguished reputation for safety, efficiency and reliability.

Today, our work supports many of our clients' own success stories from the safe transportation of energy related cargoes to operating offshore floating solutions and the construction of complex marine structures.

A decade of firsts unfolds with the incorporation of the Malaysia International Shipping Corporation (MISC) as the country's first shipping line followed by the launch of MV *Bunga Raya* being MISC's first ship.

1968-1980

OUR HUMBLE BEGINNINGS

We then received our first batch of qualified and trained Malaysian seafarers.

We began building our global presence, serving the regional and intercontinental shipping routes with a diversified range of shipping solutions including liner, dry bulk and liquid bulk.

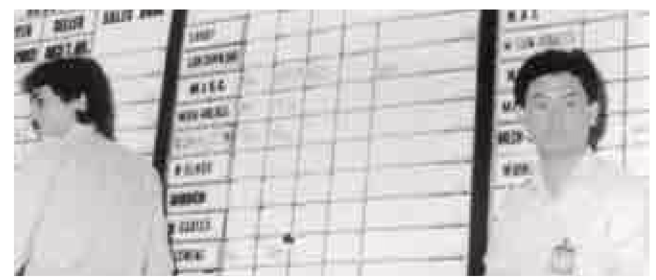
This period also saw the foundation of the Malaysian Training and Education of Seamen (MATES).

MISC launched our foray into energy shipping and was entrusted to deliver Malaysia's first LNG cargo to Japan. Our first fleet of LNG carriers were the *Tenaga* Class. During this period, we also embarked on the chemical shipping business.

MATES was upgraded to academy status and renamed as the Malaysian Maritime Academy (ALAM).

ACHIEVING HISTORIC MILESTONES

1981-1999



The highlight of the era was the listing of MISC on the Main Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

MISC also diversified its businesses to include land-based shipping-related services such as container services, logistics and warehousing as well as shipping agency.

Towards the end of this period, MISC became a subsidiary of PETRONAS.

A dynamic era of growth and expansions, particularly in the energy related maritime solutions sector, MISC acquired American Eagle Tankers (now known as AET) and made the Malaysia Shipyard and Engineering Sdn. Bhd. (MSE) its wholly-owned subsidiary, which was later renamed as the Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE).

Offshore Business Unit was formed during this period as we continue to strengthen our position as a leading player in the oil and gas industry.

2000-2008

REACHING NEW HEIGHTS

MISC took delivery of our first floating production, storage & offloading (FPSO) facility, *FPSO Bunga Kertas* and our first deepwater facility, *FPSO Kikeh*.

MISC also expanded its energy solutions portfolio by venturing into the business of developing and operating tank terminals for storage solutions.

KEY MILESTONES

2009-2013

WEATHERING THE STORM

After weathering several years of severely challenging conditions in the shipping industry, we took the difficult decision to exit from the liner business in 2011 as well as to divest our non-core businesses (such as the land logistics and tank terminal business), a process which continued until 2017.

This strategic rebalancing of our business portfolio allowed us to channel our resources on our four core businesses, namely LNG shipping, petroleum shipping, offshore and heavy engineering business, and take advantage of other opportunities within the energy and maritime industry.

MMHE was listed on the main market of Bursa Securities as Malaysia Marine and Heavy Engineering Holdings Berhad (MHB). During this period, MISC delivered the *Gumusut-Kakap* semi-submersible FPS, Asia's largest facility for deepwater development.

The Group also launched our first two LNG floating storage units (FSUs) for Malaysia's first regasification terminal in Sungai Udang, Melaka.

AET successfully operationalised its dynamic positioning shuttle tanker (DPST) business in Brazil.

2014-2017

JOURNEY OF REBUILDING & DISCOVERY

MISC took delivery of our first fleet of Moss-type LNG Carriers, the *Seri C* Class. The period also saw AET taking delivery of its first modular capture vessel (MCV), *Eagle Texas*.

MISC joined the ranks of global maritime industry players as a Strategic Partner of the Global Maritime Forum (GMF), committed to unleashing the potential of the global maritime industry to increase sustainable long-term economic development and human wellbeing.

MISC became a constituent of the FTSE4Good Bursa Malaysia Index, a testament to our remarkable sustainability performance.

We also refreshed our Vision, Mission Statements and Tagline as well as enhanced our logo.

During this period, MISC Group's shipmanagement units were integrated into a single entity known as Eaglestar.

PETRONAS Maritime Services Sdn. Bhd. became part of MISC Group and now known as MISC Maritime Services Sdn. Bhd. (MMS).

2018-2019

EMBRACING OPPORTUNITIES

We celebrated our 50th anniversary in 2018, marking five decades of growth, resilience and commitment towards excellence. This period marks the continuation of MISC's journey that is driven by our People with their unwavering Passion to push boundaries and explore the Possibilities that lie ahead.

We have been pursuing efforts towards sustainable growth in the long term by developing a healthy pipeline of new projects as well as winning the trust and confidence of our stakeholders.

MISC has also received numerous accolades which recognised our excellence in corporate governance, investor relations, sustainability and HSSE performance.

We became a member of Getting to Zero Coalition by GMF, leading the push for international shipping's decarbonisation.

We broke new grounds within the industry through the deployment of LNG dual-fuel vessels and have joined forces with other industry players to develop new zero-carbon fuel technology that reflects our pledge in upholding sound environmental stewardship.

2020

SILVER LININGS IN A TURBULENT YEAR

Despite an intensely challenging year in which the COVID-19 pandemic ravaged through the globe and the oil market suffered another downturn, MISC not only kept moving, we charted a number of firsts during 2020.

Reaping success after a multi-year journey of rigorous preparation, we secured our first major deepwater FPSO project in Brazil from a multinational oil and gas corporation. This ushers in a new era for MISC through this complex offshore project that will ultimately lay the foundation for future international projects of such size and complexity.

Signifying our entry into China and the ethane maritime transport market, MISC took delivery of *Seri Everest*, the first of six newbuild very large ethane carriers (VLEC), the largest vessels of its kind, acquired with long-term charters to Zhejiang Satellite Petrochemical Co. Ltd.

Through our joint venture with Avenir, MISC and Eaglestar embarked on our maiden foray as the region's first commercial operator and shipmanager for the dual-purpose LNG bunker vessel (LBV), the *Avenir Advantage*.

Towards the end of the year, MISC through MHB successfully completed and commenced operations at Dry Dock 3 located at MMHE West Yard in Pasir Gudang, Johor.

For more details about our achievements in 2020, please refer to pages 52 to 55.

MISC Berhad / Integrated Annual Report 2020
Introduction / Who We Are / Key Messages / Highlights / Strategic Review

SPECIAL FOCUS
The FPSO Industry

Historically, offshore production accounts for an estimated 30% of the world's oil reserves over the past decade. Exploration and production of hydrocarbons offshore generally began in shallow waters. As the demand for oil continued to increase over the decades, the industry has had to move further offshore to find new sources to replace declining production from shallow water fields. The development of more sophisticated technologies paved the way for offshore production in water depths of more than 500 metres.

This marked the evolution from fixed platforms, which are structures that are fitted directly to the bottom of the sea, to various types of floating production facilities that are known as floating production systems (FPS). FPS have been designed in several forms, each with their own unique characteristics and advantages such as the Floating Production, Storage and Offloading (FPSO) units. The advancement of methods and technologies enables FPS units to operate in deepwater and ultra-deepwater areas, reaching depths of more than 2,000 metres. These units are designed to operate for prolonged periods and able to take on the challenges of increasingly complex environments and harsh weather conditions.

Today, close to 300 FPS units are in operation globally and the key production regions include the coastal waters off South America, West Africa, the North Sea as well as Southeast Asia.

SPECIAL FOCUS
The FPSO Industry

Introduction

In the 1970s, FPS were developed as an economically competitive alternative to produce hydrocarbons that were discovered further offshore. As offshore exploration moves to deeper waters, FPS is the preferred alternative in the fields where fixed platforms are not feasible.

The most common types of FPS units are Floating, Production, Storage and Offloading (FPSO), Floating, Storage and Offloading (FSO), Semi-Submersible FPS, Tension Leg Platform (TLP), Single Point Anchor Reservoir (SPAR) Platform, as well as Mobile Offshore Production Unit (MOPU). In selecting the type of FPS technology to be deployed for a field, the field operator/project owner takes into account various factors including project economics as well as technical and operational considerations.

Today, FPSOs are by far the dominant and most widely used type of FPS, accounting for about 56% of the total FPS currently in operation.

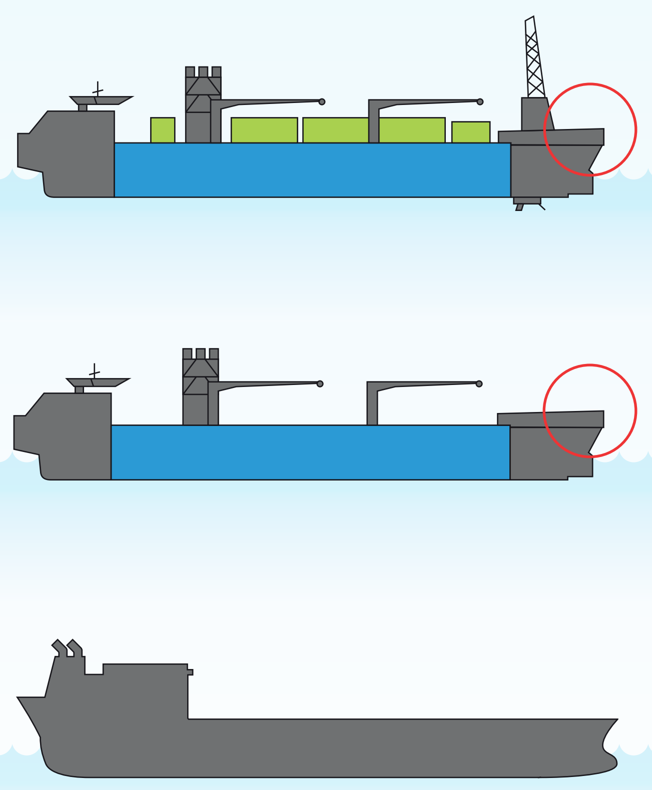
FPSOs are mainly ship-shaped floating structures with all the necessary production, processing and storage facilities required by floating platforms available onboard the unit. These units are secured to the seabed via a variety of mooring systems, depending on the specific environment of the field. They are connected to the oil wells on the seabed below by flexible risers and flowlines.

Did you know?
FPSOs are usually designed with the capability for continuous operations for 20 years or longer.

Reference/Sources for information
- *Energy Maritime Associates (EMA) FPS Quarterly Report January 2021*
- *www.statistia.com*

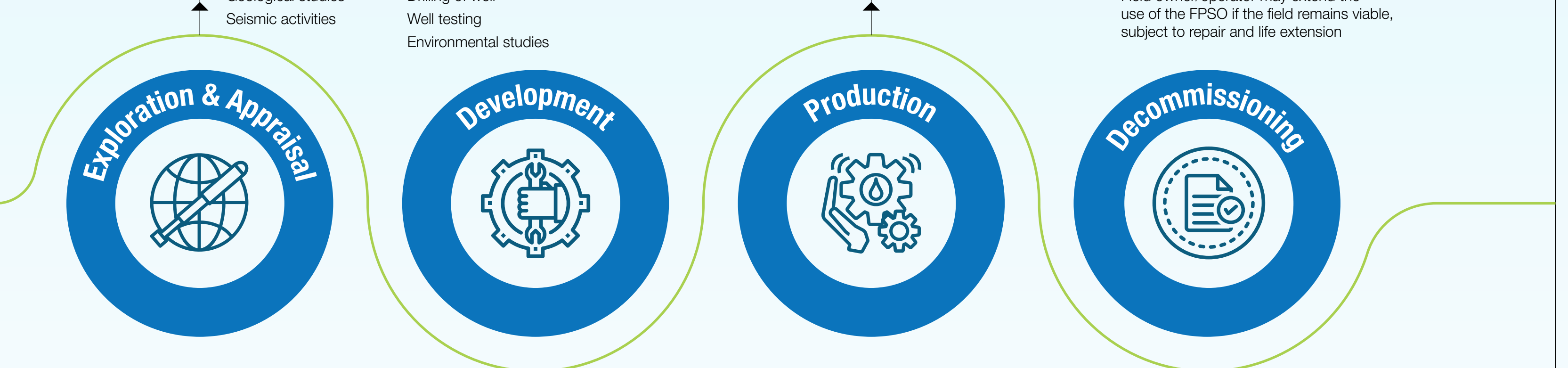
Difference between FPSO, FSO & Oil Tanker

Production | Storage | Offloading



FPSO Life Cycle in the Offshore Field Development

- Activities undertaken by MISC Group
- Other activities (Clients/third parties etc.)



Exploration – Geological studies; Seismic activities

Appraisal – Drilling of well; Well testing; Environmental studies

Operation & Maintenance

Asset life extension – Field owner/operator may extend the use of the FPSO if the field remains viable, subject to repair and life extension

Concept selection

Feasibility study

Front end development

Field owner's final investment decision – Instead of owning the FPSO, the owner may charter the asset under long-term contract, usually through a bid process

Field owner/operator will select the type of production facilities to be utilised e.g. fixed platforms or FPSO

EPCIC phase

Bid process for FPSO

Field decommissioning – Cessation of production and dismantling of facilities

FPSO demobilisation

Redeployment – Asset may be redeployed to another field, subject to repair and life extension

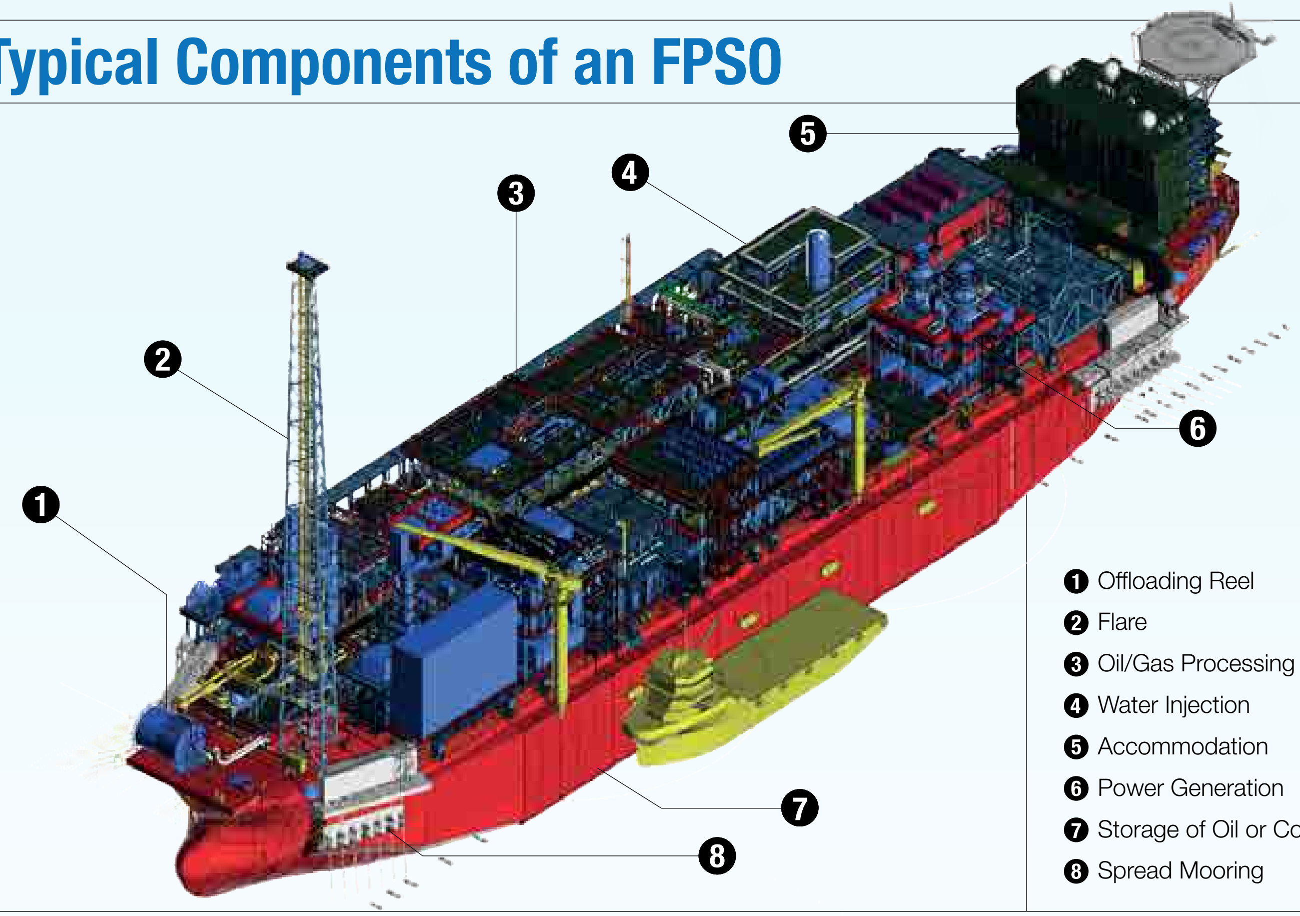
Recycling – Retired asset will be dismantled and recycled in a sustainable manner.

EPCIC Process

Engineering	Procurement	Construction	Installation	Commissioning
Project definition Basic engineering Detailed engineering	**Project procurement** Procurement of equipment Mooring system Others	**Marine conversion** Repair, life extension and conversion of an existing vessel, usually an oil tanker OR **Newbuild** Construction of purpose-built FPSO hull	**Transportation & installation** Mobilisation and installation of the FPSO at the designated field **Topside modules** Fabrication of topside modules	**Commissioning & start-up** Ensuring the FPSO is ready to start its operation **Integration** Integration of marine & topside modules

- Overall project management (MISC)
- Fabrication & Construction (MHB/Other third parties)

Typical Components of an FPSO



1. Offloading Reel
2. Flare
3. Oil/Gas Processing
4. Water Injection
5. Accommodation
6. Power Generation
7. Storage of Oil or Condensate
8. Spread Mooring

Processing of Hydrocarbons Onboard an FPSO

Production

Hydrocarbons transported to FPSO via flexible risers. → Three-phase separation.

Gas – Consumed on board the FPSO as fuel. Reinjected back into well and/or used for lifting and increasing production or exported via pipelines.

Storage

Crude Oil – Processed and stabilised.

Water – Stored in the produced water tank. Treated before discharged overboard and/or reinjected into the wells/reservoir.

Offloading

Exported into tankers for transportation to shore terminal/refinery.

Snapshot of the FPSO Market

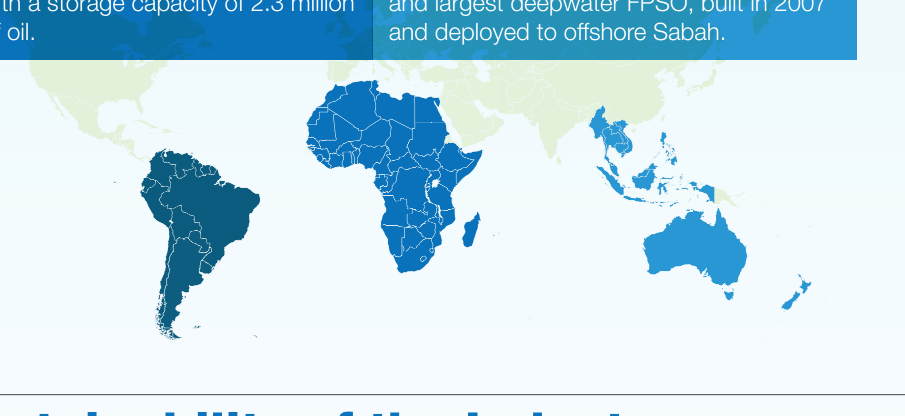
The global FPSO market is expected to showcase significant growth with up to USD78 billion worth of new projects to be commissioned within 2021-2026. As of January 2021, there are 166 FPSOs in operation worldwide and 31 available for deployment. South America is the region with the biggest growth potential of FPSO projects, majority in Brazil.

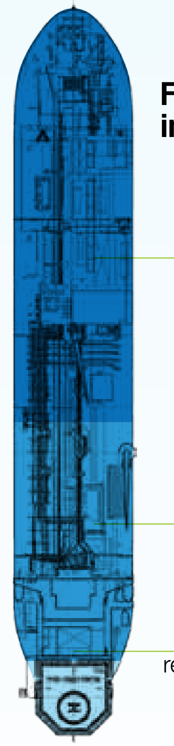
Top 3 Regions with the Highest Number of FPSOs

46 South America – Brazil is the country with the largest number of FPSOs in the world with 45 units.

42 Africa – Nigeria is home to the world's largest FPSO, with a storage capacity of 2.3 million barrels of oil.

30 Southeast Asia and Australasia – *FPSO Kikeh* is Asia's and Malaysia's first and largest deepwater FPSO, built in 2007 and deployed to offshore Sabah.





In the next **5 Years** it is expected that there will be a higher demand for newbuild FPSOs

Sustainability of the Industry

Continued demand for hydrocarbons worldwide is pushing the industry players to pursue exploration in deeper waters. Additionally, demands for operational efficiency and greater concern over environmental impacts, provides challenges for the FPSO industry in the future.

While the FPSO is fundamentally a system for producing, storing and offloading of hydrocarbons, technological advancements such as digitalisation enables the analysis of data and optimisation of performance as well as the improvement of the safety, technical and operational capabilities of the assets.

Over the years, various measures have been implemented to manage the FPSO's environmental footprint by reducing emissions, waste management, pollution/spill prevention and improving energy consumption.

Industry players are stepping up their efforts by developing and investing in technologies such as carbon capture and storage (CCS) system, renewable energy solutions to power facilities onboard as well as other eco-efficient technologies to ensure the sustainability of their operations and to support the industry's transition towards a low-carbon future.

SECTION 2

KEY MESSAGES

CHAIRMAN'S MESSAGE

"Dear Valued Shareholders,
On behalf of the Board of Directors, it is my honour to present to you the Integrated Annual Report and Audited Financial Statements of MISC Berhad and its subsidiaries for the financial year ended 31 December 2020. This is my inaugural year as the Chairman of MISC Berhad and I look forward to an exciting journey together with my fellow Board members to steer MISC's value creation in the years to come."

VOLATILE EXTERNAL ENVIRONMENT

The year 2020 certainly proved to be one of the most challenging years in recent history as the global community reeled from the fallouts of the COVID-19 pandemic. This ongoing crisis is different from anything the world has experienced in over a century. While the road ahead will still be bumpy, there is reason for optimism in 2021.

Worldwide lockdowns that were imposed to contain the spread of the virus has caused a sharp global economic downturn, arguably the worst since the Second World War. With demand for oil facing a slump, oil prices plunged. This in turn led to large cuts in oil exploration and production CAPEX, and in many instances, cancellation or deferment of new projects by major oil companies.

Petroleum tanker rates were extremely volatile in 2020, surging in the first half of the year, but then tumbling around the middle of the year and remaining depressed thereafter as the seasonal peak winter demand for oil and tankers did not materialise as in the past. With LNG however, carrier spot rates initially declined, but recovered with the return of seasonal winter peak demand towards the end of the year.

COMMENDABLE PERFORMANCE IN A CHALLENGING YEAR

Faced with the unstable market conditions, the Group's strategy of focusing on long-term charters for most of its assets shielded it from the market volatility and improved its resilience. MISC's revenue rose by 4.9% to RM9,401.2 million for the financial year ended 31 December 2020 (FY2020) as compared to the previous financial year.

However, the Group reported a loss before tax of RM123.6 million compared to a profit before tax of RM1,512.3 million in FY2019. This was mainly due to the unfavourable decision on arbitration proceedings by Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL) against Sabah Shell Petroleum Company Limited (SSPC). This prompted the provision for litigation claims amounting to RM1,049.2 million, as well as a write-off of trade receivables and loss on re-measurement of finance lease receivables of RM846.2 million. Excluding the impact from GKL's arbitration decision, the Group would have recorded a profit before tax of RM1,771.8 million which is 17.2% higher than FY2019's profit before tax of RM1,512.3 million.

Notwithstanding the loss, MISC's cash flow generated from operating activities for FY2020 of RM5,587.9 million was in line with RM5,579.1 million recorded in the corresponding year. This was mainly due to the steady cash flow generated from the Group's portfolio of long-term contracts. The Group's balance sheet remains healthy.

In line with our commitment to provide sustainable distributions to shareholders, the Board has approved and declared a total tax-exempt dividend of 33.0 sen per share in respect of FY2020 which was consistent with the total dividend declared and paid in the previous year.

The Group has made notable strides in expanding its footprint into new markets, developing new solutions and diversifying its portfolio. During the year, the Group secured USD2.8 billion worth of CAPEX in long-term projects. With international oil majors as a part of MISC's portfolio of long-term clients, the projects that have been secured are testament to MISC's reputation as a competitive global energy and maritime solutions provider that conducts itself according to the highest industry leading standards.

PEOPLE-CENTRED ORGANISATION

As reflected in the theme 'People, Passion, Possibilities', MISC is a people-centred organisation that places great value on its diverse, high-performing and skilled workforce of over 8,000 employees from more than 40 nationalities working around the world at sea and shore.

In an extremely difficult year where COVID-19 has dramatically changed the way we live and work, it is the people that kept the Group moving forward, employing ingenuity and agility in overcoming the various challenges and rising to the occasion in order to sustain its trajectory. For that, I must applaud the people of MISC for their commitment and tireless efforts. I believe that it is important for MISC to continue its efforts in building a resilient and dynamic workforce that is able to strive and thrive together in any challenging situation in the future.

CHAIRMAN'S MESSAGE

A DIVERSE AND EFFECTIVE BOARD

In 2020, MISC refreshed its Board composition to welcome new members. On behalf of the Board, I wish to extend our collective gratitude to Dato' Ab. Halim Mohyiddin who had been Chairman of the Board until 31 May 2020 for his leadership. Dato' Ab. Halim has since been subsequently redesignated as Independent Non-Executive Director and we look forward to his continued participation on the Board.

Our deepest appreciation goes to Tengku Muhammad Taufik who has stepped down as the Non-Independent Non-Executive Director of the Company during the year for his valuable contributions. We warmly welcome Datin Norazah Mohamed Razali who is also the Chairperson of the newly constituted Board Governance and Risk Committee (BGRC) and Encik Mohammad Suhaimi Mohd Yassin. We are confident that their insights and perspectives will augment the ability of the Board to provide Management with focused oversight.

UPHOLDING GOOD GOVERNANCE STANDARDS

MISC has consistently practiced good corporate governance, reflecting its belief that robust governance practices, processes, and culture are fundamental to inspiring investors' confidence, ensuring long-term shareholder value and protecting stakeholders' interests. Several enhancements were implemented during the year in line with established best practices for governance as well as stepping up on the efforts towards building and sustaining a culture of ethical compliance throughout the Group. Among them were splitting the functions of the previous Board Audit and Risk Committee (BARC) between the Board Audit Committee (BAC) and the newly established Board Governance and Risk Committee (BGRC), pursuant to the step-up practice recommended by the Malaysian Code of Corporate Governance 2017 (MCCG 2017).

Sustainability is another important area of attention, and to provide more focused oversight, the Board has included sustainability as part of the BGRC's purview. In terms of sustainability accomplishments during 2020, it is very commendable that MISC has improved its scores on FTSE4Good Index and Dow Jones Sustainability Index as compared to 2019.

MISC has also sustained its efforts to reduce carbon emissions through its shipping operations, and as at the end of 2020, the actual achievements recorded have exceeded the targets set against a 2016 baseline. With the conclusion of the previous five-year Sustainability Strategy, the Board approved the 2021-2025 Sustainability Strategy, which will guide MISC's sustainability agenda for the next five years.

INTERNATIONAL ACCOLADES AND AWARDS

MISC continues to garner recognition at the Alpha Southeast Asia's Institutional Investor Corporate Awards 2020 and received three awards in the categories of 'Most Organised Investor Relations', 'Most Consistent Dividend Policy' and 'Strongest Adherence to Corporate Governance'. The Edge Billion Ringgit Club Awards also recognised MISC as providing the 'Highest Returns to Shareholders over three years' in the transportation and logistics sector. These awards represent the investment community's recognition of MISC's commitment towards upholding high standards in investor relations practices and consistent efforts towards value creation for shareholders.

In recognition of MISC's commitment to upholding its environmental stewardship practices, the Group was honoured with the 'Notable Achievement' award for 'Environmental Performance' at the prestigious Prime Minister's Hibiscus Awards. The Group's focus on green shipping solutions was acknowledged when five of AET's vessels, namely the *Eagle Brasilia*, *Eagle Barents*, *Eagle Bergen*, *Eagle Blane* and *Eagle Balder*, received the Green Foundation Award.

Health and safety remains the utmost priority for the Group and holds value for both employees and customers. In 2020, the Maritime and Port Authority of Singapore presented AET the International Safety@Sea Award for its outstanding contribution to search and rescue efforts in 2019 when it came to the assistance of three French sailors in the Bay of Biscay. The *FSO Orkid*'s high performance was recognised with the Repsol Marine Vessel Safety and Operational Excellence Award, while the *Seri Amanah* was given the Best Quality Ship Award 2019 by the Japan Federation of Pilots' Associations.

IN APPRECIATION

Our ability to work through the challenges of a difficult year would not have been possible without the unstinting support of our entire ecosystem of stakeholders. On behalf of MISC, I thank our shareholders, customers, business partners and financiers for the unreserved trust they continue to place in us. To the authorities all over the world that we have worked with, we thank you for collaborating with the Group throughout this global crisis.

On behalf of the Board, I extend our heartfelt appreciation to everyone in MISC for their unfailing commitment to keep the company moving forward. And last but by no means least, to my fellow colleagues on the Board, I am indebted to you for your valuable contributions and stellar guidance in ensuring that the Group continues to persevere and prosper through these challenging times.

We may not be able to control the direction of the wind, but the best that we could do is to adjust the sails to reach our destination. As MISC steps into 2021, our corporate strategy will serve as the compass to navigate our future. At the same time, we must keep our perspectives clear on the prevailing and emerging risks we would face along the way.

Bolstered by the strong relationships of trust we have built with all our stakeholders throughout the years, MISC remains committed to create value for all, as we continue moving energy towards a more sustainable future.

DATUK ABU HURAIRA ABU YAZID
Chairman

PRESIDENT/GROUP CEO'S REVIEW

Our Best Growth in the Worst Conditions

"Dear Valued Shareholders,

2020 will be remembered as the year that the world was brought to its knees by a single common global threat. An invisible enemy that does not discriminate its victims but threatens all that are in its way. We know this enemy as the global pandemic, COVID-19.

The word 'challenging' does not come close to describing the economic calamity and havoc the global pandemic has caused. 'Catastrophe' is perhaps a more apt word. As I write this, the threat of COVID-19 is still present, but we all hope that this damaging threat will be in our rear-view mirror by the end of 2021.

As ironic as it may sound, and against a backdrop whereby global business communities struggled to survive, the MISC Group had its best year in terms of growth."

REFLECTIONS OF 2020

As I reflected on my thoughts of past years, I recall describing 2018 as a chaotic year, with volatility not seen since the great global financial crisis of 2007-2008. In that year, oil prices began to stabilise and new investments in the oil and gas industry began to pick up after the oil price crash of 2014. I believed in the tailwind that carried the MISC Group in 2018. And we had growth successes (USD900 million of new growth investments) despite difficult business conditions. 2018 was also the year that we declared the Group was ready to step up its presence in the international arena and compete against the very best in the global sectors that we are in.

Unfortunately, 2019 was not any better than 2018. Economic and political conflicts dominated headlines even more than ever and the year was equally, if not more, volatile than 2018. However, the tailwind that carried us in 2018 continued to support us. In 2019, we were able to secure up to USD1.1 billion of new investment in assets with long-term secured income streams once the assets are operationalised.

Then came 2020. Who would have thought the world would be battling a global pandemic? A threat to humanity, and a threat that does not discriminate, regardless of background, race, ethnic origin and faith.

Although cross-border economic tensions such as trade wars and sanctions and political differences between nations were still raging on from past years, all these took a back seat as COVID-19 seized the headlines.

A well-known Malay proverb "sudah jatuh, ditimpa tangga" best described 2020. In my feeble attempt to translate to English, this proverb describes a state of perpetual misfortune and bad luck. Consistent challenging economic and geopolitical conditions have already made it tricky and risky for many global companies and businesses, year in year out. Throw in a virtual shutdown of global economic activities and trade due to the necessary lockdowns and restrictions required to combat the spread of the virus, it is the ultimate misfortune and bad luck. And yes, the world saw another collapse in oil price at the beginning of 2020, when not even a decade has passed since the last collapse in 2014.

Need I say more on how challenging 2020 was?

Yet, in perhaps the most challenging year that the MISC Group has had to face in the history of its existence, we continued to thrive and achieve success in our quest for growth. Yes, tremendous success – in 2020, we achieved our best annual growth in the worst of economic climates and circumstances.

In 2020, we delivered new investments in growth assets amounting to USD2.8 billion, the highest we have ever achieved in a year. And we made good our commitment to step up our international presence and to compete against the best in the industry. Nothing can better showcase this successful journey than the award of the Mero 3 FPSO project by Petróleo Brasileiro S.A. (Petrobras) to MISC in August 2020. It has to be said that our march towards securing the Mero 3 FPSO project has been in the making for three years. Three years of unwavering belief that we could find success despite not having the track record in bidding for such a large-scale deepwater project and three years of hard work and painstaking efforts by the team to develop our execution capabilities and capacities.

Besides the Mero 3 FPSO project, we are also proud of our breakthrough into the global ethane trade when we purchased six new very large ethane carriers (VLECs) in July 2020. These six VLECs will also be committed to long-term time charter party (TCP) agreements with Zhejiang Satellite Petrochemical Co. Ltd. (STL) as charterer of the vessels. Prior to these six VLECs, there are only eight other VLECs operating globally and once our six new VLECs come into service, MISC will be the largest transporter of ethane in the world.

PRESIDENT/GROUP CEO'S REVIEW

I would be remiss if I do not also highlight a low note for us during the year that marred our otherwise excellent performance. We started 2020 with an unfavourable arbitration decision relating to the dispute between Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL) and Sabah Shell Petroleum Company Limited (SSPC), after a drawn-out arbitration process. As a consequence, we have to adopt the necessary financial provisions required in our financial reporting that has resulted in an overall statutory loss for the Group for the financial year 2020. However, MISC intends to challenge various aspects of the decision through the Malaysian courts for what we believe to be a fairer outcome.

Beyond the successes and the low point in the arbitration, at the core, the Group's cash flow generation machinery continued to run robustly in 2020, generating precious liquidity that underpins our financial strength and credit quality. We were not left wanting in any way from a financial resource standpoint during the year. It is a bold statement to make despite the well-described difficult operating conditions for many in 2020.

OUR STRATEGIC FOCUS AND FINANCIAL DISCIPLINE VALIDATED

Tailwinds and luck always help. Who will be foolish not to accept any free assistance? However, I would like to stress that our successes the past few years, especially in 2020 are not random occurrences and circumstantial. Far from it. It has been a deliberate attempt and effort over the years.

Hence, it is worthwhile for me to reiterate and recap what I shared in last year's annual report on the MISC Group's strategy formulation process and the financial discipline and governance that we subject ourselves to.

I shared in my message last year the importance of identifying and using long-term economic and industrial trends/ inflexion points as strategic

decision drivers in setting the growth agenda of the Group. This approach helps any organisation to achieve steady and sustainable growth over time but more importantly provides the necessary focus on long-term fundamental issues. We need to avoid the risk of being distracted or misled by short-term noise and volatility into making knee-jerk short-term decisions that may harm the longer-term prospects of any organisation or institution.

I admit that the volatility and unpredictability of the past few years have tested our beliefs and convictions from time to time. We asked ourselves if we have focused on the wrong long-term fundamental trends and indicators. Did we miss or overlook anything? We never stop questioning ourselves to ensure that we are not complacent in our views.

With each revisit, review and scrutiny, our views of the long-term economic and industrial trends continued to hold true. It gave us the resolve to maintain our strategic course and not self-doubt, despite short-term circumstances creating fear and doubt.

All the more, as volatility and chaos seems to be on the agenda for the world in the years to come, we will need to remind ourselves to always look at the core long-term fundamentals. We need to know our economic, business and technology drivers for our industry inside out to be able to navigate our strategies with conviction.

I also highlighted in my message last year that the MISC Group is fundamentally an asset leasing company, whereby the assets we own are leased or hired to charterers. Our assets require sizeable CAPEX and to fund their construction, we need to raise debt funding besides the equity capital that we will provide as owners. To ensure that we will consistently honour our loan obligations as well as generating return for our equity shareholders, we prefer to work on long-term leases with our clients. By attempting to match our long-term leases or charters with our long-term debt repayment obligations, we can achieve sustainability and predictability in our annual operating cash flow management. This approach has been the cornerstone of our ability to achieve our objective of generating sustainable and recurring income.

The coming together of these philosophies and how they are put to work is best illustrated by the five-year strategic focus that we ran from FY2016-FY2020. This is the strategic focus that we named MISC2020. Given that MISC2020 concluded in 2020, it is also timely that we do a self-assessment as to whether we achieved what we set out to do.

When we embarked on MISC2020 five years ago, we set ourselves two core goals that will underpin our financial sustainability as an organisation into the future. The first was to reach a sustainable level of secured income to remain resilient even during the most difficult times, while the second was to achieve a double-digit return on all our assets, a measure of the quality of the investments that we have made.

In FY2020, we generated cash flow from operations of approximately RM5.6 billion, of which approximately 90% comes from long-term secured income contracts. What this effectively means is that come rain or shine, regardless of the economic backdrop that we are operating in, we have visibility and predictability of up to 90% of operating financial resources for the year. This level of visibility and security of cash flow at our disposal allows us to confidently plan our growth ambitions whilst ensuring we meet our annual capital and operating commitments and last but not least, ensuring a healthy dividend payment to our shareholders.

In terms of return on assets, using a cashflow-derived formula (cash flow from operations over total assets) instead of the more traditional return on equity (ROE) or return on average capital employed (ROACE), we have achieved a double-digit return since 2019.

The relevance and effectiveness of MISC2020 was greatly stress-tested in 2020 under the extreme economic conditions brought about by COVID-19. I believe our financial health in terms of cash flow generation during the year as well as the balance sheet of the Group at the end of the financial year reflects the resilience and robustness that MISC2020 has delivered.

Whilst MISC2020 may be behind us as we move into 2021, the same dual discipline of generating secured and recurring operating cash flow from our operations/assets and the application of quality checks on our investment decisions will remain part of our day-to-day decision-making process going forward. They will continue to keep us on the straight and narrow path of financial discipline critical to our financial resilience as a Group. It bears repeating, as I have mentioned in my message last year, that these dual disciplines form the heart of the 'virtuous cycle of growth' that we promote.

OUR FINANCIAL REPORT CARD FOR THE YEAR

Amidst the pandemic, I am happy to report that the MISC Group recorded better operating results for the financial year ended 31 December 2020 (FY2020). The Group's revenue increased by 4.9% to RM9,401.2 million year on year, while operating profit rose by 4.6% to RM2,017.2 million.

Despite the higher operating profit, the Group recorded a statutory loss before tax of RM123.6 million. This was mainly due to the recognition of provision for litigation claims amounting to RM1,049.2 million, as well as a write-off of trade receivables and loss on re-measurement of finance lease receivables of RM846.2 million relating to the adverse decision on arbitration proceedings by GKL against SSPC as mentioned earlier. Excluding the impact from the GKL arbitration decision, MISC would have recorded a profit before tax of RM1,771.8 million which is 17.2% higher than the previous financial year.

Notwithstanding the consequences of the necessary accounting provisions related to the GKL arbitration decision, we have a fundamentally sound business, with cash flow generated from operating activities for FY2020 of RM5,587.9 million, in line with FY2019, and the Group continued to maintain a very robust balance sheet.

I am indeed very pleased that the Group is able to maintain a dividend payment of 33.0 sen for the financial year, similar to FY2019 whereby we had increased our annual payment by 3 sen over the average of 30.0 sen in the prior years. Our ability to pay this higher dividend reaffirms the strength and quality of our operating cash flow, despite the statutory loss before tax for FY2020.

PRESIDENT/GROUP CEO'S REVIEW

THRIVING DESPITE PREVAILING CHALLENGES

I am happy to share the key highlights of each of our major business and operating subsidiaries/divisions.

Our **LNG Asset Solutions** segment had another good year in capturing growth projects, by acquiring six of the world's largest ethane carriers which forms the thrust of our venture into the growing ethane trade. Lauded by the Maritime Reporter and Engineering News as one of the 'Great Ships of 2020', we took delivery of the first of these VLECs, *Seri Everest*, in October 2020 and recently its sister vessel, *Seri Erlang,* in January 2021. These six new VLECs will enable us to gain a strong foothold in this niche segment to cater to increasing future demand.

The **Petroleum & Product Shipping** segment went through a rollercoaster market. It was a year of two halves, with high earnings in the first half, and low returns in the second, but we ended with an improved operating profit overall over the previous year. We continue to take bolder steps in line with our sustainability aspirations by expanding our fleet of green and eco-friendly tankers. We secured time charters for two LNG dual-fuel very large crude carriers (VLCCs) from TOTAL as well as three Suezmax second-generation dynamic positioning shuttle tankers (DPSTs) from Petrobras. These successes, together with the delivery of two LNG dual-fuel DPSTs and four eco-friendly DPSTs during the year, all on long-term charters with international energy companies, clearly demonstrates the potential of combining commercial viability and environmental sustainability in ensuring that we deliver our business objectives and at the same time reduce our carbon footprint.

As I highlighted earlier, the **Offshore Business** segment's award by Petrobras of our first major deepwater project in Brazil, the Mero 3 FPSO project, has been one of the high notes of the year. We worked towards securing this contract through focused investments on people, processes, partners and technology. The aim was to strengthen our competitive position in bidding for larger international offshore projects with higher complexity in the likes of the Mero 3 FPSO project. Our team has demonstrated tremendous dedication and commitment to make this a reality. Our achievement on this front has ushered in a new era for MISC, denoting our ability to take on a complex project with a huge investment that will ultimately lay the foundation for future international projects.

The lockdown and restrictions imposed by the Malaysian government in March 2020 to stem the spread of the COVID-19 pandemic in the country had adversely impacted the **Marine & Heavy Engineering** segment due to the closure of their yard operations for almost a month to ensure the safety of their workers. Once the restrictions were lifted, MHB initially resumed their yard operations at limited capacity and then ramped it up to full capacity soon thereafter. Despite these disruptions, the segment closed the year by completing Dry Dock 3 which commenced operations in December 2020. The addition of another dry dock to our existing facilities of two dry docks and one floating dock has built up our regional capabilities to conduct repair and refurbishment services on vessels and other marine and oil and gas facilities.

Our three strategic enabler business segments continued to support our four core businesses, despite the various challenges they had to contend with in their own operations.

Our **Integrated Marine Services** segment steadfastly upheld the highest levels of operational excellence and efficiency, thanks to the diligent efforts of its people despite various COVID-19 restrictions and regulations imposed by global authorities. With their strong industry reputation and credibility that has been built over several decades, Eaglestar is now poised to take their business to the next level by offering their services to third-party customers.

Our **Port Management & Maritime Services** segment also had to deal with the challenges of COVID-19 which disrupted their vessel inspection operations. MMS responded by accelerating the digitalisation of its operations and processes, and successfully launched its mobile-based application for the Vessel Inspection System (VIS) and the Offshore Support Vessel Inspection System (OSVIS). MMS also charted a new milestone which strengthened its industry position through its official recognition as a member of the Oil Companies International Marine Forum (OCIMF).

The COVID-19 has forced the closure of educational institutions to limit infections and ensure student safety. In response, our **Maritime Education & Training** segment was able to continue its activities by providing online remote learning options for its students. Some limited onsite education was also provided for certain courses, especially practical courses, that were allowed by the respective authorities.

Details on the performance of each business segment can be found in their respective sections on pages 136 to 189 of this Integrated Annual Report.

THE GREAT ENERGY TRANSITION AND THE THREAT TO OUR VERY EXISTENCE

In last year's message, I explained the meaning of sustainability at MISC. Sustainability is both a philosophy and culture for us – the need to perpetuate our existence into the future and for the next generation. Besides the need for financial sustenance which I have explained in great detail, this future also demands that we address all aspects of social responsibilities, environmental considerations and good corporate governance. These are the expectations of our multiple stakeholders.

In the maritime space, the focus is on sustainable shipping for a sustainable planet. The entire value chain is taking sustainability on board and subsuming its principles into their respective businesses. Our customers are seeking greener products and services and have extended this expectation to vendors in our value chain. Our investors and banking partners are putting greater emphasis on environmental, social and governance (ESG) considerations when evaluating businesses and institutions that they wish to invest or do business with.

To ensure the long-term viability and relevance of our businesses, MISC needs to address these critical concerns. It is time we translate our philosophy and culture of sustainability to address and tackle all these concerns head on in terms of the very actions that we take as a Group in the years to come.

Beyond the expectations of our stakeholders, we face a greater challenge at our doorstep. We cannot ignore the double threats of the energy transition to the very existence of MISC. The first threat is to our portfolio of existing assets. Our ships run on the very hydrocarbon fuel that is a source of greenhouse gas (GHG) emissions that contribute to climate change. We need to address our choice of fuel for our vessels that is consistent with a future net zero carbon era. Secondly, the cargoes that we transport around the world, specifically oil, is facing an unavoidable structural reduction in demand over time as the world moves away from oil-based fuel sources. To ignore these structural shifts (long-term fundamental trends) is to risk our very own relevance in the future.

We have not sat still and did nothing, waiting for others to show the way forward. Rather, we believe it is our duty to determine our own fate during this energy transition. Over the last few years, the Group has already begun to respond in a few different ways. Firstly, we placed stronger emphasis on greener shipping solutions as evidenced by our pioneering investments in LNG dual-fuel technology and eco-friendly vessels.

As we believe strongly in greater stakeholder collaborations in the maritime industry, we decided to join forces with our shipping peers via the Global Maritime Forum (GMF). GMF has pioneered many global alliances workings towards the future welfare of the global maritime industry and one of the priorities is the decarbonisation of shipping. Through the GMF, we signed up to be a member of the Getting to Zero Coalition which is a partnership between GMF, the Friends of Ocean Action and the World Economic Forum.

It is through this network of peers who share a vision of sustainable shipping in a green future, that we were able to form a Joint Development Project a year ago with Samsung Heavy Industries, Lloyd's Register and MAN Energy Solutions to develop a commercially viable zero-emission vessel (ZEV) by 2030. The coalition has been further expanded in February 2021, with two new partners namely the Maritime and Port Authority of Singapore (MPA) and Yara International ASA (Yara). With the addition of MPA and Yara, the now six-partner coalition represents a complete representation from all key stakeholders of the maritime ecosystem that we truly believe can help make a ZEV fuelled by ammonia, a reality. We do not have all the answers today but over the course of the next few years, the coalition will address each challenge one by one. We proudly named the coalition 'The Castor Initiative'. We chose this name as Castor is a star system, comprising six stars that shine brightly in unison. These six stars represent the six partners.

PRESIDENT/GROUP CEO'S REVIEW

To address the risk of obsolescence of MISC's present business portfolio and assets in a net zero carbon future, I am excited to share that the Group will be working on a new roadmap to be called MISC2050, a 30-year journey that will map our journey and mission in reimagining the economic and social role of MISC in a carbon-free future come the year 2050.

With this 30-year roadmap, we will be guided in the shifting of our present business and asset portfolio that we are all very familiar with today, and transition it to a new portfolio that is relevant and will thrive in this future that we are imagining. Thirty years may be overly long for some as a strategic roadmap as many things many change over the course of the coming years. However, we cannot deny that if we do nothing, 30 years may be too short as well. What matters is that we act now and seize the opportunity to define the undefined future for ourselves.

In the meantime, we have launched our 2021-2025 Sustainability Strategy, which represents the next phase of our overall sustainability goals. This new sustainability strategy continues to reinforce our ESG commitments for 2021 until 2025, with our climate commitments stretching further ahead into 2030 and 2050. Some key aspects of the strategy include our commitment towards decarbonisation, promoting the circular economy, health and safety, diversity and inclusion, and last but not least, our values and business ethics.

As part of the 2021-2025 Sustainability Strategy, MISC will also be embarking on our Task Force on Climate-related Financial Disclosures (TCFD) journey in 2021, and to implement its recommendations in a phased approach. During the year, we will also participate in the Carbon Disclosure Project (CDP) as part of our efforts to fulfil our commitment to environmental transparency and ascertain our baseline disclosure level. We believe our disclosure to the CDP coupled with our upcoming TCFD journey will provide our stakeholders with a clear understanding of our business readiness for a low-carbon economy.

Another major milestone in our Sustainability Strategy is the emphasis on ownership and advocacy of the sustainability agenda throughout the MISC Group. This begins with a strong tone at the top with the Board of Directors, through the Board Governance and Risk Committee (BGRC), providing governance oversight, and cascading down to each business/service unit and subsidiary that will own and drive the implementation of initiatives.

2021 – HOPE AND PATIENCE

The threat of COVID-19 is here to stay, at least for the greater part of 2021, until globally, nations and the populations of the world achieve a level of herd immunity. We cannot underestimate the far-reaching negative social economic impact that was felt throughout of 2020 that will spill into 2021. Various businesses, large or small have struggled to stay afloat as the shutdown of activities to combat the spread of the virus took its toll. Likewise, global workforces faced the risk of displacement and unemployment, a consequence of business failures and shutdowns.

It is hard for most to be positive and optimistic for 2021. While the development and dissemination of vaccines is welcome news indeed, the reality is that it will take time for vaccines to reach the majority of global population before we can safely say that the pandemic is behind us. In a best-case scenario, some normalcy will resume in the second half of 2021, but it will be imbalanced. We therefore have to brace ourselves for persisting headwinds, as the restrictions of COVID-19 will continue till the threat is fully under control.

Therefore, how long can one stay patient and persistent?

Hope is a powerful word and a powerful belief. Hope is an emotion. Hope is a state of mind. As difficult as it may seem, we must all not lose hope. With hope comes motivation to keep on striving and trying. With hope comes the emotional energy to stay patient and committed to our cause and beliefs. In the MISC Family, we remind each other to stay hopeful that better days will come in 2021. We repeat the hope and we encourage each other to not give up.

While hope will keep us focused and energised despite the negativity brought about by the weight of a global pandemic, there are also strategic tools and decisions at our disposal that we can take as a Group to safely navigate 2021.

With the growth that we have achieved under the MISC2020 strategic initiatives, the Group can afford to take a pause in 2021. We can most certainly afford to be more selective in our pursuit of new growth projects. Even if hypothetically we do not secure any new growth project in 2021, our growth in secured operating cash flow is assured. In total, we had USD3.9 billion of projects under construction as at the end of 2020. When completed and delivered into operations from 2021 into 2024, we will have a total of 19 new vessels and assets entering service for us. In other words, the heavy lifting that we have done in securing new projects the past few years will serve us well in the coming years in terms of growth in operating cash flow.

I have touted the tailwinds of past few years that had blown behind us, carrying MISC to many successes on many fronts. Truth be told, we did not anticipate a global pandemic. No one did. Most certainly, with this global pandemic comes the tremendous headwind that will continue to blow hard against anyone in 2021. We can most certainly choose not to sail straight or fight this headwind given that we have done enough the past years.

Therefore, we will keep our priorities for the year ahead straightforward. We plan to keep it sweet and simple. In 2021, we will just focus on execution.

Yes, execution, execution, execution. Execution of all the projects under construction as I have mentioned above. Focus on delivering them into operations and converting into cash generating assets in the coming years.

Besides the emphasis on execution excellence, we will also be focusing on the Group's various internal transformations - these Group-wide transformation exercises will focus on strengthening our processes in finance, procurement and document management. Collectively, they will underpin the digitalisation of our processes that will enable us to be even more data-driven in our day-to-day decision making. This means speed and agility while improving the science in the decision-making process.

We will also dedicate the year to rolling out our new sustainability roadmap for the years 2021-2025. We will put in place a well-thought-out execution plan to align the MISC Group with the energy transition and the climate change agenda. And central to this execution plan will be MISC2050.

NOTE OF APPRECIATION

I would like to take this opportunity and I can never do it enough, to thank and express my deepest gratitude to everyone in the MISC Family for keeping our flag flying every year, through good times and bad times. Especially through the trying times of 2020. As the saying goes, "When the going gets tough, the tough gets going" – I cannot imagine a more apt description of the fighting spirit of everyone in the Group in 2020 as we weathered the challenges of the past year together. We looked after each other and we kept each other safe, encouraged and motivated.

The MISC Group has many heroes and heroines in 2020. Besides those who were instrumental in delivering our successful growth story during the year, we have our very own frontliners i.e. our seafarers who risked COVID-19 infection as they continued to transport cargoes safely and on time. Our frontliners also include our employees and workers at our heavy engineering yard in Johor, Malaysia who remained committed to their mission to deliver the projects they had committed to. Not forgetting, our project teams managing the various newbuildings in South Korea and our employees who managed and manned the ports and terminals.

We also have many unsung and invisible heroes and heroines. Silent in their contributions and always never drawing attention to themselves but without them, everything else will not run. These include our ICT teams across the globe who kept all of us in the family connected as lockdowns and restrictions across the world to combat the spread of COVID-19 prohibited us from connecting and interacting in our physical workspaces. Not forgetting the HR teams who continue to look out for the welfare of our people and the finance teams who work tirelessly to ensure we are on top of our payables and receivables and making sure the pay cheques get to our people.

From the bottom of my heart, I thank and salute all of you. Indeed, we lived up to what we have said the MISC Group stands for – People, Passion, Possibilities.

On behalf of the Group, I would also like to record our sincere appreciation to our valued shareholders, customers and partners for their continuous and steadfast support, trust and belief in MISC. We are deeply indebted to the MISC Board of Directors for their stewardship of the company and wise counsel as we steered through a stormy year.

As we step into the year ahead, we reaffirm our commitment to create tangible and meaningful value for our shareholders and stakeholders. Our People will stay the course towards achieving our strategic priorities, as their Passion inspires them to make the most of Possibilities ahead.

YEE YANG CHIEN
President/Group CEO

Strategic Review / Highlights / Key Messages / Who We Are / Introduction

SECTION 3

HIGHLIGHTS

KEY HIGHLIGHTS 2020

Revenue
RM9.40
billion

Operating Profit
RM2.02
billion

Cash Flows from Operating Activities
RM5.59
billion

Equity Attributable to Equity Holders of the Corporation
RM32.27
billion

Total Assets
RM51.82
billion

Loss Per Share
1.0
sen

Dividends Per Share
33.0
sen

Operational Excellence

>99%
vessel availability

>99%
vessel utilisation

>99%
floating asset uptime

0
Major spill incidents since 2013

1
Fatality

0
Major security incidents

0
Major cybersecurity incidents

Alpha Southeast Asia's Annual Institutional Investor Corporate Awards 2020
Winner
- Most Organised Investor Relations
- Most Consistent Dividend Policy
- Strongest Adherence to Corporate Governance

Prime Minister's Hibiscus Award
Notable Achievement in Environmental Performance awarded to MISC Group

Green Foundation Award
Recognition award to AET for *Eagle Brasilia, Eagle Balder, Eagle Barents, Eagle Bergen* and *Eagle Blane*

The Edge Billion Ringgit Club Awards
Highest Returns to Shareholders over three years, Transportation & Logistics sector

Graduate Choice Awards 2020
Most Attractive Graduate Employers to Work for in 2021, Logistics category, First runner-up

Chamber of Shipping of America (CSA)
Jones F. Devlin Award for Safety for 58 vessels
Environment Achievement Award for 58 vessels

CO_2
Reduction in carbon emission intensity by
18% LNG fleet
10% Petroleum fleet
5% Product fleet
from baseline of 2016

Constituent of FTSE4Good Bursa Malaysia Index
7 Consecutive years

59 female seafarers in MISC
13% female employees
87% male employees

Took delivery of the
1st dedicated LNG bunker vessel in Southeast Asia

Acquired
6 of the world's largest ethane carriers (VLEC)

KEY CORPORATE EVENTS AND ACHIEVEMENTS IN 2020

JANUARY

MHB holds First Steel Cut Ceremony for :

1. Bekok Oil Integrated Project
2. Kasawari Gas Development Project

FEBRUARY

1. AET secures three newbuilding Suezmax second generation DPSTs from Petrobras

APRIL

1. AET signs a time charter agreement with TOTAL for two LNG dual-fuel VLCCs

MAY

1. AET takes delivery of the first of four Suezmax, second generation DPSTs for Petrobras charter

JUNE

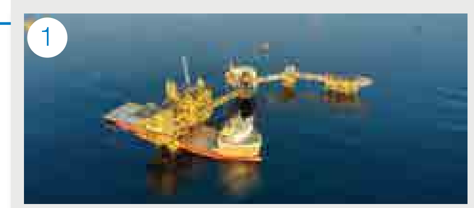
1. MISC Berhad holds 51st Annual General Meeting virtually
2. MHB celebrates one million safe man-hours for Kasawari Gas Development Project

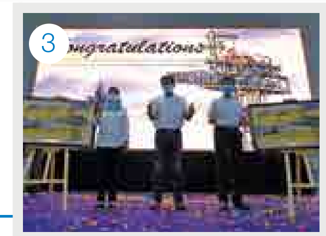
JULY

1. *Seri Amanah* awarded the Best Quality Ship Award 2019 from the Japan Federation of Pilots' Associations
2. MISC enters into purchase agreements and time charter parties for six newbuild VLECs

AUGUST

1. The successful sail away of Bokor Centralised Processing Platform Topsides
2. MISC secures its first major deepwater FPSO project in Brazil
3. MHB records 500,000 safe man-hours for Bekok Oil Project



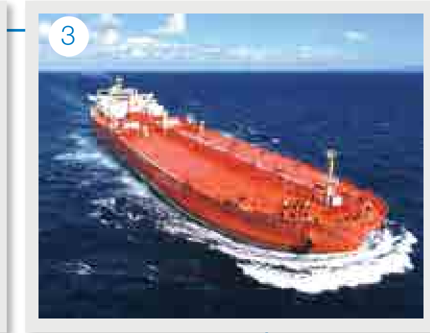


MISC Berhad / Integrated Annual Report 2020

KEY CORPORATE EVENTS AND ACHIEVEMENTS IN 2020

SEPTEMBER

1. MMS partners UMT-SEATRU for a five-year marine biodiversity conservation programme on sea turtle conservation
2. Naming and sail away ceremony of *FSO Golden Star*
3. *Eagle Brasilia* is certified by the Green Award Foundation

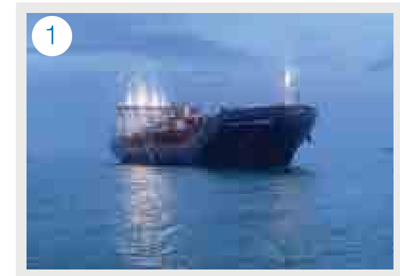


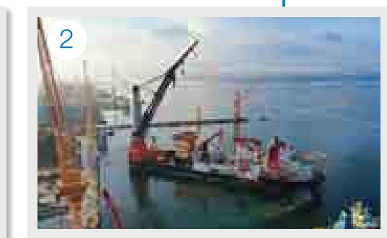
OCTOBER

1. MISC wins 'Most Organised Investor Relations', 'Most Consistent Dividend Policy', and second runner-up for 'Strongest Adherence to Corporate Governance' at the 10th Annual Poll for Alpha Southeast Asia's Institutional Investor Corporate Awards 2020
2. MISC takes delivery of its first VLEC – *Seri Everest*, the largest of its kind in the world

NOVEMBER

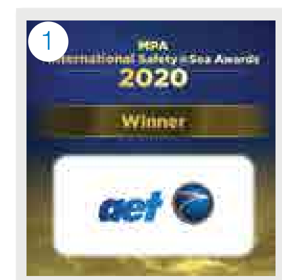
1. MISC companies manage Southeast Asia's first dual-purpose LBV - *Avenir Advantage*
2. Sail away of Pluto Water Handling Module to North West Shelf of Australia
3. 'Occupational Safety and Health' Gold awards from the Malaysian Society for Occupational Safety and Health for MISC, MHB, ALAM and MMS

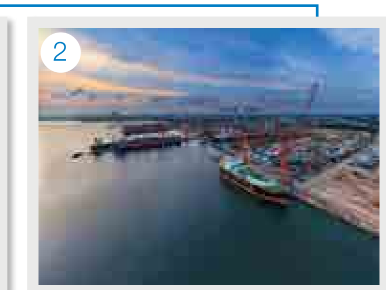


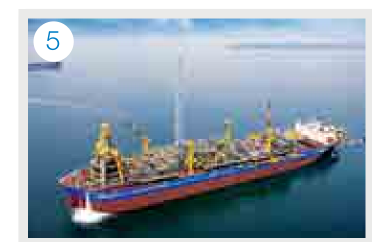


DECEMBER

1. AET named as the award winner by Maritime & Port Authority of Singapore for 'Outstanding Contribution to Search and Rescue Efforts in 2019'
2. MHB commences operation of its newly built Dry Dock No. 3 at MMHE West Yard in Pasir Gudang, Johor
3. *FSO Golden Star* achieves first condensate for the Sao Vang and Dai Nguyet Project offshore Vietnam
4. MISC wins The Edge Billion Ringgit Club 2020 award for 'Highest Returns to Shareholders over three years' under the Transportation and Logistics category
5. MISC through its joint venture companies secures a five-year extension of the lease, operation and maintenance contracts for *FPSO Espirito Santo*
6. MISC wins its inaugural Prime Minister's Hibiscus Award 2019/2020 for Notable Achievement in Environmental Performance







SECTION 4

STRATEGIC REVIEW

EMRAN OTHMAN
Vice President, Corporate Planning

OVERVIEW

VICE PRESIDENT'S REMARKS

The events of the past year have been a huge lesson for all of us at MISC, as we persevered and became more resilient, to continue on course with our strategic value creation journey. In hindsight, the 2020 theme of 'One Heart, One Mind and One Dream', launched by our President/Group CEO at the beginning of the year, aptly articulated MISC's shared purpose as a driving force uniting us. Our swift and agile response enabled us to rise above the challenges and minimise the impacts of the COVID-19 pandemic on our business.

Our IT team was instrumental in accelerating the Group's shift towards utilising digital platforms for employees who were working from home, and our front liners working on board our vessels, floating assets, ports and yards. Tapping into technology and digital platforms to bridge connections, we were able to overcome limitations as a result of social distancing and movement restrictions, and ensured minimal disruptions to our business.

Our strong HSSE culture coupled with our robust risk management approach has sustained our operations through these trying times. The business that was most impacted by the pandemic, the Marine & Heavy Engineering segment, vigorously assessed risks and implemented the right decisions to ensure operational continuity. Our international shipping operations minimised disruptions by working closely with various authorities, whilst ensuring full compliance with the myriad COVID-19 standard operating procedures (SOPs) enforced in different countries.

Our project deliveries were guided by a focused approach that took into account all the factors required to ensure efficient project management and execution in adherence to SOPs. To mitigate against supply chain disruptions, we expanded our supplier base to ensure the continuous availability of any equipment required for our operations and projects.

In 2020, MISC successfully secured new projects of approximately USD2.8 billion in CAPEX value, more than double the value that we secured in 2019. Our various business segments were able to deliver on business growth as a result of the focused execution of our strategic plan with several first project wins for MISC such as the Mero 3 FPSO project in Brazil, the acquisition of six VLECs and the award for two dual-fuel LNG VLCCs. We also completed the construction of Dry Dock 3 and commenced operations in December 2020, thus expanding our capacity to provide regional marine repair services.

The Group's value creation activities for the year have laid out a clear path for our sustainable growth and profitability into the future, as the projects we secured in 2020 will add to our secured revenue streams. Our efforts have also further diversified our customer base to include international clients and reputable energy majors.

The climate change agenda is, without doubt, of critical concern for the entire world. Shareholders, investors, financiers and clients are paying greater attention to the outcomes of companies' efforts towards combating climate change. MISC is cognisant of the need for our organisation to responsibly and transparently disclose our performance in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We aim to be fully TCFD compliant by 2023 and have established the roadmap to implement the TCFD recommendations over the next two years.

2021 also marks the inception of our new MISC 2021–2025 Sustainability Strategy. Our Sustainability Strategy aligns to the Group's United Nations Sustainability Development Goals (UNSDGs) commitments and integrates environmental, social and governance (ESG) factors into our overall business strategy. The plan focuses on areas such as industry decarbonisation, sustainable talent pipeline as well as enhancement of strong corporate governance and business ethics, all of which are important for MISC to sustain our operations as a responsible organisation.

Over the past few years, we have remained on a steady growth trajectory to generate sustainable value for our shareholders and stakeholders. As we continue our onward moving journey, we are mindful of the threats that continue to challenge the world. MISC's strategic priority for the year ahead is to ensure excellence in executing the major projects we have secured in 2020. A key emphasis is the Mero 3 FPSO project, given its large size and it being our maiden project of such type in Latin America.

Despite the strong headwinds of the past year, MISC continues to stay the course as a result of our focused strategies and unwavering commitment of our employees. We reaffirm our steadfastness to sustain our value creation efforts regardless of the challenges that may come our way, to build meaningful and tangible value for our shareholders and stakeholders.

EMRAN OTHMAN
Vice President, Corporate Planning

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Approach to Climate Change

Our sustainability strategies and practices are guided by global best practices set by organisations such as the TCFD. MISC is in support of the TCFD, and we strive to embrace this best practice, where practicable, to strengthen our sustainability practices and disclosures while cultivating greater sustainable practices within the wider market.

In the long-term, the emphasis on sustainability will ensure greater growth and value being created for our stakeholders.

Below we have outlined how the Group's policies on climate change are aligned to the four basic recommendations put forward by the TCFD: 'Governance', 'Strategy', 'Risk Management', and 'Metrics and Targets'. This is also in line with our 'Towards Decarbonisation' commitment and current initiatives.

Item	Recommended disclosure	Our initiatives	Read more in relevant sections
Governance	Organisational governance of climate-related risks and opportunities	Board Governance and Risk Committee (BGRC) has been formed to provide governance of climate-related risks and opportunities	See BGRC report Page 290
Strategy	Impacts of climate-related risks and opportunities on business	As part of our efforts to ensure better integration of relevant climate change risks and opportunities in business strategy and financial planning, we are embarking on our TCFD journey in 2021 to embed climate change as part of our related risk assessment process which includes conducting scenario analysis for our business units and subsidiaries in a phased approach. Over the next few years, MISC's 'Towards Decarbonisation' commitment is to invest in low-carbon environmentally friendly vessels with technologies designed to reduce GHG emissions and increase energy efficiency. Inclusion of these elements into the design of our current and future vessels will also reap long-term benefits for MISC in terms of cost savings and risk management.	See Anchoring Sustainability @ MISC Page 119
Risk Management	How climate-related risks and opportunities are identified, assessed and managed	At MISC, prioritisation of risks and opportunities including those related to climate challenges, are conducted based on the severity of the potential impacts of the risk, as well as the scale of the opportunities. MISC adopts the PETRONAS Resiliency Model (PRM) which provides an integrated view for managing risks and is also guided by international best practice as per ISO 31000.	See Our Risks and Mitigation Strategies Page 88
Metrics and Targets	Metrics and targets used to assess and manage climate-related risks and opportunities	MISC's GHG emissions performance including the evaluation against carbon reduction targets that has been set at the strategic level is presented to the MISC HSSE Council (which includes members of the Risk Management Committee) on a quarterly basis.	See Operating Safely and Sustainably Pages 214 to 219

Future Activities

As our response to the TCFD recommendations, MISC is committed to strengthening our management of climate-related risks by including climate-related risks as part of our Enterprise Risks, quantitatively evaluating anticipated future risks with scenario analysis, and discussing measures at the management and board level. We will formulate and execute business strategies in a forward looking way, by refining the scenario analysis in steps and ensure we understand the potential risks and opportunities. At the same time, we will actively promote the search for alternative fuel in efforts to decarbonise our operations and make efforts to resolve this issue at industry level. Going forward, we will continue to make further enhancements to provide consistent and transparent disclosures to our stakeholders in line with the TCFD recommendations.

HOW WE CREATE VALUE

EXTERNAL ENVIRONMENT | **LONG-TERM TRENDS**

IDENTIFICATION AND ASSESSMENT OF RISKS AND OPPORTUNITIES, OUTLOOK, STAKEHOLDERS AND MATERIAL MATTERS

VISION AND MISSION | **GOVERNANCE**

STRATEGY

INPUTS | **KEY ACTIVITIES** | **OUTPUTS** | **OUTCOMES**

INPUTS

FINANCIAL CAPITAL

Our sources of financial capital to run our business and fund our growth comprise internally generated funds and debt financing

PHYSICAL CAPITAL

Our fleet comprises 29 LNG carriers, one VLEC, one LBV, 76 petroleum and product tankers, two floating storage units and 14 floating assets

We also own marine and heavy engineering facilities, including fabrication yards and dry docks.

Our maritime training facility that spans over 74 acres in Melaka is fully equipped with learning and training facilities, resource centre and a campus

INTELLECTUAL CAPITAL

Our intellectual capital includes specialist knowledge and experience in ship operation and management, ship-to-ship transfers, EPCIC and operations of floating production system, fabrication of complex heavy engineering structures, marine repairs, and operating the only modular capture vessels (MCV) in the world

HUMAN CAPITAL

We have over 8,600 dedicated, high performing and specialised personnel at sea and shore which we leverage on to steer our business and operate our ships, floating assets and facilities efficiently and safely

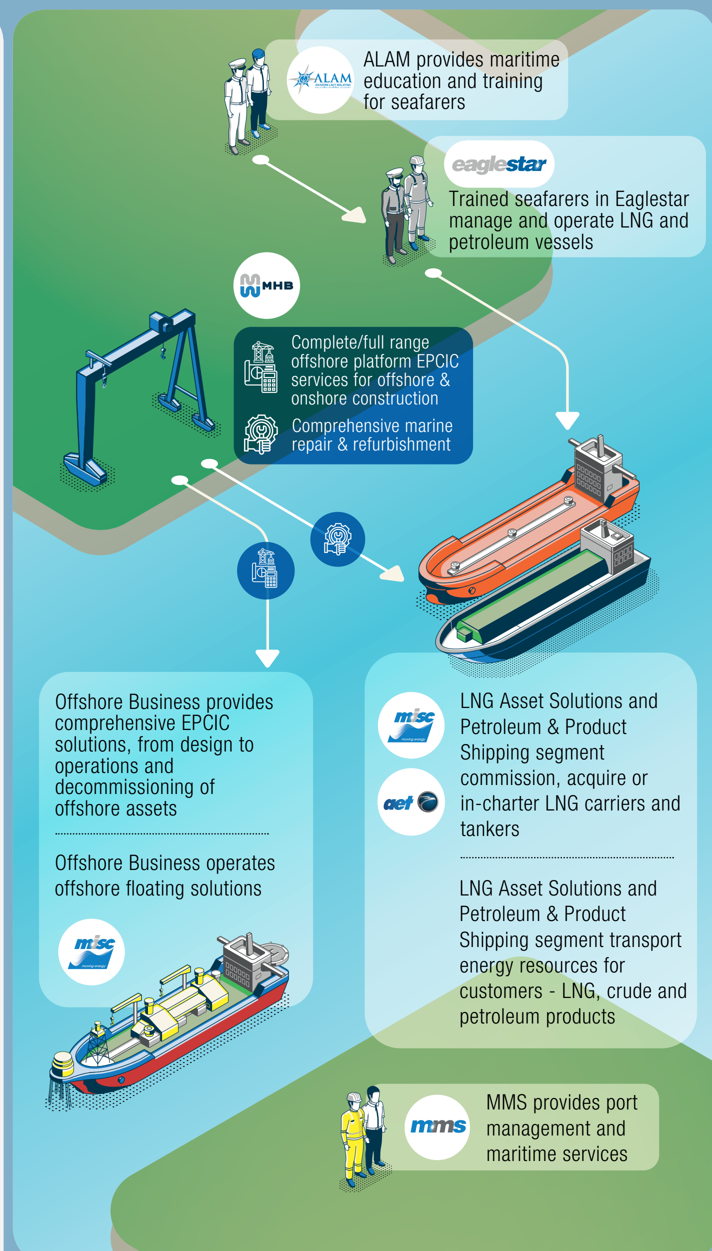
SOCIAL & RELATIONSHIP CAPITAL

We have a positive brand reputation and we develop strategic partnerships and trusted relationships with our customers, suppliers, governments, regulators and industry bodies for long-term sustainability of our business

NATURAL CAPITAL

Our operations rely on natural resources such as fuel, water and land

KEY ACTIVITIES



The above are some of the key activities of the Group. For further details on the activities and key developments of the businesses, please refer to Who We Are and What We Do on pages 16 to 17 and Business Review section on pages 136 to 189.

OUTPUTS

POSITIVE OUTPUTS

In a year marked by global mobility restrictions, MISC stayed the course

Energy resource transportation

- Our LNG carriers transported 6% of the world's LNG which provides cleaner energy globally (2019: 7%)
- Our petroleum and product tankers transported an estimated 110 million tonnes of crude, petroleum products and chemicals to global customers (2019: 125 million tonnes)
- We took delivery of our first VLEC that transported the largest cargo of ethane in the history of ethane shipping to date
- We also took delivery of the first dedicated LBV in Southeast Asia that supplies LNG to fuel ships operating in the region and delivers LNG directly to PETRONAS small-scale customers
- Eaglestar continued to provide safe and reliable ship operations and successfully conducted crew change for 7,767 seafarers (2019: 12,823 crew changes)

Offshore oil production and storage

- Our floating assets processed approximately 26% and stored an estimated 29% of Malaysia's crude oil production (2019: processed and stored 26%)
- *FSO Golden Star* was delivered to Vietnam and received its first condensate at the Sao Vang and Dai Nguyet (SVDN) project

Heavy engineering and marine repairs

- MHB's Heavy Engineering segment completed two projects and sailed away one central processing platform and one mercury removal unit (2019: two projects and one sail away)
- MHB's Marine segment completed 64 vessel repair and maintenance jobs and secured 61 jobs including one FSO conversion (2019: 77 vessels and 86 jobs)
- MHB completed Dry Dock 3 and received its first vessel for dry docking repairs

Port management and maritime services

- MMS provided pilotage and loading master services to ports and terminals in Terengganu, Melaka, Sabah and Sarawak and its accredited inspectors and engineers performed more than 7,000 vessels screenings, about 800 inspections, world-class marine operations, consultancy and assurance services (2019: about 5,000 vessels screening, more than 1,100 inspections)

Seafarer education

- ALAM enrolled 408 students for cadet and ratings programmes; 203 students graduated in 2020 (2019: enrolled 441 students for cadet and ratings programmes; 191 students graduated)
- ALAM maintained 100% cadet employability for 2020 with 61 eligible candidates securing employment with shipping companies locally and regionally

Asset expansion and rejuvenation

- Took delivery of one VLEC, one LBV, six DPSTs and one FSO, and disposed five petroleum tankers
- Entered into newbuilding of three DPSTs and two LNG dual-fuel VLCCs, acquisition of six newbuild VLECs and EPCIC of one FPSO

Environmentally-friendly operations

- Zero incident of major spills to the environment from all operations since 2013
- Delivered two LNG dual-fuel and four eco-friendly DPSTs for operations in international waters
- Three assets were sent for green recycling in accordance to The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009

NEGATIVE OUTPUTS

Business operations

- Delays in vessel/asset deliveries and project progress due to suspension/disruption of activities as a result of the COVID-19 pandemic
- Unfavourable arbitration award relating to *Gumusut Kakap (GKL)* semi-submersible floating production system

Environment and safety

- 4.04 million tonnes of GHG emissions (2019: 4.25 million tonnes)
- 36,053 tonnes NOx and 3,240 tonnes SOx emissions into the atmosphere (2019: 46,720 tonnes NOx and 29,484 tonnes SOx)
- 24,776 tonnes of hazardous and general waste from non-shipping created (2019: 30,792 tonnes)
- 635,686 m^3 freshwater withdrawal consumption (for non-shipping activities) (2019: 740,542 m^3)
- One fatality in our shipping operations (2019: zero fatality)

OUTCOMES

Please refer to Outcomes on page 62

HOW WE CREATE VALUE

OUTCOMES

FINANCIAL OUTCOMES

- Sustained strong cash flows despite challenging environment, due to secured income from long-term charter contracts
- Dividend payout of 33 sen per share for 2020 (2019: 30 sen with a special dividend of 3 sen)
- Maintained strongest credit rating in marine transport sector by Moody's Investors Service and S&P Global Ratings as at 31 Dec 2020
- Multiple long-term charter contracts won with total capex value of USD2.8 billion (2019: USD1.1 billion)
- Share price decreased by 18% in 2020, resulting in market capitalisation decreasing to USD 7.7 billion
- Loss after tax of RM169.8 million, mainly attributable to unfavourable GKL arbitration outcome and COVID-19 impact

Stakeholders to whom we provide value: SHAREHOLDERS, FINANCE PROVIDERS

OPERATIONAL OUTCOMES

- Consistently maintained high vessel availability and utilisation of more than 98% for our fleet
- Excellent floating asset performance with uptime of more than 99%
- Multiple first achievements for the Group:
  - Secured first major deepwater FPSO project in Latin America
  - Diversified into China and the ethane transport industry with the acquisition of six VLECs on long-term charters
  - Marked its maiden foray as the commercial operator and ship manager of Southeast Asia's first dual-purpose LBV
- Onshore and offshore operations continued its business as usual despite the pandemic, with some interruptions in yard operations
- Ability to scale up DPST operations within a short period of time, with the delivery and operationalisation of six DPSTs in 2020 adding to the four DPSTs already in service

Stakeholders to whom we provide value: CUSTOMERS

HUMAN CAPITAL OUTCOMES

- Developmental opportunities and progression: Enhanced leadership programme and succession planning with more senior positions filled (2020: 96% MC and critical positions filled; 2019: 93% MC and critical positions filled)
- Appointment of three new Board members and establishment of new Board Governance and Risk Committee to inject new and fresh insights to oversee governance and guide strategic direction of the Group
- RM1.8 billion spent on employee costs, no change from 2019
- RM47.7 million spent on training and development, (2019: RM63.7 million)
- 16% female in decision making role and 25% female in total shore employees (2019: 16% female in decision making role and 26% female in total shore employees)
- Reduction in LTIF at 0.04 and TRCF at 0.18 (2019: LTIF 0.10; TRCF 0.26)

Stakeholders to whom we provide value: EMPLOYEES

SOCIAL AND RELATIONSHIP OUTCOMES

- Strong reputation and effective engagements that led to favourable outcomes in winning more contracts and securing new customers
- Conducted customer engagement survey with key customers with overall satisfaction of 89% (2019: no survey conducted)
- Compliance with regulations and international standards with zero fines and penalties with regards to health, safety and environment
- Established partnership with NGO and academic institution on conserving reef and sea turtles as well as public marine biodiversity programmes
- Contribute to the growth of the nation's maritime and oil and gas industries through our well-established programmes in ALAM that promote education and awareness amongst the youth
- Contributed RM7.5 million for COVID-19 national pandemic response and COVID-19 related aids

Stakeholders to whom we provide value: COMMUNITY, CUSTOMERS, REGULATORS

ENVIRONMENTAL OUTCOMES

- Energy efficiency and carbon emissions reduction initiatives:
  - 9% reduction in vessel fuel consumption resulting in avoidance of approximately 500,000 tonnes of total vessel carbon emissions (12% reduction) from a baseline of 2016, minimising the impacts of climate change (2019: 8%, 300,000 tonnes, 7% reduction)
  - 18%, 10% and 5% carbon reduction for our LNG, petroleum and product fleet from 2016 baseline (2019: 16%, 13% and 9% for LNG, petroleum and product fleet)
  - 7% of revenue came from our environmentally-friendly vessels that contribute to cleaner environment and support decarbonisation aspirations of the maritime industry
  - Secured more contracts for LNG dual-fuel vessels and ventured into LNG bunkering business as part of the move towards decarbonising the maritime industry
- Pollution control: Reduction of 88% SOx and 8% NOx intensity across all vessel types through the use of cleaner fuels and emission control systems in 2020 (2019: 35% SOx, 10% NOx)
- Natural resources management: Through freshwater generation system onboard our vessels, about 328,000 m³ freshwater withdrawal from land was avoided in 2020 (2019: 322,000 m³)
- Waste management: Hazardous waste from shore-based operations were 100% recycled, reused or recovered in 2020 (2019: 99%), minimising impact to natural resource depletion
- Biodiversity:
  - Established marine biodiversity conservation flagship programme through protection of coral reef and taking positive actions to prevent plastic litter in our oceans
  - Established sea turtle conservation programme to protect and preserve sea turtles

Stakeholders to whom we provide value: COMMUNITY, REGULATORS

STAKEHOLDERS TO WHOM WE PROVIDE VALUE

CONTRIBUTIONS TO UNSDG

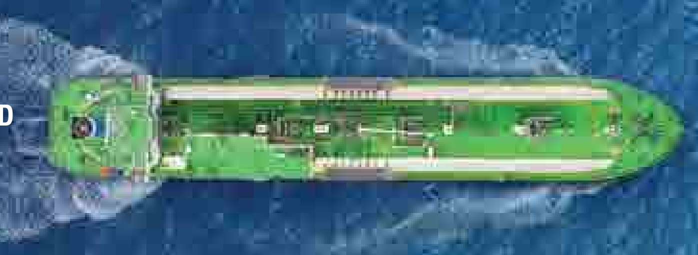
TRADE-OFFS

CAPITALS	RELEVANT MATERIAL MATTERS
Financial capital We recognise that increasing our financial capital over time is key to sustaining growth across all other capitals. To this end, we take a disciplined approach in allocating financial capital towards meeting current needs, investing for the future and distributing dividends. A large portion of our financial capital is dedicated to physical capital. In the short and medium term, incurring new capital expenditure will reduce our financial capital. However, as our newbuild assets are constructed and deployed to service against a long-term customer contract, they will produce secured income which in turn will grow our financial capital over the long term.	Project and financial performance Risk management
Physical capital Our vessels require sizeable financial capital to construct. Investment in physical capital is critical not only to pursue our growth objectives, but also to rejuvenate our fleet through replacement of our old vessels, thereby sustaining our business in the long run. Investing in newbuild assets with modern and green technology may incur higher cost, but they will help to improve customer service through enhanced efficiency and safety, and also reduce our environmental footprint, thus benefitting our social and relationship, human and natural capitals.	Customer satisfaction Digitalisation and innovation Climate change
Intellectual capital In 2020, the COVID-19 pandemic sped up technological transformation, bringing the digital agenda front and centre as a game changer that will benefit the maritime industry by harnessing the possibilities offered by digital technologies, artificial intelligence and automation. To embrace this change, we are investing financial and human capital into improving intellectual capital by driving transformation in finance, procurement and other processes, implementing technical solutions for offshore assets, digitalising our fleet and further tapping on Industry 4.0 technologies. This is a trade-off that will add positively to all our capitals in the long run.	Skilled workforce Digitalisation and innovation Business knowledge and expertise
Human capital In pursuit of our goal to become a major player in the Brazilian FPSO market, we expanded our headcount in the Offshore Business segment. We carried out a large-scale capability building exercise which required high investment in hiring diverse talent with the right skill set and experience to execute complex deepwater FPSO contracts, thus affecting our financial capital. Our ongoing investment in various HR capability development and leadership programmes depletes our financial capital. However, this investment is necessary to retain the right people who are able to achieve the Group's business goals and targets, which will positively impact all other capitals over time. At the same time, the growth of our employees' skills is augmenting our intellectual and social and relationship capitals.	Skilled workforce Diversity and inclusion Business knowledge and expertise
Social and relationship capital In the longer term, MISC's investment in social and relationship capital through our stakeholder engagements promotes the growth of our financial capital. However, in the short term, both financial and human capitals are affected through expenditures and hours spent on social engagements, community investment and collaboration with industry players to cultivate positive relations with all stakeholders and ensure compliance with regulations and international standards. Our client-centred engagements leverage on the strong relationships we have built over the years, to effect partnerships that bring mutual benefit and which create new business opportunities, thus positively impacting our financial capital. Our community engagements strengthen our social license to operate, and elevates our brand recognition, thus boosting our social and relationship capital in the long run. Our investments in community-based environmental awareness initiatives also improves our social and relationship capital, while offsetting our impacts on natural capital. In the longer term, the resources expended will boost our financial capital and build the stocks of our human and intellectual capitals.	Customer satisfaction Values and governance
Natural capital Emissions and wastes from our physical capital negatively impact upon natural capital. In line with our long-term strategies to reduce our carbon footprint and to promote circular economy practices and manage natural resource consumption, we are investing heavily in more modern and efficient technologies such as LNG dual-fuel vessels in our operations which will lead to a short term decrease in our financial capital. However, in the longer term, besides mitigating the business impact on natural capital through the reduction of GHG emissions, the utilisation of enhanced technology will benefit our intellectual capital and the new technical skills acquired will improve our human capital.	Climate change Ocean health Digitalisation and innovation

OUR STRATEGIC FOCUS

VISION

TO CONSISTENTLY PROVIDE BETTER ENERGY RELATED MARITIME SOLUTIONS AND SERVICES



MISC2020

A five-year master plan to achieve sustainable performance

MISC2020 is the Group's corporate strategy for FY2016-FY2020 that was developed with the aim to ensure that MISC has a sustainable level of recurring income to remain resilient even during the most difficult times.

At the time that MISC2020 was conceived, in late 2015, MISC was faced with tough market conditions. The plunge in oil prices since 2014 and the ensuing CAPEX cuts by oil majors posed major challenges for the Offshore Business and Heavy Engineering segments, an oversupply of LNG vessels were a bane for the LNG Asset Solutions segment, while the Petroleum & Product Shipping segment was relatively exposed to the volatile spot market.

Against this backdrop, MISC was facing the prospect of diminishing profits due to the approaching expiry of long-term contracts. Hence there was an urgent need to grow secured income business, build new sustainable streams of secured profit, reduce the exposure to cyclical revenues, and focus on cost management.

These imperatives formed the basis of MISC2020's primary objectives, namely:
- To achieve a sustainable level of secured profit by 2020; and
- To achieve a sustainable return on average capital employed (ROACE) of more than 10% by 2020.

Achieving a sustainable level of secured profits by 2020 meant achieving a sustainable stream of secured profit large enough to absorb all fixed costs and overheads as well as losses from cyclical business segments during the worst of cycles. With this target, MISC would not fall into the red in the worst of times.

To deliver a sustainable ROACE of more than 10% by 2020 meant focusing efforts on instilling the discipline to spend wisely and make the right investment decisions.

As we have reached the conclusion of our five-year MISC2020 journey, we set out the results in achieving our strategic goals in Delivering Our Strategy section on pages 90 to 101.

SUSTAINABILITY STRATEGY 2016-2020

Sustainability is an integral component of MISC's operations, from the way we conduct our business, manage our employees, reduce impact on the environment, deliver sustainable returns to our investors and shareholders, and strive to exceed the expectations of our customers, to the way we create positive impact for the local communities.

We have completed our 2016-2020 strategy and since we began taking a more focused approach towards managing our sustainability performance these five years, we have made good progress. Our key sustainability milestones and achievements are laid out in Delivering Our Strategy section on pages 90 to 101.

BEYOND 2020

Near term

Continue with proven secured income strategy

Focus on project execution and delivery while positioning for market recovery

Little did we expect that as we were reaching the end of our MISC2020 journey, we would enter yet another oil price slump, this time together with an unprecedented health cum economic crisis.

This time around however, MISC is on a much firmer footing. With the success over the last five years in winning new contracts, the secured income strategy has proven itself, and has indeed boosted our resilience during a tumultuous 2020.

In the near term, the Group's areas of focus include:

- Ensuring the successful execution and delivery of the sizeable projects that have recently been won, while the market recovers
- Striving for operational excellence and improving performance, efficiency and cost-effectiveness
- Enhancing capability and capacity of human capital and strengthening people development, culture and values
- Embarking on organisational transformation including digitalisation to improve competitiveness and agility to meet evolving market needs
- Being more selective on projects to pursue

Medium to long term

Set course to navigate our way to a carbon-neutral economy and a sustainable future

The next phase in our long-term strategy is moving towards a decarbonised future.

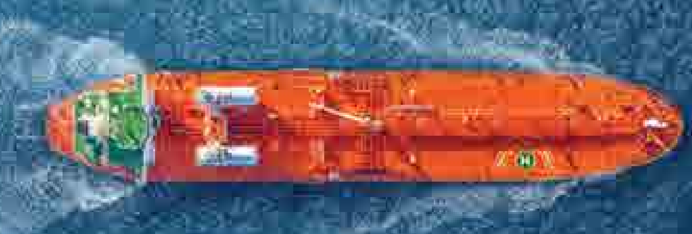
Decarbonisation trends in the long term presents both risks and opportunities. Changes in oil market fundamentals and rising environmental activism pose the greatest risk impacting our industry post-COVID-19. However, this also presents opportunities for industry players to sustain or reinvent our roles in the energy value chain by adapting to this changing landscape.

The energy transition is expected to open up new products and services, business models, and opportunities for value creation over the long term to those who are willing to embrace change and innovation. Industry players, including oil majors and maritime players are transitioning towards the low-carbon future.

The trend for 'greener' ships is expected to accelerate as the industry moves towards meeting the aspiration of IMO 2050 which aims to reduce greenhouse gas emissions from international shipping by at least 50% by 2050 compared to 2008 levels.

MISC is already a pioneer in green shipping through our LNG dual-fuel vessels. Looking forward, MISC's contribution in a carbon neutral economy is to offer low-carbon and eventually zero-carbon emissions transport solutions.

Given the emerging trends that are expected to gradually but profoundly transform our industry over the coming decades, we are carefully assessing the potential implications of these long-term trends, and we are in the midst of developing our long-term strategy to ensure that we remain relevant and sustainable long into the future and we will provide more details once we have finalised the plan.



SUSTAINABILITY STRATEGY 2021-2025

Our sustainability vision is to deliver long term shareholder value by operating safely, sustainably and responsibly to sustain positive impacts for the environment and society

We are continuing our endeavour in sustainability commitments as we believe that good sustainability practices will bring long term value to our organisation. With this in mind, we have refreshed our five-year MISC Sustainability Strategy which constitutes five pillars, namely Financial, Environment, Social, Governance and Stakeholder Engagement.

More details can be found in Anchoring Sustainability @ MISC section on pages 117 to 123.

OUR MATERIAL MATTERS

MISC's ability to create value over the short, medium and long term is influenced by the material factors that are most important to our business and stakeholders. In 2020, we continued to utilise the materiality assessment we had conducted the previous year. Our materiality assessment enabled us to gain a clearer understanding of the factors that most concern our stakeholders and have the potential to significantly impact our business. The identified material matters are discussed in detail throughout this Integrated Annual Report and plays a significant role in the formulation of our forward moving strategy.

The following graphic presents the process we use to derive our material matters:

BENCHMARKING

Conduct desktop research from key industry issues, peers and leaders to identify a broad list of factors relevant to MISC

Categorise the universe of factors into the six capitals:
- Financial
- Physical
- Intellectual
- Human
- Social and relationship
- Natural

STAKEHOLDER ENGAGEMENT

Engage internal and external stakeholders to better understand and prioritise factors by selecting and scoring the top five material factors

- Conduct 15 interviews with Management, Board members, customers, investors and finance providers
- Conduct employee focus groups from various business and service units and subsidiaries

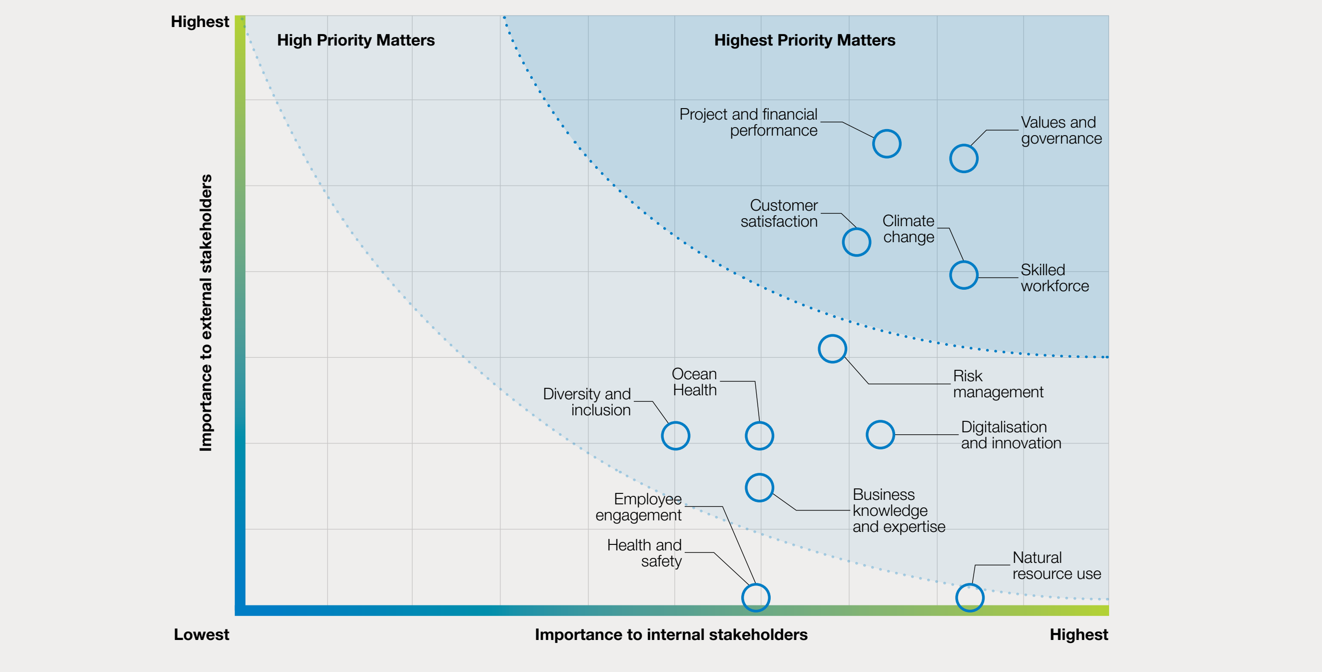
MATERIALITY VALIDATION

Map MISC materiality matrix based on inputs from internal and external stakeholder engagements

Validation by Management Committee on the final materiality matrix

The following matrix presents the Group's material matters:

MISC's Materiality Matrix



The chart below describes the importance of our material matters from internal and external stakeholders' perspectives:

Internal vs External Materiality

Health and safety, employee engagement and natural resource use have been added as additional material matters for the Group, as these areas are of importance to our business and internal stakeholders. In particular, ensuring the health and safety of our employees and the community surrounding our operations, are our topmost priority.

We strongly believe in continuous and proactive employee engagement as a means by which we can enhance the mental and emotional connection between employees and employers. This in turn encourages greater discretionary work efforts from our employees, higher productivity levels at the workplace, and a more focused talent management approach that is aligned with the business strategy.

As a business that is highly committed to upholding our environmental stewardship obligations, natural resource use is key in how we maintain our environmental conservation efforts, as we continue to promote environmental awareness amongst our internal and external stakeholders.

For details on how we use our materiality assessment, refer to Anchoring Sustainability @ MISC section on pages 104 to 106.

// Key Messages / Highlights / Strategic Review / Sustainability / Financial Review //////

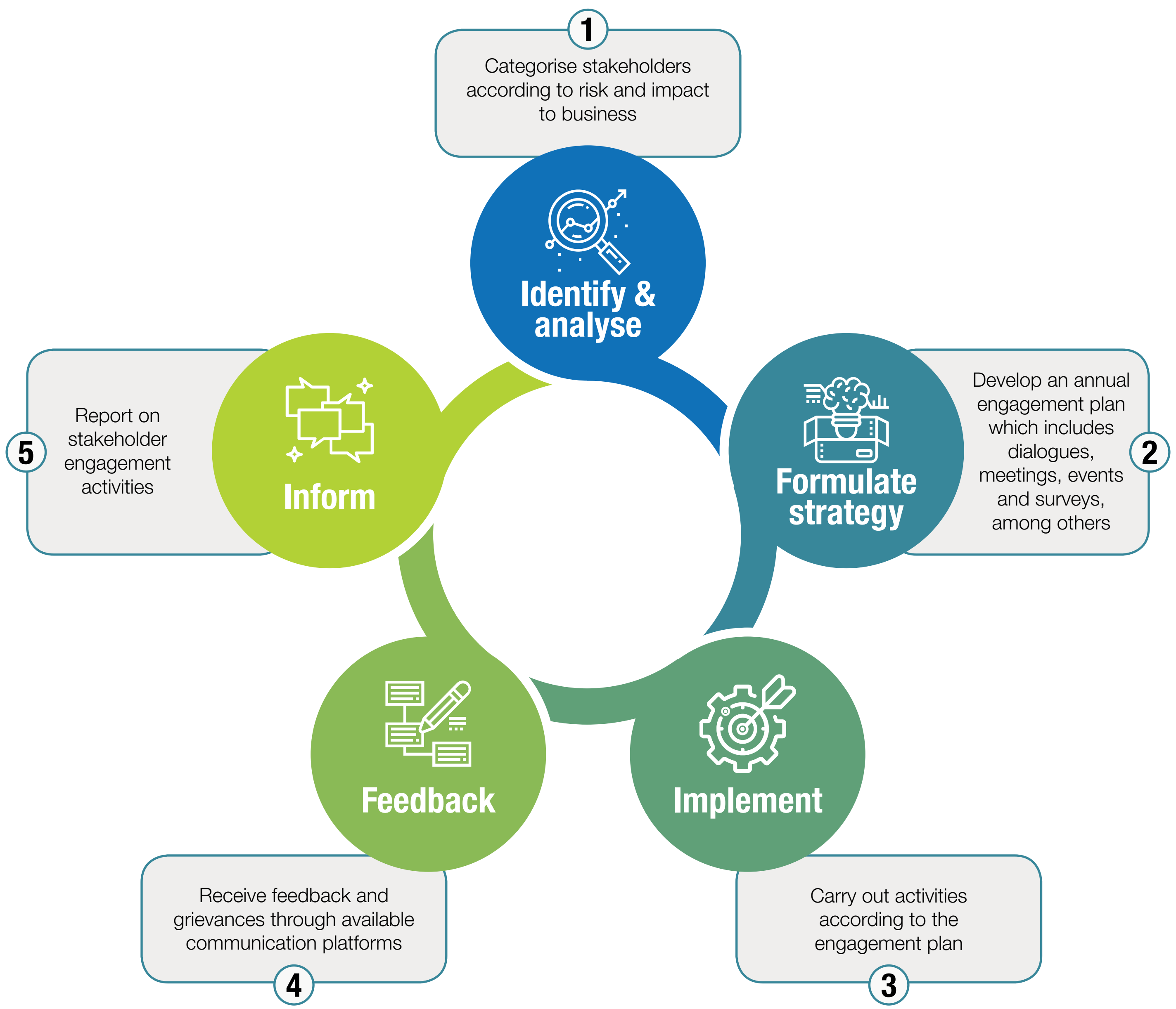
MISC Berhad / Integrated Annual Report 2020

OUR STAKEHOLDERS

MISC is committed to contributing towards elevating the maritime industry and making a positive impact for our stakeholders. This commitment is supported by our stakeholder engagement strategy, focusing on creating shared value.

At MISC, stakeholder engagement is integrated into every step of our value creation process. The term 'stakeholders' is defined as 'all those who exercise or could exercise influence over the activity of our business or operations and all those who are, or could be, influenced by the activity of our business or operations'.

MISC goes through a five-step systematic process to identify and understand its stakeholders as set out below:



Based on the stakeholder analysis, the appropriate level of engagements is chosen as follows:

1 Collaborate
Stakeholders who have high influence and high impact to MISC Group should be fully engaged with the greatest effort to respond to their needs

2 Communicate
Stakeholders who have low influence but high impact to MISC Group should be kept adequately informed

3 Promote
Stakeholders who have high influence but low impact to MISC Group should receive an adequate response to their needs and expectations

4 Monitor
Stakeholders who have low influence and low impact to MISC Group should be monitored

At MISC, our stakeholder engagement strategies are formulated as follows:

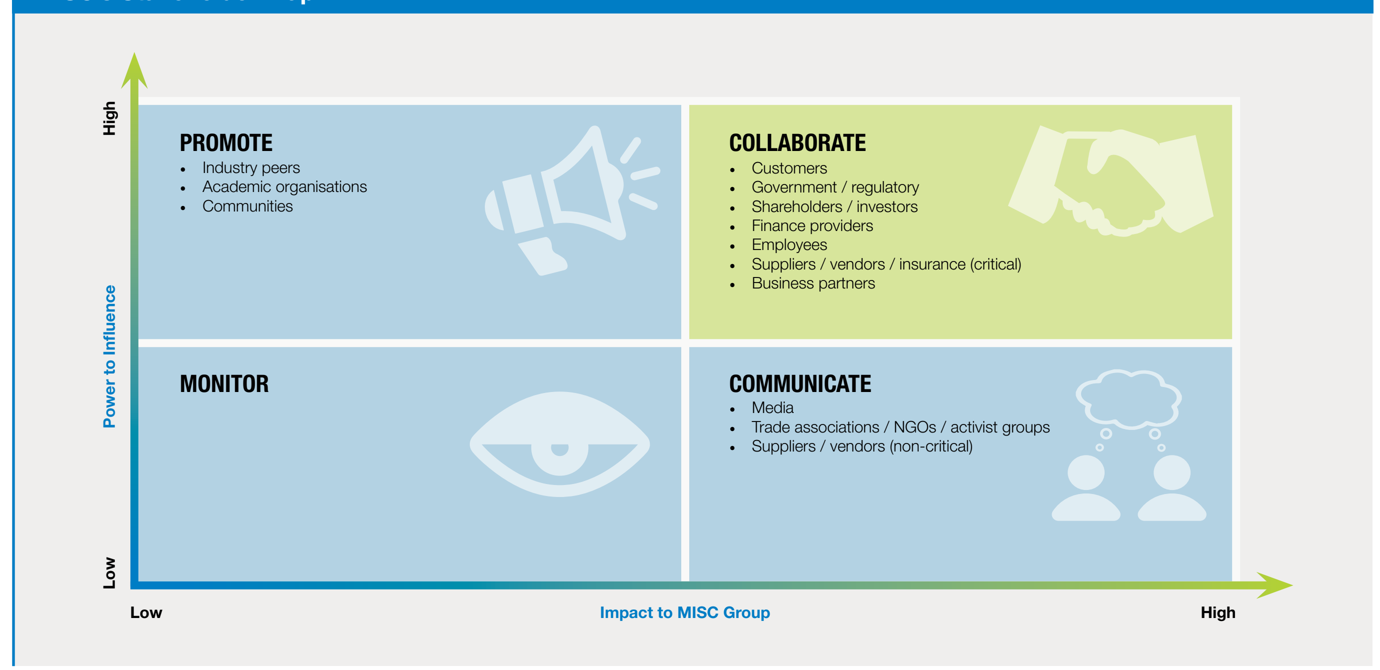
- The outcomes from our stakeholder analysis, and risks and opportunities identified through this process, is considered in determining material matters for the business, as well as our short, medium and long-term strategies and goals
- We identify the stakeholder value proposition and map it against our material matters
- We develop initiatives to improve engagement and achieve our goals as part of our stakeholder engagement strategy
- We measure the outcomes of our engagements as part of our value creation tracking

While we engage with all stakeholders, we have identified our key stakeholders as those with whom we need to consult and, as such, have developed goals for each.

The Group identifies and maps our stakeholders according to their power to influence versus their impact to MISC Group.

The following graphic presents the Group's stakeholder map:

MISC's Stakeholder Map



For details on how we engage with our stakeholders, refer to Anchoring Sustainability @ MISC section on pages 107 to 111.

OUR OPERATING ENVIRONMENT

2020 was an exceptionally challenging year as the world grappled with the cascading effects sparked by COVID-19. The energy and shipping industries in which MISC operates were not spared. The cyclicality and volatility that is characteristic of these industries was evident in 2020, although there are encouraging signs of a recovery in 2021.

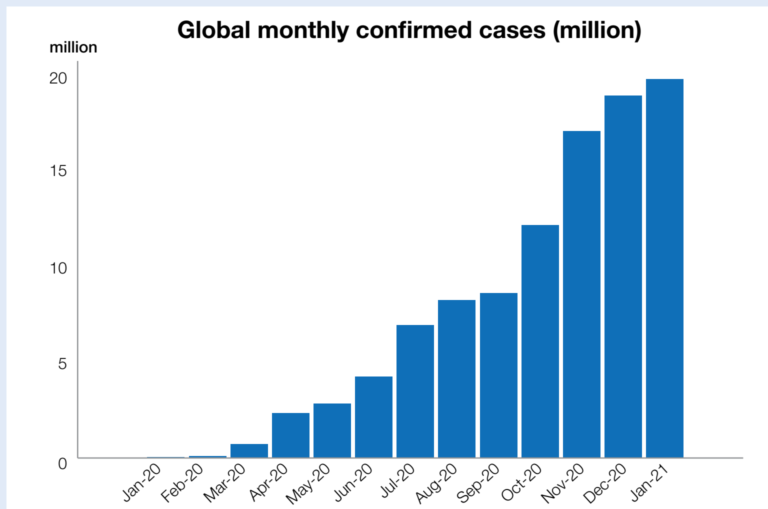
Peering into the more distant future, we foresee that the maritime industry continues to be a vital cog in global commerce. However, industry players will need to adapt to key long-term trends and technological changes, which present both opportunities and challenges to be tackled.

Despite the short-term outlook being clouded by the ongoing pandemic, the long-term picture remains positive. We continue to monitor the changes in our operating environment and the impact that these have on our business, and we align and define our strategies accordingly to ensure that our business will remain relevant and sustainable in the years ahead, as we continue to deliver on our goal of moving energy to build a better world.

SHORT AND MEDIUM TERM

GLOBAL HEALTH CRISIS

In 2020, the world experienced one of the most difficult years in modern history mainly due to the rapid spread of the COVID-19 coronavirus around the globe beginning early in the year. Besides measures such as physical distancing, testing and quarantine, strict lockdowns and travel restrictions became the norm.



Source: WHO

OUTLOOK AND OPPORTUNITIES

On the positive side, multiple vaccines have been developed at record pace. However, the emergence of new strains of the virus and further waves of infections, combined with a slower than expected vaccine rollout could delay the recovery.

Source: WHO

IMPLICATIONS TO MISC

Our core businesses have kept operating throughout the pandemic, although the Marine & Heavy Engineering segment was more heavily affected mainly due to the temporary yard suspension and other measures under the government's Movement Control Order (MCO). We have remained vigilant and continuously implement all necessary COVID-19 mitigation measures. Read more on this topic in our Special Feature: Our Response to COVID-19 on pages 82 to 83 and Marine & Heavy Engineering Business Review section on pages 160 to 169.

Material Matters — Health and safety; Risk management

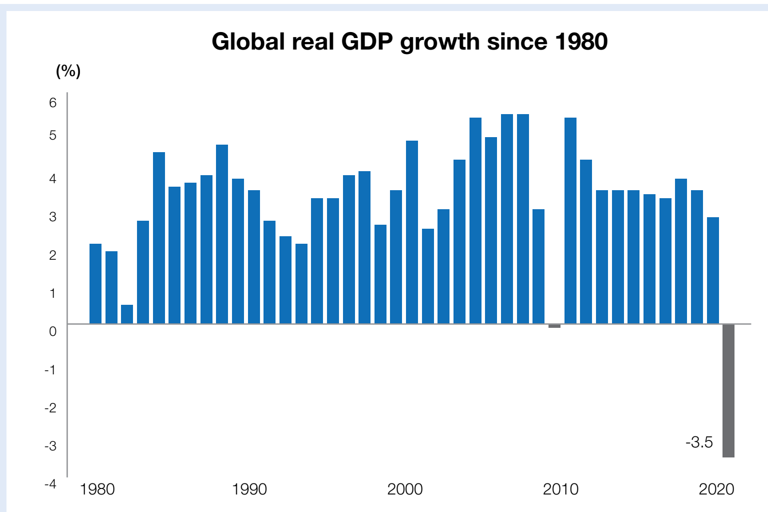
Risks — Business disruption; Business cyclicality

ECONOMIC RECESSION

The lockdowns and mobility restrictions imposed by governments around the world to contain the pandemic resulted in the deepest global recession since the Second World War.

As many countries slowly reopened and lifted their lockdowns, the global economy started to recover since mid-2020 but it has been fragile and uneven.

Sources: OECD, IMF



Source: IMF

OUTLOOK AND OPPORTUNITIES

Global GDP is predicted to rebound to around 4%-5% growth in 2021, supported by vaccination campaigns, concerted health policies and government stimulus, but the path remains long and difficult amid many uncertainties.

On the positive side, new norms that are based on new technologies, new business models and new paradigms could engender faster productivity growth. There are also areas of opportunity, such as China. As one of the first countries to bring the outbreak under control and ease restrictions, China looks set to retain its position as the growth engine of the world post-COVID.

Sources: OECD, Fitch Solutions

IMPLICATIONS TO MISC

Despite the turbulent landscape, 2020 turned out to be a banner year for MISC, where we secured projects worth USD2.8 billion in terms of CAPEX, more than double the previous year. This included our maiden deepwater FPSO project in Brazil and our first Chinese charterer, STL, for a long-term charter contract for six VLECs.

Even if the economy is not recovering as quickly as forecasted, MISC has, as part of the strategy towards more secured profit, attained a sustainable level of recurring income from our long-term contracts that will enable us to weather through this period.

In the meantime, we will be kept busy focusing on executing and delivering the very sizeable contracts that we have won in the last two years, whilst positioning ourselves to take advantage of opportunities that will arise when the market rebounds.

Material Matters — Risk management

Risks — Business disruption; Business cyclicality

// Key Messages / Highlights / Strategic Review / Sustainability / Financial Review //////

OUR OPERATING ENVIRONMENT

SHORT AND MEDIUM TERM

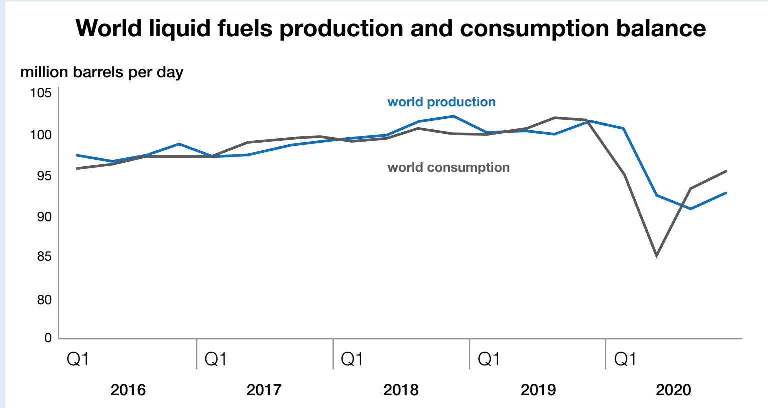
OIL MARKET DOWNTURN

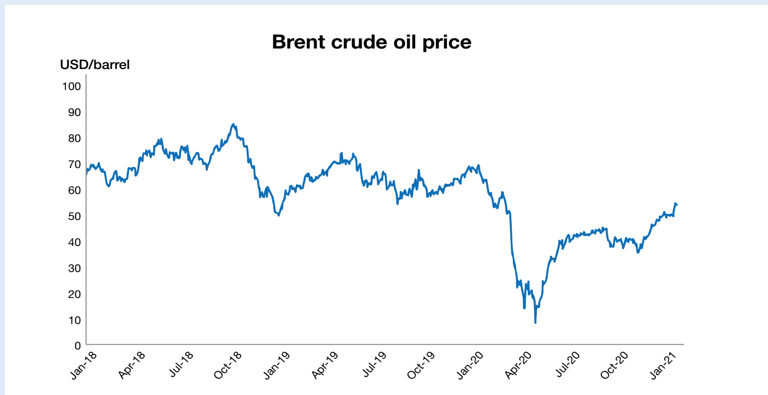
In March 2020, Saudi Arabia and Russia engaged in an oil price war to gain market share. As oil production spiked, a huge oil surplus started to build amidst the collapsing demand resulting from the worldwide lockdowns and curbs to battle COVID-19.

With oil prices tumbling to record lows in April, the OPEC+ alliance agreed to implement deep production cuts in May, removing approximately 9.7 million barrels per day of oil production from the market and ending the oil price war.

Continued oil supply cuts by OPEC+ together with gradual easing of lockdowns paved the way for oil prices to regain some lost ground, eventually reaching above USD50 per barrel by year end.

Sources: EIA, Reuters





Source: EIA

OUTLOOK AND OPPORTUNITIES

Oil prices are unlikely to mount much of a recovery in 2021 and is expected to linger at USD50-USD60 per barrel in 2021 and 2022. The rebound in global oil demand will be gradual and is unlikely to return to 2019 levels before 2022.

Despite the uncertainties, global oil consumption and production is forecasted to rise during 2021 and 2022. The pace of growth will be dependent on the distribution and effectiveness of the vaccines and the rate of global economic recovery. Global oil supply will be impacted by OPEC+ production cuts in the short term and its growth will lag recovery in oil demand due to lower investments in the E&P sector due to reduced capital availability. There is likely to be limited rebound in US oil shale supply and output is expected to remain flat at about 11 million barrels a day in the near term.

Sources: EIA, Reuters, Worldoil.com

IMPLICATIONS TO MISC

As noted above in Economic Recession, despite the negative market conditions in 2020, MISC successfully secured major contracts, our financial performance would be underpinned by existing long-term contracts even with slower market recovery, and we will focus on project execution and delivery in the meantime.

However, lower E&P investment will affect the number of opportunities available for the Offshore Business and Marine & Heavy Engineering segments. For the Petroleum & Product Shipping segment, lower oil production and demand will post some challenges for its spot tankers to secure employment in the near term.

Material Matters — Risk management; Project and financial performance

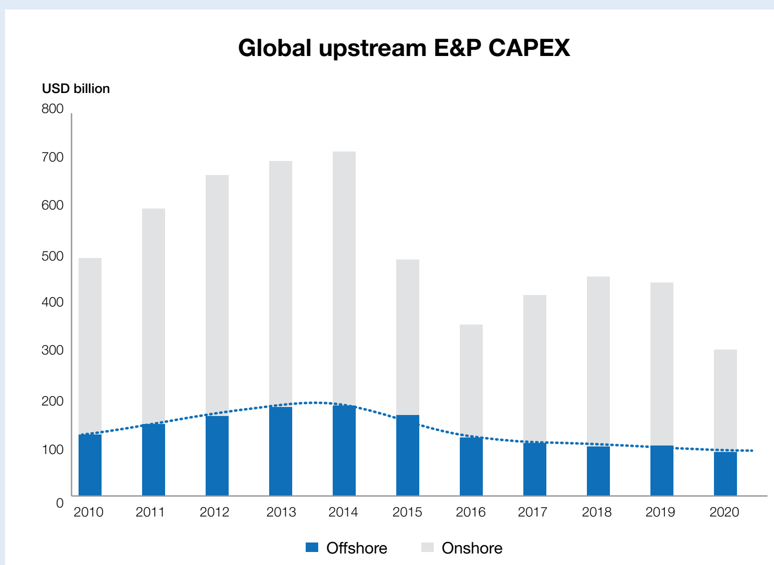
Risks — Crude oil dynamics - supply, demand and price; Asset availability and utilisation

OFFSHORE SECTOR

The global upstream exploration and production (E&P) CAPEX spending is experiencing the steepest cuts since 2014 due to the collapse in oil demand. A number of project awards and final investment decisions (FID) were either cancelled or deferred.

The upstream onshore sector bore the brunt of the CAPEX curtailment while the offshore sector has been less affected. The FPS market, in particular, has proved to be more resilient during this crisis.

Sources: IHS Markit, EIA



Source: IHS Markit

Global offshore spending is forecasted to remain subdued in 2021 but will slowly rise by the beginning of 2022 partly contributed by resumption of delayed FID. Assuming oil prices remain steady around USD50 per barrel, deferred projects in 2020 and new projects are expected to be revived and sanctioned in 2021, with potentially 35 to 70 FPSO orders will be awarded over the next five years, arising mainly from Brazil, Southeast Asia and Africa.

All regions will further cut CAPEX in the offshore segment in 2021 except for Latin America —more specifically Brazil as maturing projects are seen to be moving forward in Brazil despite low oil prices due to their favourable break-even prices and long field life. South America is the largest source of newbuild FPSO demand, followed by the Asia Pacific, with operators eyeing huge fields in Brazil, Guyana and Australia.

Sources: IHS Markit, EIA

Despite the cutback in capital spending by major oil companies in 2020, some awards proceeded as planned, including the Mero 3 FPSO project in Brazil. This FPSO project will add substantially to the long-term secured profit of the Offshore Business segment. Importantly, the Mero 3 FPSO breakthrough award lays the path to vie for more projects in the Atlantic Basin, where most of the large-scale deepwater FPSO projects are located.

Although the order intake for the Heavy Engineering segment was severely affected in 2020, fortunately it has an orderbook backlog to sustain its revenue over the next few years. In the meantime, it is pursuing business opportunities in new areas such as the offshore wind farm sector. It is also intensifying its improvement initiatives in execution and delivery of its ongoing projects and for greater competitiveness in bidding.

Material Matters — Risk management; Project and financial performance

Risks — Crude oil dynamics - supply, demand and price

OUR OPERATING ENVIRONMENT

SHORT AND MEDIUM TERM

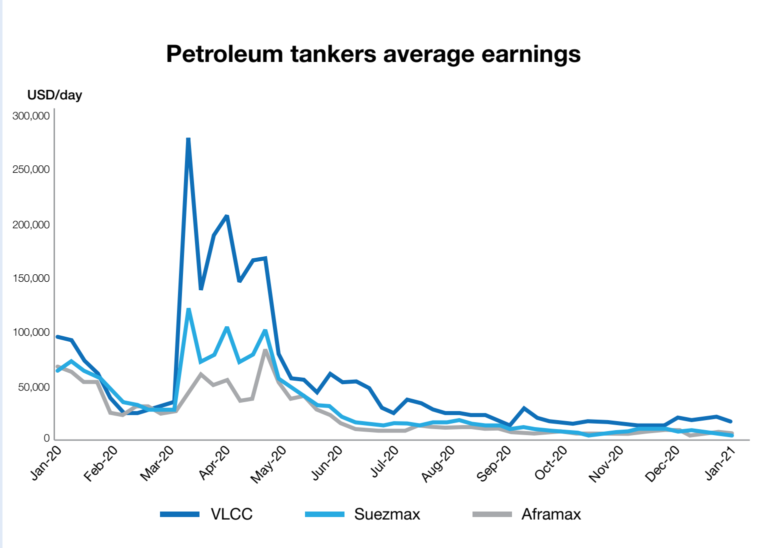
SHIPPING SECTOR

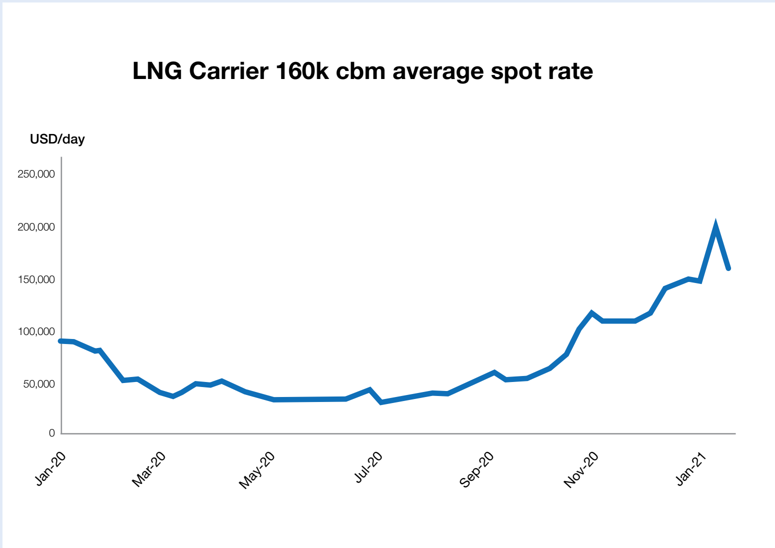
Petroleum tanker rates were volatile in 2020. The oil surplus, intensified by the oil price war, created a price contango in the oil market. This led to a rush for onshore and floating storage, and tanker spot rates surged rapidly in mid-March. However, this was short lived.

In May, in response to plummeting oil prices, the OPEC+ alliance agreed to new production cuts. Floating oil storage peaked around mid-2020 and eased for the rest of the year. Tankers previously employed in floating storage added to the available tanker tonnage. Spot rates tumbled and remained low for the rest of the year as the seasonal peak winter demand for oil and tankers did not materialise in 2020.

LNG carrier spot rates also initially declined due to weak gas demand caused by lockdowns in key markets. However, unlike petroleum shipping, LNG carrier demand and spot rates rose towards the year end with the return of seasonal winter peak demand in North Asia.

Sources: Clarksons, S&P Global, Reuters, EIA





Source: Clarksons

OUTLOOK AND OPPORTUNITIES

The global crude oil tanker market is oversupplied in the near term as economic activity remains subdued. In the short to medium term, easing of OPEC+ production cuts and potential growth in oil (as well as gas) exports from the Americas – such as from non-OPEC members like Brazil and the US – could boost tanker and LNG carrier tonne-mile demand as the main importers are situated in Asia.

At the same time, slower newbuilding orders and historically low orderbook are expected to moderate tonnage growth, while scrapping is expected to gain momentum, helping the tanker market to rebalance.

Global natural gas supply and demand is forecasted to recover in 2021, and demand is set to increase steadily for the next few decades helped by economic growth in Asia, with the COVID-19 pandemic seen as only a temporary setback.

Long-term fundamentals for gas remain strong, supported by growing population and energy demand. Gas is positioned as a cleaner replacement for coal and as the transition fuel to renewables. This opens up new applications and markets for LNG, including as a more environmentally-friendly, reliable and cost-effective fuel for the maritime industry. This will drive demand for LNG carriers and other maritime solutions including LNG bunkering and LNG to Power (L2P), as well as increased demand for related services like LNG carrier dry docking and repair.

Sources: Clarksons, Reuters, S&P Gobal, EIA

IMPLICATIONS TO MISC

In a year that saw both ultra-high and ultra-low spot charter rates, the Petroleum & Product Shipping segment recorded a higher operating profit over the previous year. This was through maintaining a mix of long-term contracts with some spot exposure which provide the agility to profit from charter rate rises while maintaining a base of secured income even if spot rates collapse. As part of its strategy to grow its secured income portfolio, it will focus on the niche DPST market and grow its DPST fleet in the Atlantic Basin. 2020 was a muted year for LNG shipping opportunities due to cancellation or deferment of new LNG projects due to weak demand coupled with oversupply of natural gas globally. Notwithstanding, LNG Asset Solutions successfully ventured into the China and ethane transport market through its acquisition of six newbuild VLECs, as well as becoming the region's first commercial operator and ship manager of an LBV.

An improvement in LNG fundamentals has renewed optimism for developers of new LNG projects. In the medium term, LNG Asset Solutions will be capitalising on this trend by pursuing its bread-and-butter conventional LNG shipping opportunities alongside unconventional solutions such as L2P, LBV and others.

Meanwhile, MHB's Marine segment commenced operations on its newly completed Dry Dock 3, a significant milestone in its journey to increase its capacity to capture more recurring business, to conduct repair and refurbishment services of LNG carriers and other vessels, FSOs, FPSOs and oil rigs.

Material Matters	Climate change	Risk management	Project and financial performance
Risks	Evolving LNG market	Climate change and environment	Crude oil dynamics - supply, demand and price

OUR OPERATING ENVIRONMENT

MEDIUM TO LONG TERM

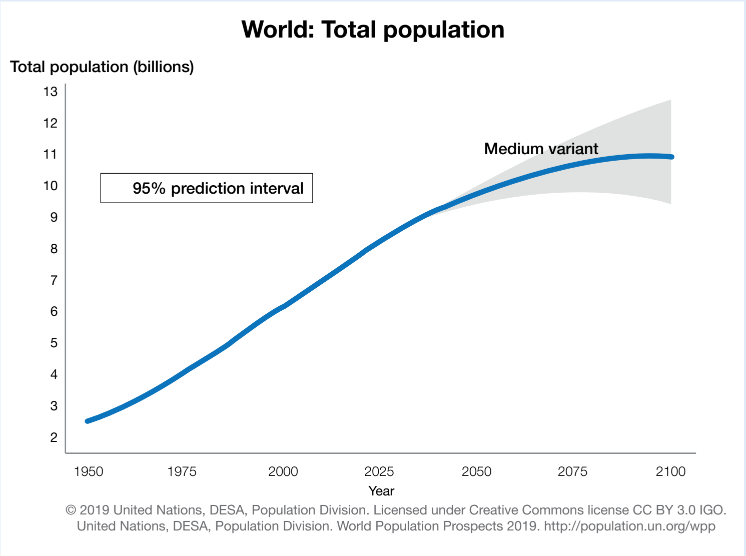
DEMOGRAPHIC SHIFTS AND RAPID URBANISATION

The world's population is forecasted to grow from 7.7 billion in 2019 to 9.7 billion people by 2050, with India set to overtake China as the world's most populous country.

Today, 55% of the world's population lives in urban areas, a proportion that is expected to increase to 68% by 2050.

A growing urban population and further economic development is expected to lead to increasing consumer purchasing power which would drive greater demand for goods, services and energy in the coming decades.

Source: UN



Source: UN

OUTLOOK AND OPPORTUNITIES

Demand for energy resources and global maritime transportation services is expected to grow together with population, economic and global trade growth.
With its population expected to grow beyond 5 billion by 2050, Asia looks set to retain its position as the epicentre of demand for energy and other resources to power its economy in the coming decades.

Additionally, there are long-term societal changes affecting future generations' consumption, lifestyle and work preferences. Future consumers are likely to have stronger inclination towards sustainably-and-responsibly-sourced products and services. Likewise the future workforce is likely to gravitate towards employers who have a clear social and environmental stance. With greater awareness, society will also influence changes in policies to favour cleaner energy, such as natural gas and renewable energy.

OUR RESPONSE

MISC will pursue opportunities arising from the increasing demand for energy, including conventional LNG shipping and in emerging and niche markets, for example, non-conventional LNG asset solutions, like floating solutions for LNG transportation, storage, regasification and power generation.

We will also be assessing maritime opportunities that are in adjacent or similar markets and those which are in line with the global energy transition.

In the meantime, we will continue ongoing efforts to weave environment, social and governance considerations into the fabric of our day-to-day operations, so as to meet the expectations of society and continue to be an employer of choice in the long term.

Material Matters: Customer satisfaction; Values and governance; Skilled workforce; Climate change

Risks: Business cyclicality; Business disruption; Asset availability and utilisation

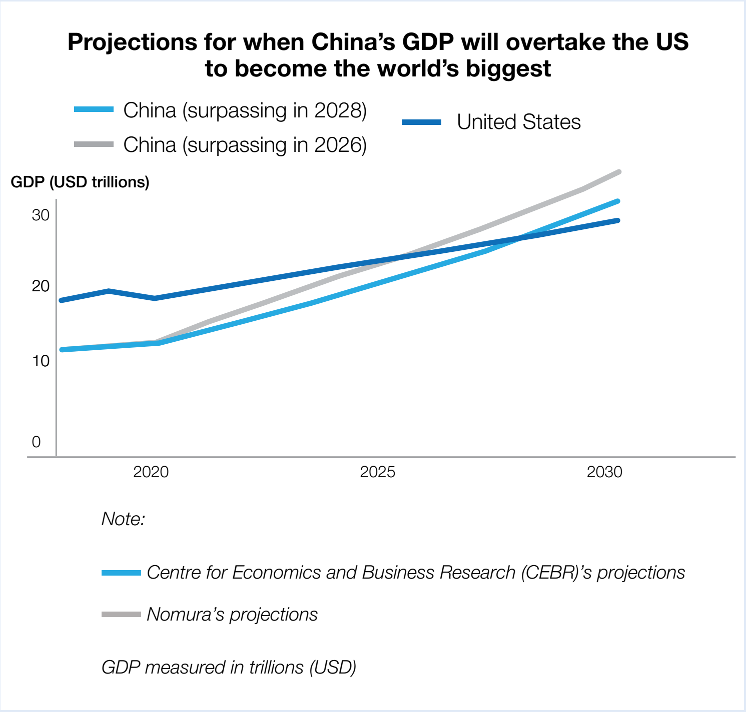
SHIFT IN GLOBAL ECONOMIC POWER AND GEOPOLITICS

A new economic world order is emerging – power is shifting to fast-developing markets, particularly China, as a new middle class rises in emerging markets. China has already overtaken the US as the largest economy based on GDP in purchasing power parity (PPP) terms, and could be the largest economy valued at market exchange rates before 2030. Besides China, countries like India, Russia and Brazil are also emerging as economic powerhouses.

Growth in many emerging economies will be supported by relatively fast-growing populations, which will boost domestic demand and the size of the workforce.

This shifting balance of economic and geopolitical power between traditional and emerging powers will bring many changes, though it will be challenging to predict exactly how the future will unfold.

Source: GMF



Source: Nomura/IMF

OUTLOOK AND OPPORTUNITIES

The long-term global economic power shift away from the established advanced economies is expected to continue over the period to 2050, as emerging market countries continue to boost their share of world GDP despite recent mixed performance in some of these economies.

Chinese economic policy will play a key role in shaping global trade flows, affecting many industries including energy and shipping. China's rise as an economic superpower has triggered massive expansion of the shipping industry. China will need to secure even more of the world's natural resources and grow markets for its expanding economy.

In terms of geopolitics, the world order is fragmenting. A scenario analysis suggests that the relative influence and leadership of the US and China on the world stage and the bilateral relationship between them would play a major role in defining the international landscape. This scenario analysis found that the highest likelihood outcome for world order in the decade ahead would not be a unipolar order or a bipolar Cold War-style competition, but a loose multipolarity.

In the coming years, the shipping industry may face mounting political interference in trade, alongside increasing nationalism and de-globalisation, which could lead to shortening or rationalisation of shipping routes.

Sources: CSIS, GMF

OUR RESPONSE

The continuing rise of China and other fast-growing countries will drive demand for shipping and energy and create opportunities which can benefit MISC in the long term.

MISC has entered the Chinese market through its charter of six VLECs to STL, which has provided an avenue to further expand its business in the country. Brazil is growing its oil output and Offshore Business segment's Mero 3 FPSO project win opens the door to more opportunities in Brazil and the Atlantic Basin.

In exploiting these opportunities however, MISC will need to tread carefully to manage risks such as trade or geopolitical disputes.

Material Matters: Risk management

Risks: Increasing geopolitical instability

OUR OPERATING ENVIRONMENT

MEDIUM TO LONG TERM

CLIMATE CHANGE AND INCREASING ENVIRONMENTAL AWARENESS

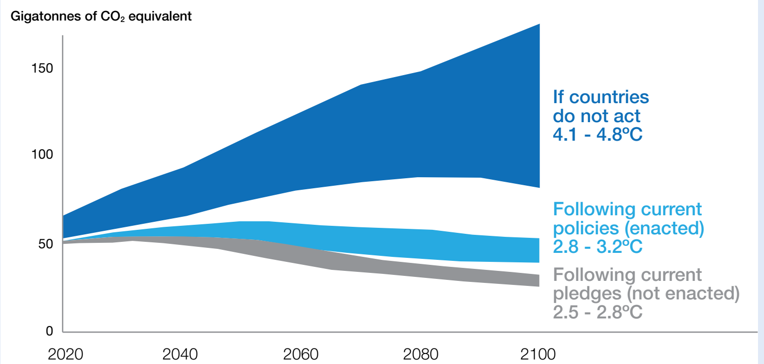
Environmental issues are attracting broader attention and calls for climate action are growing louder.

The crisis caused by COVID-19 could create new momentum for climate change initiatives, by triggering 'green' government funding to rebuild the economy and spur long-term changes within many sectors towards a low-carbon economy.

The new US administration has set forth an ambitious agenda to achieve net zero emissions and rejoined the Paris climate accord. A growing number of oil and gas companies have set carbon reduction aspirations and leading players in the shipping industry have pledged to continuously reduce emissions to meet more stringent targets set by the International Maritime Organization (IMO).

Sources: IMO, GMF

Emissions* and expected warming by 2100



* Emissions are in Gigatonnes of CO_2 equivalent

Source: BBC

OUTLOOK AND OPPORTUNITIES

Natural gas remains key in the energy mix going forward and will continue to grow, taking market share mainly from coal. Renewables are gaining momentum and will cannibalise demand for coal and oil, but oil will continue to play a major role in the world's energy mix even until 2050. In the longer term, hydrocarbons may be out of favour, and demand is projected to decline. Renewables will see the biggest growth in the world's energy mix in the next 20 years driven by technological advances.

For the shipping sector, the IMO has set the ambition of reducing the industry's GHG emissions by at least 50% by 2050 compared to 2008; and reducing the carbon intensity of ships by 40% by 2030, and 70% by 2050 compared to 2008 levels.

An important consideration is that a commercial vessel is capital-intensive with a typical life span of 20-25 years. To deliver on IMO 2050 targets, zero-emission vessels will need to enter the commercial fleet by 2030.

For the moment, LNG-fuelled vessels offer the best bridging solution, as technological solutions to fully achieve IMO 2050 targets are not yet available. However, ammonia and hydrogen are touted as zero-carbon emission alternatives to carbon-based marine fuel. Potential technological breakthroughs in ammonia and hydrogen might result in them eventually displacing LNG as the clean fuel of choice for shipping.

Sources: IMO, GMF

OUR RESPONSE

MISC is currently formulating a long-term strategy to ensure our continued competitiveness and relevance towards a low and zero carbon economy.

In the meantime, MISC is already taking steps to evolve and stay ahead in the industry through the following efforts:

- MISC is a founding member of 'The Castor Initiative', an alliance among six industry players to jointly develop commercially-viable deep-sea zero-emission vessels by 2030 using ammonia as a fuel
- In addition to pursuing conventional LNG shipping, LNG Assets Solutions will tap further on LNG bunkering opportunities as demand for LNG as marine fuel is expected to pick up. Potential technological breakthroughs in ammonia and hydrogen will provide the segment new opportunities to grow its non-conventional market
- Petroleum & Product Shipping segment is a pioneer in LNG dual-fuel vessels and is committed to growing its fleet of LNG-powered vessels. It aspires to accelerate its own emissions reduction effort and meet the IMO 2030 goals earlier. The segment is focusing on participation in other low-carbon maritime services either on its own or through strategic partnership
- Marine & Heavy Engineering segment is capitalising on its oil and gas fabrication capabilities to cater to fabrication of structures for the offshore wind farm market
- Offshore Business segment is exploring opportunities and collaboration with clients on addressing climate change on existing assets, future projects and new business lines

For more details, refer to Business Review section on pages 136 to 169 and Anchoring Sustainability @ MISC section on page 105.

Material Matters	Climate change	Ocean health	Natural resource use
Risks	Peak oil	Climate change and environment	

// Key Messages / Highlights / Strategic Review / Sustainability / Financial Review //////

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OUR OPERATING ENVIRONMENT

MEDIUM TO LONG TERM

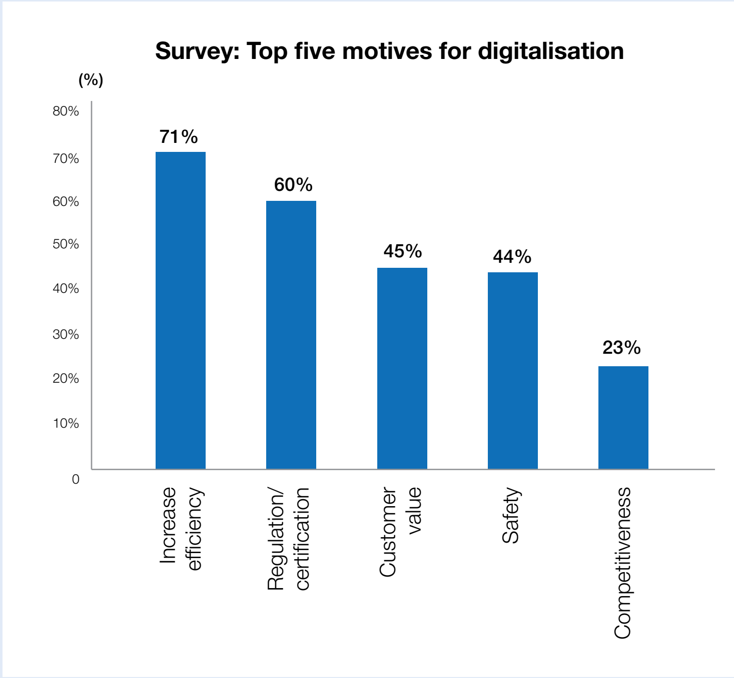
ADVANCEMENT IN TECHNOLOGY AND DIGITALISATION

The rising tide of technology has been reshaping the maritime industry and more change is expected in the future. Commercial and environmental needs are driving these transformations and technology is a key enabler.

Technological advances such as blockchain applications, cargo and vessel tracking, autonomous ships and artificial intelligence, hold opportunities for the global shipping industry to better meet the needs of their customers. Similarly, R&D efforts on new fuels and propulsion systems as well as technology for reducing emissions are coming to the fore.

The pace of digitalisation in the energy sector is also increasing and investment in digital technologies by energy companies has risen sharply over the last few years. Oil and gas companies are looking into non-traditional partnerships, for example with technology, transportation and commercial companies to develop cost-effective solutions across their supply chains.

Sources: IEA, GMF



**Based on survey results of more than 350 shipowners and shipmanagers on reasons for digital adoption*

Source: Llyod's List

OUTLOOK AND OPPORTUNITIES

There will be an increase in investments in emerging technologies providing a wider use of green energy sources and increasing alternative fuel options. Advancements in technology and digital transformation will be accelerated to address decarbonation goals with more cross-sectoral collaboration efforts and technology-based partnerships among industry leaders.

For the maritime transport sector, digitalisation will help the industry respond to the increased demand with enhanced safety and efficiency whilst green technology enables cost-effective and environmentally friendly operations.

OUR RESPONSE

MISC will continue to focus on improvement in voyage planning and digitalisation initiatives to optimise fuel consumption and reduce carbon emissions. MISC has also been investing in R&D in digitalisation and innovation applications such as safety and risk management digitisation systems, integration of inventory management systems and data-driven shipmanagement system. Further details on this investment can be found in Anchoring Sustainability @ MISC section on page 107.

To keep up with market developments and to maintain our competitive advantage, we will leverage on digital technologies and continuously enhance and strengthen our internal capabilities with regards to technology requirements for greater operational efficiencies. The Group is driving the internal transformation in the areas of finance, procurement and document management towards becoming a data-driven organisation.

There are also opportunities to commercialise LNG asset-based solutions whilst identifying and maturing non-conventional solutions. Meanwhile, the Offshore Business segment is in the process of identifying and potentially implementing available new technologies for offshore asset efficiency or for greater Offshore Business' commercialisation.

Material Matters	Health and safety	Risk management	Digitalisation and innovation
Risks	Cybersecurity	Increased automation and connectivity	

SPECIAL FEATURE
OUR RESPONSE TO COVID-19

The COVID-19 crisis has disrupted business operations globally where no industry was spared from the implications of the economic fallout triggered by the outbreak. Companies that continued to operate throughout the COVID-19 pandemic have had to come up with novel ways of keeping their employees safe. At the onset of the pandemic, very little was known about the virus. Existing health and safety standard operating procedures (SOP) in the Pandemic Response Plan had to be adapted and updated based on learnings culled from a wide range of reputable sources, all of which continue until today.

MISC began monitoring the COVID-19 situation as early as December 2019, when we implemented HSSE advisories to safeguard our employees from potential infection. At that point, the virus had only been detected in China. By early February 2020, the situation had worsened and MISC instituted the Pandemic Response Team to chart the best course forward.

In March 2020, infection rates hit critical mass, and the World Health Organisation officially declared it a pandemic. Global lockdowns, border closures and movement restrictions were announced to curb the spread of the virus. While many businesses pivoted to work from home arrangements, to enable their employees to continue working in safety, this was a luxury that could not be afforded to MISC's employees such as the seafarers working at Eaglestar and AET, offshore workers on our floating assets, shipyard workers at MHB, and MMS' marine technical, consultancy employees, inspectors and engineers. These employees continue to be MISC's front liners, risking themselves every single day to keep trade and commerce flowing around the world. The high risk of infection our front liners face has caused significant anxiety. With mental health a challenge for our employees, we provided them the right support to fortify their mental strength.

Some of the mental health measures/support provided to our employees are:

- Employee Assistance Programme, a hotline which our employees can call to speak to specialist consultants who provide them independent counselling. Advice covering health, legal matters, financial difficulties and family issues, is provided by a third-party service provider, and all communications are kept private and confidential
- Online mindfulness sessions which taught our employees relaxation techniques to help them manage stress and anxiety
- Online workout sessions made available through various online portals i.e. YouTube and Facebook

Keeping our Seafarers Safe

We considered it our outmost priority to ensure that our employees, especially the crew, remained safe to ensure flawless operations. While the initial stage proved to be challenging, Eaglestar proactively devised COVID-19 guidelines for crew change which has been successful in minimising the spread of the virus on board our vessels.

Keeping our employees safe was inextricably linked to assuring our customers that they could utilise our crew and vessels to conduct their global trade arrangements securely, and expect safe and timely deliveries of their cargo. We developed a robust plan that covered various aspects of the seafaring trade, and each vessel had its own Ship Pandemic Plan.

The maritime industry has been severely hit by the crew change crisis. Logistic limitations, closure of ports and borders, and high risk of COVID-19 infections are resulting in the extended stay of crew onboard the vessel. Besides the logistic challenges, the joining and repatriation of crew was challenging due to constant changes in the different SOPs issued by the respective countries. Shore leave for crew members were suspended to better manage the crew change situation.

As the vessels were having minimal or almost no physical contact with the shore, the management and shore employees embarked on the following initiatives to reduce anxiety among the crew and maintain high spirits to push through the challenging times together:

- Increased communications between our shore employees and our seafarers. Eaglestar's management, comprising of the CEO and Directors of various divisions, have been in constant engagement with the crew to advise and share on management's efforts in managing the crew change crisis
- Increased the amount of interaction between crew members and their families at home by providing more video calls for the crew

As the pandemic persists, the crew change crisis has become one that the maritime industry can no longer ignore. In January 2021, the MISC Group, comprising of MISC, AET and Eaglestar signed the Neptune Declaration on Seafarer Wellbeing and Crew Change. MISC along with over 300 companies and organisations who are signatories of the Declaration are coming together to resolve the crisis across the entire maritime value chain as soon as possible.

Maintaining Workers Safety at our Shipyards

Workers at MHB's shipyards in Pasir Gudang are also facing their own set of unique challenges as they continue to work through various lockdown cycles. As of the end of September 2020, we had a total of 7,000 people at our premises, working on various projects. As the projects were completed and delivered, the number of workers onsite reduced in tandem, to 4,200 as at the end of December 2020.

To keep our employees safe, we did the following at our shipyards:

- Segregated working areas according to each project, especially at the workshop and fabrication sites. Workshops were further partitioned with barricades to ensure a clear demarcation between projects and keep workers socially distanced from each other
- Opened up two gates for workers to use to enter and leave the yards in staggered timing to reduce human traffic flow. We installed thermal camera scanners at the gates to record the workers' temperatures automatically
- Staggered break times and lunch hours to minimise the number of people congregating
- Frequently communicated with our employees to keep them updated on the latest COVID-19 news and SOPs through email, updates on the portal, SMS and briefing

In the course of the year, any suspected or confirmed COVID-19 case within the facilities or onboard the vessel was managed in accordance to the authorities' guidelines. We shared lessons learnt with the Johor State Health Department and Johor Port Authority, and this collaborative knowledge sharing led to the government enforcing more stringent requirements for vessels planned to be repaired and serviced to undergo a 14-day quarantine period before they berthed.

The challenges of the pandemic have taught us that it is possible to overcome difficulties if we are all of "One Heart. One Mind. One Dream." Regardless of the difficulties we encountered, the entire MISC family stands strong and unified, and continues to put our best foot forward in all that we do.

OUR RISKS AND MITIGATION STRATEGIES

We are cognisant of the presence of risks in our decisions and activities, and thus we recognise the importance of carefully managing our risk exposure whilst pursuing our strategic and business objectives, with the ultimate aim of ensuring sustainable value creation over the long term for our stakeholders. To this end, MISC maintains a structured risk management framework that is integrated into the value creation process across all our businesses.

Details of the Group's risk management framework and processes can be found in the Statement on Risk Management and Internal Control on pages 294 to 307.

The following are the key risks that the Group is currently facing and our responses to those risks:

BUSINESS CYCLICALITY

Material Matters:
Project and Financial Performance

Capitals Affected:
Financial | Physical | Human

Description:
The highly cyclical nature of the shipping markets makes it a challenge to generate predictable cash flows and earnings to sustain our borrowings on capital expenditures. Tonnage oversupply in the petroleum and LNG shipping sectors could place downward pressure on charter rates.

Trend:
Neutral

Mitigation / Response:
- Continue growing the proportion of assets that generate stable long-term income, while maintaining flexibility to take advantage during positive cycles which benefit the Group
- Introducing floor and ceiling rates for some of our spot vessels to reduce the volatility of revenue during low summer seasons and peak winter seasons
- Developing and growing new recurring income segments and businesses to diversify our revenue, such as shuttle tankers and ethane carriers

BUSINESS DISRUPTION

Material Matters:
Project and Financial Performance | Risk Management

Capitals Affected:
Financial | Physical | Human | Social and Relationship

Description:
The risk of disruption to business and operations arose during the year as industries across the globe were faced with challenges on the impact of COVID-19 pandemic.

Trend:
Upward

Mitigation / Response:
- Ensuring effective implementation of our Business Continuity Management (BCM) and Crisis Management Plan (CMP) so that all critical business functions can be resumed promptly in various business disruptive scenarios, including in a pandemic situation
- Reviewing contractual obligations which covers all areas including force majeure to protect the company's interest in the event of unforeseen business disruption

EVOLVING LNG MARKET

Material Matters:
Project and Financial Performance | Customer Satisfaction

Capitals Affected:
Financial | Physical

Description:
The LNG market has been evolving, characterised by shorter duration LNG contracts, the increasing participation of commodity traders and a growing spot/short-term market. As a result, the LNG shipping market is also changing, with shorter charter periods, new counterparties, and a more liquid spot market.

Competition in the segment is also expected to rise from new entrants.

Trend:
Upward

Mitigation / Response:
- Being prudent and selective in bidding for new projects, and where feasible, to take advantage of the short-term/spot shipping market opportunities that present themselves
- Venturing into promising LNG asset-based solutions such as LNG bunkering or adjacent markets with growth potential such as ethane transportation

ASSET AVAILABILITY AND UTILISATION

Material Matters:
Project and Financial Performance | Customer Satisfaction

Capitals Affected:
Financial | Physical | Intellectual | Social and Relationship | Human

Description:
Under-utilisation or unavailability of vessels, floating assets and facilities would affect the Group's earnings. Ineffective management of asset maintenance and operations efficiency would lead to asset breakdowns ultimately resulting in prolonged off-hire periods.

Trend:
Neutral

Mitigation / Response:
- Implementing and continuously reviewing standard operating procedures on asset operations and maintenance to maintain high asset availability and uptime rates
- Maintaining highly-skilled and trained personnel to operate assets at an optimal level
- Leveraging on technology and Internet of Things in developing effective maintenance schedule

CRUDE OIL DYNAMICS, SUPPLY, DEMAND AND PRICE

Material Matters:
Project and Financial Performance | Customer Satisfaction

Capitals Affected:
Financial | Physical | Human

Description:
Reduced opportunities in the Offshore Business, Petroleum & Product Shipping, and Marine & Heavy Engineering segments from continued low and volatile oil price environment due to oil and gas players stepping back from venturing into new upstream oil and gas projects.

Trend:
Upward

Mitigation / Response:
- Maintaining a diversified portfolio of core businesses
- Strengthening business model and strategic direction focusing on long-term contracts, which are not affected by short-term oil price movements
- Developing and venturing into new recurring businesses and broadening our asset portfolio into new asset classes such as ethane carriers and LNG bunker vessels
- Pursuing an optimal tanker fleet such as through the sale of assets during low market environment to help protect against headwinds in the cyclical market while ensuring continued operational excellence
- Exploring opportunities in fabricating wind farm structure, taking advantage of energy transition initiatives by energy players

OUR RISKS AND MITIGATION STRATEGIES

PROJECT MANAGEMENT

Material Matters:
Project and Financial Performance | Business Knowledge and Expertise

Capitals Affected:
Financial | Physical | Intellectual | Social and Relationship | Human

Description:
In new shipbuilding and construction of own assets, conversion of vessels and floaters, delivering clients' orders/contracts, or even internal process improvements and enhancements, it is imperative that the Group maintains an effective project management process and implementation throughout. Potential delay of project completion, cost overruns and quality shortcomings, among others, are risks associated with project management which may result in delayed earnings, missed opportunities, reputation loss and even litigation cases.

Trend:
Neutral

Mitigation / Response:
- Establishing dedicated project management teams for all projects, involving subject matter experts (SMEs) to ensure detailed planning and efficient project implementation
- Ensuring project governance and controls are in place for every project, through the establishment, promotion and adherence to project management procedures throughout the Group
- Carrying out independent project reviews via the Project Risk Assessment (PRA) platform that deliberates risks associated with each project

DEVELOPING AND RETAINING TALENT

Material Matters:
Employee Engagement | Diversity and Inclusion

Capitals Affected:
Human | Social and Relationship

Description:
In the fast pace and evolving environment, failure to retain a good human capital team, as well as inability to significantly equip employees with up to date knowledge and skills, may impair the effective rollout of the Group's strategic objectives in the long run.

Trend:
Neutral

Mitigation / Response:
- Undertaking detailed succession planning and initiatives to ensure a sustainable pipeline of talent is available to meet the Group's requirements, including identifying and developing future leaders
- Deploying a structured and holistic development process with the objective of continuously building employees' competency and capability level. This ultimately caters for the need of readily-available successors at all levels
- Providing clear direction and career growth opportunities to employees, in addition to keeping up to date with employee scheme and rewards that are competitive throughout the industry

HEALTH AND SAFETY

Material Matters:
Health and Safety | Customer Satisfaction

Capitals Affected:
Human | Financial | Physical | Social and Relationship | Natural

Description:
Any major HSSE incidents involving any one of our assets may result in injury or loss of life, asset or environmental damage, financial or reputational impact.

Trend:
Neutral

Mitigation / Response:
- A strict HSSE policy is adopted and embedded into the Group's working culture
- The GHSSE council continuously monitors all HSSE-related risks and matters as well as implementation of improvement initiatives

CYBERSECURITY

Material Matters:
Health and Safety | Risk Management

Capitals Affected:
Financial | Physical | Human | Intellectual

Description:
Cybersecurity incidences recorded an increasing trend globally, including cyberattacks in the shipping and oil and gas industry. The growing trend of digitalisation and automation, added with the implementation of alternative working arrangements (e.g. work from home), increases the cybersecurity risk and exposure.

Trend:
Upward

Mitigation / Response:
- MISC's cybersecurity team continuously upgrades and strengthens cybersecurity controls throughout the Group's IT landscape
- Periodically performing detailed cybersecurity assessments to identify potential vulnerabilities and weaknesses and testing our information systems' susceptibility to attacks and closing any gaps identified from the assessments

GOVERNANCE AND INTEGRITY

Material Matters:
Values and Governance

Capitals Affected:
Social and Relationship | Financial

Description:
Non-compliance to regulations or violation to any laws such as bribery and corruption, misuse of confidential data and information, manipulation of conflict of interest positions, infringement of human rights and modern slavery, breach of economic sanctions and export control regulations may well lead to litigation risks, financial impacts and reputational damage.

Trend:
Neutral

Mitigation / Response:
- Ensuring strict adoption and implementation of policies such as Anti-Bribery and Corruption (ABC) as well as Code of Conduct and Business Ethics (CoBE)
- Carrying out structured implementation of compliance initiatives of which the aim is to create a mature compliance and ethics culture, where ethics and integrity become part of all business conduct and transactions. This includes the involvement and commitment across all levels, and up to the Board and Management
- Implementing tight internal controls and conducting assurance activities to monitor adherence to regulations and policies

OUR RISKS AND MITIGATION STRATEGIES

EMERGING RISKS

CLIMATE CHANGE AND ENVIRONMENT

Material Matters:
Climate Change | Ocean Health | Natural Resource Use

Capitals Affected:
Natural | Financial | Physical | Social and Relationship

Description:

Regulators and lawmakers across industries, including in maritime, are moving towards stricter rules to meet international decarbonisation goals. This, in time, may result in higher CAPEX for the Group to equip its assets to meet these requirements. Potential implementation of carbon pricing by the shipping industry regulators may lead to higher operating costs.

Mitigation / Response:

- The Group has proactively embarked on shipping decarbonisation initiatives such as the collaboration with other industry leaders to develop an ammonia-fuelled tanker. This is in line with the Group's sustainability programme, whereby the objective is to support IMO's 2030 and 2050 shipping industry targets
- Continue investing in more sustainable and environmentally friendly shipping solutions such as the LNG dual-fuel and Volatile Organic Compound Systems

PEAK OIL

Material Matters:
Project and Financial Performance | Climate Change

Capitals Affected:
Natural | Social and Relationship | Financial | Physical

Description:

The focus on peak oil risk has shifted from the global crude oil production and supply, towards the risk of its decline in demand. This resulted from the potential rise of alternative energy sources and new efficient technologies which are deemed as more environmentally friendly. Based on various research and publications, oil demand is projected to reach its peak somewhere between 2035 to the 2040s.

Mitigation / Response:

- Identify climate-related risks and opportunities, and conduct scenario analysis to position MISC to be ready for the new industry landscape post-peak oil
- Continue to explore opportunities to diversify our business portfolio and activities

INCREASING GEOPOLITICAL INSTABILITY

Material Matters:
Project and Financial Performance

Capitals Affected:
Financial | Physical | Social and Relationship | Human

Description:

Trade wars, territorial disputes, sanctions, terrorism and increase trend in piracy forms part of the overall increase in geopolitical instability that potentially result in adverse commercial impact (risk of decline in demand due to reduced global trade), operational safety and missed opportunities (i.e. inability to conduct business with sanctioned countries or entities).

Mitigation / Response:

- Be selective and prudent in bidding for new projects and business opportunities, ensuring all factors are taken into account including the geopolitical aspect. A holistic risk assessment is performed on each project and business opportunity
- Seek continuous improvement and further strengthen contracts and agreements to protect the Group's interests
- Increase operating controls on existing projects and tighten security of assets

INCREASING AUTOMATION AND CONNECTIVITY

Material Matters:
Project and Financial Performance | Customer Satisfaction

Capitals Affected:
Financial | Physical | Human | Intellectual

Description:

Fast-moving technology introduction in the maritime industry including the move towards automation, digitalisation, artificial intelligence and other maritime related technology may pose a threat, accelerate asset obsolescence and further requiring the reskilling of the workforce.

Mitigation / Response:

- Direct adequate capital and resource investments into digitalisation upgrades and initiatives for assets, as well as transformation of internal processes and systems to accommodate the fast-changing environment and increasing demand for automation in the industry. Ensure that new orders/assets are equipped with latest technology (including roadmap for technology upgrades), which are consistent with the assets' estimated lifespan
- Continuously retool and reskill the workforce in adapting to new working environment

DELIVERING OUR STRATEGY

In 2020, we continued to diligently execute and deliver on the MISC2020 corporate strategy and the 2016-2020 Sustainability Strategy, undeterred by the turbulent external environment. As 2020 is the final year of both strategic plans, we set out our five-year achievements in this section.

In summary, over the past five years, MISC has demonstrated our capabilities to compete with the best in the international market in winning projects and delivering on our commitments to customers. Our people have exhibited passion, tenacity and agility to meet the strategic priorities set. We have also made meaningful progress in building a sustainability-oriented culture towards perpetuating our organisation for the long term. The strategies under MISC2020 have boded well in the past five years and has been stress-tested by the extreme combination of COVID-19, crash in oil price and global economic recession in 2020. The secured income strategy has provided stability to the Group with a large base being built up to ride through any future economic headwinds as we journey onwards.

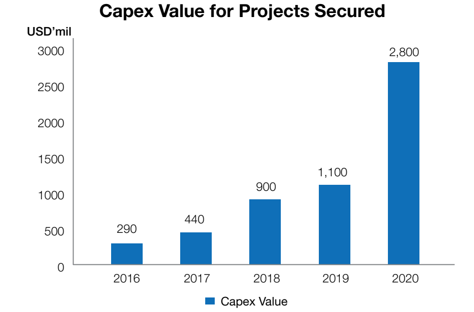
MISC2020 ACHIEVEMENTS

As explained in Our Strategic Focus section on pages 64 to 65, the five-year MISC2020 strategic plan was developed in late 2015, against a backdrop of a collapse in the oil price. At the same time, the Group was facing the prospect of tapering revenues due to future contract expirations. MISC2020 was thus crafted with the targets of achieving a sustainable level of secured profits and ROACE with the aim for MISC to stay tenable in the worst of cycles.

The oil, petroleum and LNG shipping markets continued to be volatile during the past five years as they went through their respective market cycles and disruptive events such as trade and price wars, geopolitical incidences, sanctions and a global pandemic. Nevertheless, for MISC, the strategy based on secured income was the right move for us during this period and has paid dividends.

Guided by the strategic priorities under MISC2020, the Group focused on winning long-term contracts with reputable clients in identified growth markets. The projects secured in terms of capital expenditure has grown steadily year on year and 2020 was the most successful year as we secured USD2.8 billion in new investments. These assets and contracts will contribute towards replenishing and growing our secured income in the future.

Capex Value for Projects Secured



Over the five-year period, MISC delivered strong and relatively stable cash flows from operations (CFO) of above RM4.1 billion per year and exceeding RM5.5 billion in 2019 and 2020. The dip in 2017 and 2018 was mainly due to the very challenging crude oil tanker market as well as several charter expiries during that time. The proportion of total CFO contributed by secured income contracts also rose over the period, ranging from around 80% to about 90% currently. Net profit after tax (NPAT) did not move entirely in tandem with CFO during the period mainly due to the manner in which revenue and profit is recognised for contracts under finance lease accounting as well as one-off non-cash items.

In the last five years, we have consistently maintained a high dividend payout percentage of more than 25% of our annual CFO, with payment of 30 sen per share from 2016 to 2018, and increased to 33 sen in 2019 and 2020. This is in line with our goal to deliver sustainable returns to our shareholders.

Prior to the development of MISC2020, the Group's ROACE was averaging between 7% to 8% from 2013 to 2015. However, the average ROACE for the five-year period from 2016 to 2020 (MISC2020) dipped to 4.3%, which reflects, amongst others, one-off items and impairments recognised as required by the accounting standards, as well as the impact of accounting treatment of finance lease for new assets which replaced expiring assets recognised under operating lease. There is a mismatch between cash flows and accounting profit recognised under finance lease as compared to operating lease. These affected the overall ROACE measurement, which does not reflect the true performance of the Group.

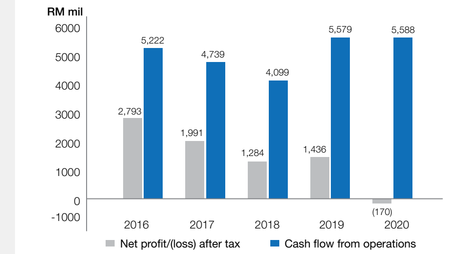
The Group's ROACE was also impacted by volatile performance in the Petroleum & Product Shipping and Marine & Heavy Engineering segments, as well as the impact of the GKL arbitration that significantly impacted the earnings in 2020.

Over the years, Management believes that a metric based on cash flow, such as CFO return on total assets (CFROA), would be more reflective of MISC's performance. Based on CFROA, MISC's ratios have been fairly stable at around 9%-11%, with the exception of 2018, where it fell to 8% due to the reasons stated earlier. We have therefore moved towards this cash flow-based measurement in determining our return on assets, which better reflects the stable returns and secured cash flows that we generate from our long-term charter contracts.

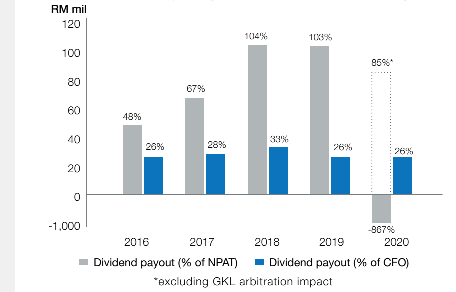
As we move beyond 2020, the Group continues to emphasise on secured income as a strategic agenda moving forward to ensure that we are able to withstand any major shocks and ride through the volatility of the market environment.

Below are the detailed results of the five-year MISC2020 and 2016 - 2020 Sustainability strategic priorities:

Cash Flows From Operations and Net Profit/(Loss) After Tax



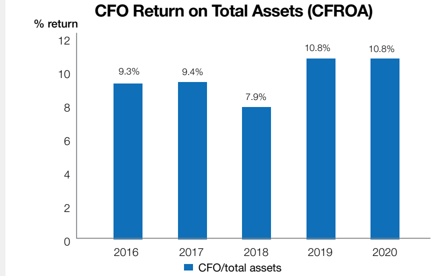
Dividend Payout (% of NPAT and % of CFO)



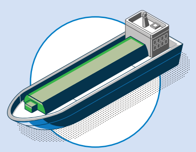
*excluding GKL arbitration impact

	FY2016	FY2017	FY2018	FY2019	FY2020
Dividends Per Share (sen)	30	30	30	33	33

CFO Return on Total Assets (CFROA)

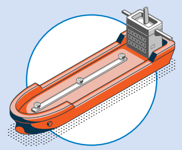
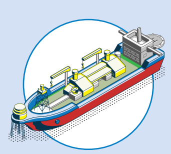


KEY FOCUS AREA

MATERIAL MATTERS	STRATEGIC PRIORITIES	KEY ACHIEVEMENTS	REFERENCE TO OTHER SECTIONS	UNSDG
PILLAR/KEY FOCUS AREA 1: TO DRIVE SUSTAINABLE VALUE FOR OUR SHAREHOLDERS				
Project and financial performance **Risk management** **Values and governance**	 **LNG Asset Solutions** i. Grow shipping business including third party business portfolio	• Participated in various tenders since 2016 and successfully secured long-term contracts from four new third-party clients: » ENI SPA for two mid-size LNG vessels on a five-year charter contract (2018) » SeaRiver Maritime LLC (a subsidiary of ExxonMobil) for two LNG carriers on a 15-year charter contract (2019) » Diamond Gas International Pte. Ltd. (a subsidiary of Mitsubishi Corporation), via a partnership with NYK and Mitsubishi Corporation for two LNG carriers on an 18-year charter contract (2019) » Zhejiang Satellite Petrochemical Co. Ltd. (STL) for six VLECs on a 15-year charter contract; this also marked MISC's entry into the China market (2020)	LNG Asset Solutions Business Review on pages 136 to 143	
	ii. Develop non-conventional LNG solutions to broaden our revenue sources	• Participated in various tenders since 2016 to capture non-conventional LNG business, and successfully expanded into the ethane transport business in 2020 with the acquisition of six VLECs on long-term charters with STL as noted above. Two vessels have been delivered in December 2020 and January 2021 respectively • MISC marked its maiden foray as the commercial operator and ship manager for Southeast Asia's first LNG bunker vessel (LBV) in 2020. This LBV is chartered by PETRONAS LNG Sdn. Bhd. for a period of three years		

DELIVERING OUR STRATEGY

KEY FOCUS AREA

MATERIAL MATTERS	STRATEGIC PRIORITIES	KEY ACHIEVEMENTS	REFERENCE TO OTHER SECTIONS	UNSDG
PILLAR/KEY FOCUS AREA 1: TO DRIVE SUSTAINABLE VALUE FOR OUR SHAREHOLDERS				
	 **Petroleum & Product Shipping** i. Secure more time charters for conventional fleet	• Secured EBIT has increased more than 100% from 2015 on the back of increased secured contracts through the following efforts: » Secured several new time charter contracts for mid-sized tanker and VLCC segments » Renewed several long-term time charter contracts in our mid-sized tanker and VLCC segments » Scaled back chemical fleet through the sale of all seven A-class and redelivery of two L-class vessels which were mainly on spot charters • Further grew secured income portfolio through long-term charters with Total for two newbuild LNG dual-fuel VLCCs (2020)	Petroleum & Product Shipping Business Review on pages 144 to 153	
	ii. Expand niche market assets such as shuttle tankers with time charters	• Seized opportunities to grow DPST market share in both the North Sea and Latin America and secured multiple contracts from 2017 to 2020 to provide DPST newbuilds to several oil majors such as Equinor, Shell Brazil and Petrobras » Latest contract won in 2020 was for three Suezmax second-generation DPSTs by Petrobras » In 2015, there were four DPSTs on long-term charter. By the end of 2020, this had grown to ten units. With seven DPSTs under construction as at 31 December 2020, this will bring the total DPST fleet to 17 units by 2022 • Established new niche market for the new breed of green and environmentally-friendly vessels » Took delivery of two Aframax newbuildings equipped with LNG dual-fuel systems in 2019 » The Total contract won in 2020 as noted above are for two of our first LNG dual-fuel VLCCs » Included in the new DPST contracts won as noted above are for two of the world's first LNG dual-fuel second-generation DPSTs for Equinor and four eco-friendly DPSTs for Petrobras		
	 **Offshore Business** i. Explore acquisition opportunities selectively arising from asset divestments by oil and gas players globally	• Explored and evaluated opportunities but none materialised. With the recovery of the oil price, focus was given to organic growth but continue to look for acquisition opportunities that meet MISC's investment criteria	Offshore Business Business Review on pages 154 to 159	
	ii. Pursue organic growth and expand international footprint, especially to South America/West Africa, where the FPSO opportunities are	• Pursued floater opportunities in the Asia Pacific and Middle East region from 2016-2020, and expanded footprint as a leading player in providing offshore solutions in the ASEAN region through several major projects secured as follows: » *FSO Benchamas 2*, which achieved first oil in 2018, is leased by Chevron Offshore Thailand Limited for a firm period of ten years » *FSO Mekar Bergading* is leased to Hess Exploration and Production Malaysia B.V., a subsidiary of Hess Corporation for a firm period of 16 years » *FSO Golden Star*, which received its first condensate/oil in December 2020 at Sao Vang and Dai Nguyet (SVDN) Project in Vietnam in December 2020, is leased by Idemitsu Kosan for a firm period of seven years • Undertook a major multi-year capability building exercise to ready ourselves for the Atlantic Basin FPSO market and actively participated in tenders in the region » Secured first deepwater FPSO project in Latin America from Petrobras for Mero 3 FPSO project (2020) • Successfully secured extension of charter period for some of MISC's existing assets, with the latest contract extension secured in 2020 for *FPSO Espirito Santo*		

DELIVERING OUR STRATEGY

KEY FOCUS AREA

MATERIAL MATTERS	STRATEGIC PRIORITIES	KEY ACHIEVEMENTS	REFERENCE TO OTHER SECTIONS	UNSDG
PILLAR/KEY FOCUS AREA 1: TO DRIVE SUSTAINABLE VALUE FOR OUR SHAREHOLDERS				
	Marine & Heavy Engineering i. Develop engineering-related solutions and larger recurring income base e.g. marine repair business, to diversify revenue and reduce the impact on cyclicality of the business	• The completion and commencement of operations of Dry Dock 3 in December 2020 will enable higher contribution from the recurring marine repair business to the segment's bottom line • Secured three plant maintenance and turnaround contracts in 2019 and is still pursuing opportunities in modular structure fabrication and renewable energy (offshore wind farms) • Secured the following major EPCIC contracts which has bolstered the order book for the next few years: » EPCIC contract for the Kasawari Gas Development project from PCSB » EPCIC contract for Bokor project from PCSB	Marine & Heavy Engineering Business Review on pages 160 to 169	8
	ii. Manage cost and process efficiency	• Managing cost and process efficiency is an ongoing initiative. Below are some of the efforts: Business » Revised commercial bidding procedure for process standardisation and focused on price competitiveness and operational excellence via bid cost reduction and productivity improvement initiatives » Developed partnership with vendors and subcontractors to develop a win-win partnership model Operations » Reinforced internal process control and strengthened project planning via the development and continuous upgrading of integrated digital database and dashboard Capability » Up-skilling manpower through capability development programme, focusing on Transportation & Installation capability to strengthen EPCIC offering		
	Shareholders i. Broaden engagement activities to give greater visibility to investors	• Organised various analyst/investor engagement sessions throughout the five years, such as annual CEO engagement sessions, investors and analysts Maritime Day at ALAM and participated in investor conferences to share business updates and showcase our assets/business segments that contribute to MISC's business • As we were unable to organise any physical and external events for our investors due to COVID-19 pandemic and movement restrictions order in 2020, we moved our engagement sessions onto the online platform Further details of our stakeholders' engagement are on pages 107 to 113	Anchoring Sustainability @ MISC on pages 107 to 113	
PILLAR/KEY FOCUS AREA 2: TO EXCEED THE EXPECTATIONS OF OUR CUSTOMERS				
Customer satisfaction	i. Increase standard of customer experience through efforts to exceed their expectations	• Conducted MISC Group Customers Engagement Survey for our key customers in 2018 and 2020. In 2020, we achieved overall satisfaction of 89%, and the results validated that MISC Group met the expectations of our customers • In our efforts to continuously improve, an action plan with respect to the identified areas of recommendation was developed and progressively implemented • Diversification of our product line to include green vessels which are eco efficient and low carbon emission since 2016	Stakeholder Engagement on pages 107 to 113	9
	ii. Improve customer perception and interaction	• Regular engagement activities with customers by the business units and subsidiaries to better understand their needs. Due to the COVID-19 pandemic in 2020, most of our engagements were done through virtual meetings and events		

// Key Messages / Highlights / Strategic Review / Sustainability / Financial Review //////

DELIVERING OUR STRATEGY

KEY FOCUS AREA

MATERIAL MATTERS	STRATEGIC PRIORITIES	KEY ACHIEVEMENTS	REFERENCE TO OTHER SECTIONS	UNSDG
PILLAR/KEY FOCUS AREA 3: TO MAINTAIN A SUSTAINABLE GOVERNANCE AND BUSINESS ETHICS FRAMEWORK				
Values and governance	i. To embed business ethics and ethical conduct as a cultural component within the organisation	• Established and implemented MISC Compliance and Business Ethics Framework 2016-2020 • Successfully obtained ISO37001:2016 Anti Bribery Management System certification for MISC Berhad and our subsidiaries; AET and MHB • In 2019, we developed Human Rights Commitment and Modern Slavery Policy and Statement. In 2020, an update was made on our annual Modern Slavery Statement • Following our commitment on Human Rights, we have conducted Social Risk Assessment (on Human Rights) for MHB in 2019 and Eaglestar in 2020 • Developed Grievance Mechanism framework in 2020 • Successfully conducted annual CoBE training for all employees and additional Compliance e-learning for five Critical Law in 2020 • Conducted Compliance Culture Survey in 2020 and obtained Robust Culture level with ethics and integrity which have now become a part of all MISC's business conduct and transactions • 'See.Speak.Support' awareness programme that was launched in 2017 is held every quarter with active employee participation. The programme was held virtually in 2020 • Achieved 5/5 rating for Governance element in FTSE4Good for two consecutive years (2019 and 2020) • In 2019, we joined Maritime Anti-Corruption Network (MACN) in line with our support against corruption in maritime	Operating Responsibly on pages 228 to 237	8, 16
	ii. Work towards formal inclusion of sustainability on the Board agenda	• The Board provided oversight on overall sustainability performance for 2020 and approved the 2021-2025 Sustainability Strategy • Establishment of a new Board Governance and Risk committee to provide focused oversight on Sustainability agenda	Corporate Governance Overview Statement on pages 260 to 274 Board Governance and Risk Committee report on page 290	
PILLAR/KEY FOCUS AREA 4: TO PROMOTE INDIVIDUAL AND TEAM EXCELLENCE OF OUR EMPLOYEES				
Skilled workforce **Employee engagement** **Health and safety**	i. Focus on succession planning to ensure a sustainable talent pipeline is in place across the job levels in MISC	• Continuation of succession planning to ensure all critical positions are filled to avoid business and operational disruptions • Established succession planning ratio for senior management (2:1)	People Development Business Review on pages 190 to 205	5, 10
	ii. To have a competent and capable workforce through a structured and holistic employee developmental process	• Established Leadership and Functional Competencies which applies to all job levels • RM47.7 million invested in functional and leadership competency programmes • 8,120 participants attended 412 training programmes that were carried out in 2020 • Introduction of MISC Feedback Platform through ECHO+ in September 2020 • Launched the Sustainability Awareness e-learning to create awareness on the importance of sustainability to business		

DELIVERING OUR STRATEGY

KEY FOCUS AREA

MATERIAL MATTERS	STRATEGIC PRIORITIES	KEY ACHIEVEMENTS	REFERENCE TO OTHER SECTIONS	UNSDG
PILLAR/KEY FOCUS AREA 4: TO PROMOTE INDIVIDUAL AND TEAM EXCELLENCE OF OUR EMPLOYEES				
	iii. Cultivate a healthy workforce	• Reduction of 31% and 60% in TRCF and LTIF compared to previous year; reduction of 50% and 63% in TRCF and LTIF respectively compared to 2016 • Continuation of b-HSSE with the focus on 3M's programmes – Move, Mind, Munch with more emphasis on mental wellness in 2020 • Participated in the PETRONAS Walk4Trees challenges to improve employees' health whilst saving the environment • Became a signatory of Neptune Declaration on Seafarer Wellbeing and Crew Change, a worldwide call for action to end the unprecedented crew change crisis caused by COVID-19 as part of our efforts to support the mental health of the seafarers	Operating Safely and Sustainably Business Review on pages 212 to 214 Integrated Marine Services Business Review on pages 175 to 176	
PILLAR/KEY FOCUS AREA 5: TO CARE FOR THE ENVIRONMENT AND OPERATE RESPONSIBLY				
Climate change **Natural resource use** **Ocean health**	i. Explore viability of low emission solutions for positive long-term environmental impact	• Lower carbon emission through our eco-friendly designs and LNG dual-fuel vessels • Providing the solution for a cleaner fuel to the maritime industry by offering LNG bunkering capability • Joined the Getting to Zero Coalition in 2019 with the target of getting commercially viable deep sea zero-carbon emission vessels powered by zero-carbon emission fuels into operation by 2030	Anchoring Sustainability @ MISC on page 120 Petroleum & Product Shipping Business Review on pages 149 to 152 LNG Asset Solutions Business Review on pages 140 to 141	
	ii. Proactively manage our environmental footprint, as well as inculcate environmental consciousness amongst our employees	• Carbon reduction of 18%, 10% and 5% for our LNG, Petroleum and Product fleet respectively from 2016 baseline • Established a Biodiversity Conservation Flagship programme and MMS - UMT-SEATHRU turtle conservation programme in 2019 and 2020 respectively • Received Green Seal Green Office Partner certification for a total of 10 offices in 2019 and 2020	Operating Safely and Sustainably Business Review on pages 214 to 225 Port Management & Maritime Services Business Review on pages 182 to 183	

DELIVERING OUR STRATEGY

KEY FOCUS AREA

PILLAR/KEY FOCUS AREA 6: TO CREATE A POSITIVE DIFFERENCE TO THE LIVES OF COMMUNITIES

MATERIAL MATTERS	STRATEGIC PRIORITIES	KEY ACHIEVEMENTS	REFERENCE TO OTHER SECTIONS	UNSDG
Skilled workforce **Ocean health** **Employee engagement**	i. Invest in the next generation via well-established and fully functioning programmes that promote education and awareness amongst the youth towards becoming the next leaders in the industry and in contributing towards their future development	• A total of 1,023 new cadets enrolled at ALAM from 2016 – 2020, where 668 cadets were sponsored by our subsidiary, Eaglestar	Integrated Marine Services Business Review on page 176	
	ii. Organise various community investment activities and donations at MISC Group offices, locally and internationally	• Contributed RM7.5 million for COVID-19 national pandemic response and COVID-19 related aids • For Community Investment Programme, refer to page 113	Anchoring Sustainability @ MISC on page 113	
	iii. Collaborate with the maritime community in shaping the future of the seaborne trade	• In 2018, we became the Strategic Partner and founding member of the Global Maritime Forum (GMF) which is committed to shaping the future of global seaborne trade to increase sustainable long-term economic development and human wellbeing	Anchoring Sustainability @ MISC on page 112	

OTHER KEY PERFORMANCE INDICATORS AND RESULTS

KPI		2018 RESULTS	2019 RESULTS	2020 RESULTS
Financial	1. Net profit/(loss) after tax (NPAT/NLAT)	RM1,284 million	RM1,436 million	(RM170 million)
	2. Cash flows from operating activities	RM4,099 million	RM5,579 million	RM5,588 million
Strategic initiative	1. CAPEX in new projects that generate secured and recurring income	USD900 million	USD1,100 million*	USD2,800 million*
Operations	1 Vessel availability	100% (LNG) 99% (Petroleum)	100% (LNG) 99% (Petroleum)	99% (LNG) 100% (Petroleum)
	2 Vessel utilisation	100% (LNG) 98% (Petroleum)	100% (LNG) 98% (Petroleum)	100% (LNG) 98% (Petroleum)
	3 Offshore floaters uptime	98%	99%	99%
HSE	1. Number of fatalities	1	0	1
	2. Major spill incidents	0	0	0
	3. LTIF	0.07	0.10	0.04
	4. TRCF	0.22	0.26	0.18
People development	1. Succession planning - Ratio of potential successors for: • Management Committee positions • Critical positions	2.3:1 1:1	2.2:1 1.6:1	2.4:1 1.9:1

*Included in the CAPEX value in new projects for FY2019 of USD1,100 million is USD300 million of a new project that was announced in February 2020. This project has been excluded from the FY2020 total.

SECTION 5

SUSTAINABILITY

YEE YANG CHIEN
President/
Group Chief Executive Officer

> **Sustainability is integral to MISC, as it strengthens our core values and enables us to deliver long-term value and positive impact to the environment, our employees and society. Our sustainability agenda reinforces our commitment towards decarbonisation, promoting the circular economy, health and safety, talent excellence, and last but not least, our values and business ethics. Our sustainability actions today will chart the pathway for a better tomorrow.**

ANCHORING SUSTAINABILITY @ MISC

OUR GOVERNANCE STRUCTURE

MISC's sustainability governance is key to ensuring that we continuously embed sustainability principles into our business strategy, decision making processes and operations. Our sustainability agenda is built on our commitment to create value for our stakeholders. We ensure that we follow through our commitment by practising progressive governance and sustainable management.

MISC's Board of Directors (Board) sits at the apex of our sustainability governance structure and maintains strict oversight of the Group's sustainability strategy and performance. The Board is supported by multiple levels of working committees and teams, with clear lines of reporting and accountability in place. These comprise of the Management Committee (MC), Sustainability Working Committees chaired by the MC members and Corporate Sustainability Team.

Our 2016-2020 sustainability agenda comprises six sustainability pillars, namely customers, shareholders, environment, governance and business ethics, employees, and community. Each pillar is overseen by its respective working committees, who have been tasked with ensuring that sustainability strategy for each respective pillar is effectively implemented, and the goals and outcomes identified are achieved.

In 2020, the Board formed the Board Governance and Risk Committee (BGRC) to provide focused oversight on the effective implementation of the sustainability strategy. More information on the BGRC can be found in the Chairman of the BGRC's Message on page 290 of this Integrated Annual Report.

As we forge ahead, we are moving away from committee based structure to a custodian based structure, where each custodian ie. service unit, business unit and subsidiaries will be tasked with the responsibility to ensure that the approved initiatives are implemented, and will be held accountable for meeting their respective targets. Where required, the custodian is expected to form working groups to solicit views and inputs from cross-functional units.

HOW WE USE OUR MATERIALITY ASSESSMENT

In 2019, we reviewed our Materiality Matrix to take a fresh look at matters that may impact the MISC's businesses, both at present and in the future. This includes matters that could impact the Group's value drivers and competitive position, and long-term shareholder value creation. In conducting the review exercise, we obtained the views of both our internal and external stakeholders. For more details on how we conducted our materiality assessment and matrix, please refer to Our Material Matters on page 66 of this Integrated Annual Report.

The materiality assessment helped to prioritise factors that matter most to our business and our stakeholders. By using this approach to develop our strategy, we are able to perpetuate our business into the longer-term future. We are also able to tailor our reporting disclosures to meet the expectations of our stakeholders. These prioritised material matters form the basis for the next phase of MISC's 2021-2025 Sustainability Strategy.

Material matters	Why is this material?	Capitals affected
Project and financial performance	The maritime and energy sector is subject to the fluctuations of prevailing economic conditions and market sentiment which affects our business. Therefore, it is key for MISC to have a robust business strategy to maximise our asset utilisation, secure larger project revenues and provide a sustainable financial return for shareholders. Read more on pages 126 to 128 of the Financial Review section	**Financial and Physical**
Values and governance	MISC has a vast global outreach that operates across markets and cultures, hence, conducting ourselves with the highest standards of integrity is a key priority. With this in mind, we have focused our strategic approach on continuing to embed good corporate governance and business ethics. Ethical conduct is part of the cultural DNA of our organisation, even as we aspire to achieve excellent financial and operating results. Read more on pages 228 to 237 of the Operating Responsibly section	**Human**
Skilled workforce	In line with our mission of promoting individual and team excellence amongst our employees, one of our strategic priorities is to have in place a sustainable talent pipeline across all job levels to ensure a seamless leadership and talent flow throughout the organisation. It is vital that our talent management programme is robust and able to equip and develop our workforce with the necessary skills and competencies to realise our business objectives. Read more on pages 190 to 205 of the People Development section	**Human and Intellectual**
Climate change	The International Maritime Organisation (IMO) has set the IMO GHG initial reduction strategy (IMO 2030 and IMO 2050) for the shipping sector and is calling for shipowners to take action against climate change. Considering that a majority of our energy consumption is coming from the combustion of fuels for our vessels, MISC has implemented energy reduction initiatives with targets to reduce our carbon emissions. MISC has also signed up for the Getting to Zero Coalition, committed to developing zero-carbon emission vessels by 2030, which is closely aligned with IMO's GHG strategy. Read more on pages 214 to 219 of the Operating Safely and Sustainably section	**Natural**
Customer satisfaction	In view of challenging economic and market conditions, our focus is on providing the best service and experience to all our customers through operational responsiveness and tailored solutions in order to exceed customer expectations. A high standard of customer satisfaction experience will reaffirm our status as a recognised global energy maritime solutions and service provider. Read more on page 113 of the Customer Engagement Survey section	**Social and Relationship**
Risk management	Our emphasis to effectively reduce the impact of financial and ESG risks, respond to immediate risk events and recover from prolonged business disruption will ensure the continuity and sustainability of key business activities as well as delivery of business objectives. MISC's risk policies and procedures guide the overall best practice of identifying, evaluating, managing, reporting and monitoring the ever-changing risks faced by the Group and specific measures to mitigate these risks. Read more on pages 84 to 89 of Our Risks and Mitigation Strategies section	**Financial**
Digitalisation and innovation	Digitalisation is rapidly changing the availability of information and will allow MISC to respond to changes more rapidly based on data-driven decisions and increase efficiency of processes. Digitalisation and innovation of digital services for our sea and shore operations will enhance customer satisfaction as MISC would be able to provide integrated and innovative solutions that can serve our customers better. Read more on page 107 of the Digitalisation and Innovation section	**Intellectual**

ANCHORING SUSTAINABILITY @ MISC

Material matters	Why is this material?	Capitals affected
Ocean health	Minimising our impact on ocean health will ensure that the value of marine resources are maintained. MISC recognises the importance of ensuring ocean health through implementing pollution prevention strategies in order to reduce our environmental impacts. In addition, through our biodiversity conservation programmes, MISC strives to create awareness on the importance of preserving marine biodiversity and the ecosystem around them to employees and communities. Read more on pages 224 to 225 of the Operating Safely and Sustainably section	**Natural**
Diversity and inclusion	Employee diversity is of significant importance to MISC, as we believe a diverse workforce promotes a culture that is open-minded and encourages new ways of thinking that is especially significant for global operations such as ours. Due to the fact that the maritime industry is known as a male-dominated industry, we consciously promote female participation in various levels including seafaring as well as decision-making roles. We practice a non-discriminatory hiring and promotion policy whereby all our employees are hired and promoted based on their capability and expertise. It is also our intention to provide competitive local employment opportunities wherever we operate. Read more on pages 202 to 203 of the People Development section	**Human**
Business knowledge and expertise	Increased business knowledge and the expertise of our employees are key to sustaining overall business performance and customer satisfaction. MISC acknowledges that business knowledge and expertise influence our ability to secure long-term charters for our vessels and floating assets, as well as contracts for various services offered by business segments within the Group. With this in mind, MISC appreciates the importance of enhancing our employee competency by conducting various development programmes related to business knowledge and expertise. Read more on pages 190 to 205 of the People Development section	**Intellectual and Human**
Natural resource use	For MISC, operating in a responsible manner means reducing our environmental footprint especially on the energy (mainly fuel) consumption of our shipping operations; and non-renewable electricity and freshwater consumption of our non-shipping operations. Read more on pages 219 to 224 of the Operating Safely and Sustainably section	**Natural**
Health and safety	Safety of life at sea and shore has always been at the top of our priority as there is no loss which is considered greater than the loss of human life. The continued safety and health of our employees, our assets and their cargo remain our utmost importance. We believe it is necessary for a strong safety and health culture to prevail both on sea and at shore. Read more on pages 206 to 213 of the Operating Safely and Sustainably section	**Human and Social and Relationship**
Employee engagement	MISC believes that employee engagement including their involvement in our community programmes is material in strengthening the mental and emotional connection which employees feel towards their place of work, thus enhancing productivity and talent management. A highly engaged workforce leads to value creation through better service, higher customer satisfaction, increased sales and profitability, and improved shareholder returns. Read more on pages 199 to 201 of the Employee Engagement section	**Human**

DIGITALISATION AND INNOVATION

In 2020, MISC invested RM202,356,664 on research and development towards enhancing our digitalisation and innovation efforts as follows:

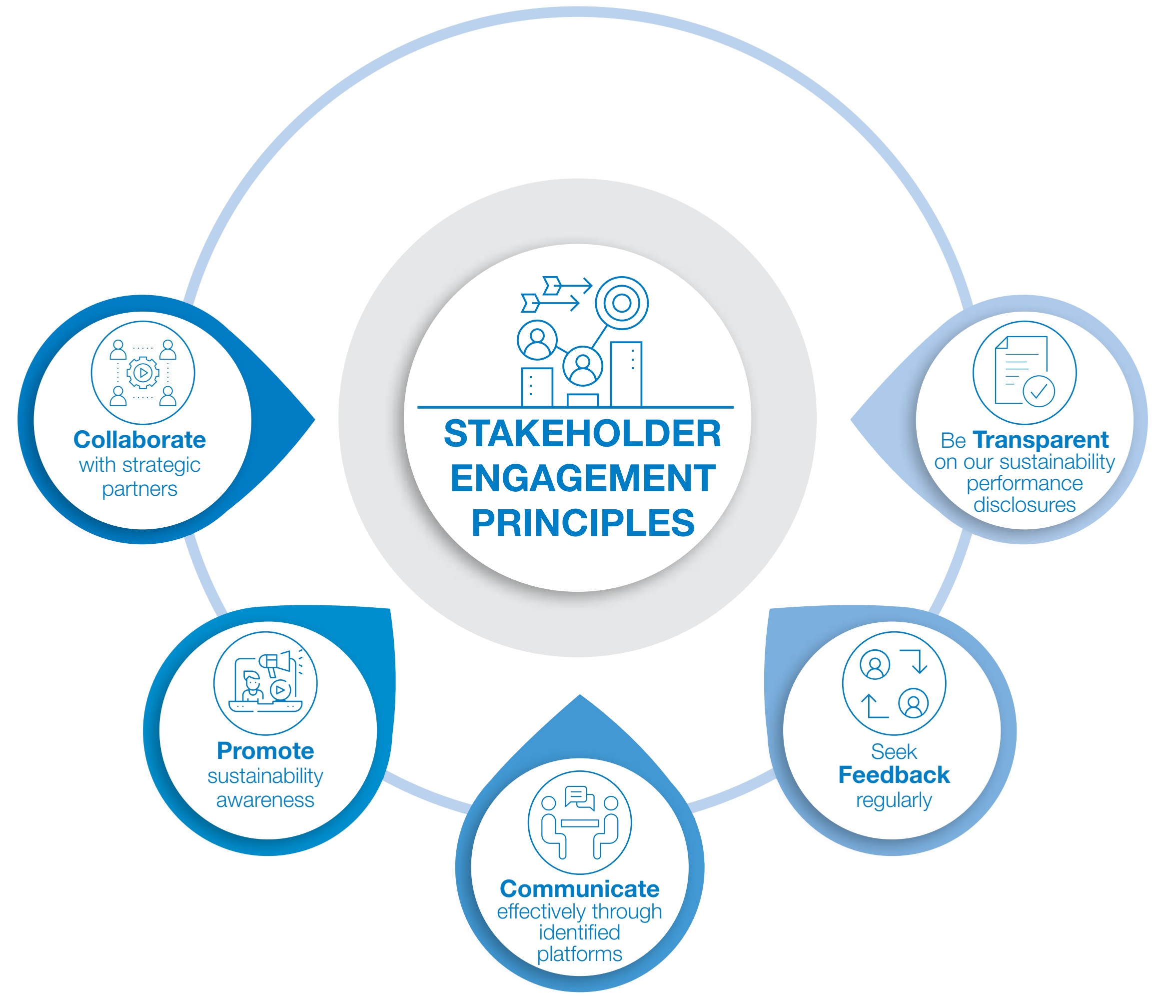
- Safety and risk management digitisation systems aimed at protecting the safety of employees, improving productivity and ensuring compliance with maritime regulations;
- Integration of Inventory Management Systems to enable accurate inventory levels and assistance for smart procurement recommendations; and
- Data-driven ship management system aimed at harnessing shipboard machine health data to optimise operations and improve vessel reliability.

ESG FINES AND PENALTIES

For the year under review, MISC Group recorded zero fines and penalties related to ESG matters.

HOW WE ENGAGE WITH OUR STAKEHOLDERS

At MISC, we have in place a structured process when we engage with our stakeholders. We have implemented a stakeholder-inclusive approach in creating value. This means that stakeholder engagement is integrated into every step of our value creation process. For details on how we identify our stakeholders, refer to Our Stakeholders on page 68 of this Integrated Annual Report.



ANCHORING SUSTAINABILITY @ MISC

Our Stakeholders	Stakeholder value proposition	Material matter of concern / issues raised	Our strategic response	How we engage				
				Collaborate	Promote	Communicate	Feedback	Transparency
GOVERNMENT/ REGULATORY	• Support the government's agenda in promoting innovation and sustainable growth of the maritime industry • Licence to sustain operations	• Crisis management and business continuity (COVID-19)	• Close engagement to brief on MISC's pandemic response plan • Collaboration with authorities on emergency response and preparedness	●		●		
		• Development of talent and job opportunities	• Collaboration on maritime academy syllabus to nurture and develop seafarers in line with the nation's maritime aspiration	●	●			
			• Provision of annual job opportunities and development of local talents	●				
		• Corruption and bribery	• Continually support the Maritime Anti-Corruption Network (MACN) to combat corruption in the maritime industry	●	●			●
SHAREHOLDERS/ INVESTORS/ FINANCIAL PROVIDERS	• Better understanding of MISC's business performance, financial position and sustainability agenda • Increase shareholder/investor confidence • Better access to debt funding for CAPEX	• Project and financial performance	• Exercise strong governance in project and financial management		●			●
		• Values and governance	• Exercise strong corporate governance framework • Business ethics awareness and whistleblowing processes		●	●	●	●
		• Climate change	• Signatory to Getting to Zero Coalition - Collaboration with strategic partners across the maritime ecosystem to develop commercially viable zero-carbon emission vessels by 2030 • Fleet renewal to low carbon fuelled vessels	●	●			
		• Diversity and inclusion	• Develop and implement diversity and inclusion programmes		●			
		• ESG risks and opportunities	• Incorporate ESG risks and opportunities into business decisions					●
CUSTOMERS	• Increase confidence in MISC's capabilities in delivering quality and sustainable products and services	• Crisis management and business continuity	• Close engagements with customers to brief them on MISC's pandemic response plan and business continuity plan to minimise operational disruption			●		
		• Values and governance	• Exercise strong governance in project and financial management • Business ethics awareness and whistleblowing processes		●		●	●
		• Business experience	• Upskilling competencies to provide niche expertise for maritime services	●	●			
		• Supply chain management	• Create awareness and conduct ESG assurance within the supply chain		●			
		• Climate change	• Fleet renewal to low carbon fuelled and energy efficiency designed vessels	●	●			
		• Health and safety	• Implementation of high health and safety standards	●	●			
EMPLOYEES	• Career development and growth in a sustainable organisation • Sustainable Talent – attract and retain talent	• Crisis management and business continuity (COVID-19)	• Regular communications on the pandemic situation, work from home (WFH) arrangements (where possible) and mental health management programmes			●		
		• Health, safety, security and environment (HSSE)	• Implementation of high health, safety and environment standards • Encouraging employees to submit Unsafe Condition and Unsafe Act (UCUA) reports		●	●	●	●
		• Upskilling talent	• We support and encourage our employees to improve their skills and enhance their competency using our Talent Management System (TMS) • Our employees are encouraged to participate and give feedback to stimulate two-way conversations via ECHO+	●	●	●	●	
		• Diversity and inclusion	• Encourage and support employee diversity and equal opportunities through our career development and volunteering programmes	●	●			
		• Business ethics and compliance	• Business ethics e-learning modules to enhance the understanding of business ethics and compliance • Business ethics awareness and whistleblowing processes		●	●	●	●
BUSINESS PARTNERS/ SUPPLIERS & VENDORS	• Leverage on each other's expertise and collaborate for innovative products and services • Better understanding of MISC's expectations (including sustainability agenda) on suppliers and increased business opportunities	• Project and financial performance	• Exercise strong governance in project and financial management		●			
		• Crisis management and business continuity	• Close engagement with business partners/suppliers and vendors to execute MISC's pandemic response plan and minimise operational disruption			●		
		• Values and governance	• Business ethics awareness and whistleblowing processes • Enhance the Know Your Counterparty (KYC) requirement for all business dealings as part of the Third-Party Compliance Due Diligence Guidelines • Provide Code of Conduct and Business Ethics (CoBE) training for third-party service providers to ensure that they are aware of MISC's requirements and expectations • Adoption of two Competition Law Compliance Protocols to support the Competition Law Guidelines		●	●	●	●
		• Health, Safety and Environment (HSE)	• Inculcate a stronger HSE discipline and mindset and recognise supplier/vendor with good HSE practices		●	●	●	●
		• Business knowledge and expertise	• Upskilling competencies to provide expertise and services in niche maritime markets	●	●			

ANCHORING SUSTAINABILITY @ MISC

HIGHLIGHTS OF KEY ENGAGEMENTS IN 2020

Our stakeholder engagements are conducted with the aim of facilitating open discourse between the business and our stakeholders. By maintaining ongoing communications with our key stakeholder groups, we are able to promote better understanding and pave the way for mutually beneficial collaborations.

With the COVID-19 pandemic, most engagements were conducted virtually through various platforms. The following table provides a summary of key engagements for the year with our various stakeholder groups.

President/Group CEO Townhall

One Heart. One Mind. One Dream, the theme for 2020 was unveiled by our President/Group CEO, Mr. Yee Yang Chien at the MISC President/Group CEO's Townhall at KL Convention Centre in front of a live audience of more than 700 attendees across the MISC Family.

We were privileged to have our colleagues at sea aboard the vessels, namely from *Eagle Vancouver, Seri Amanah, Eagle Victoria, Seri Cenderawasih, Seri Ayu, Puteri Firus Satu, Bunga Kelana 8, Bunga Kelana 7, Puteri Zamrud,* FSU, *Eagle Trenton, Eagle Lyon* and *Seri Camar* joining in the live streaming of the Townhall for the first time with other offices around the globe.

Other townhalls and engagement sessions were conducted virtually by the leadership of our subsidiaries and business units, with their respective employees.

A Date with The Reefs in Dayabumi, ALAM, MMHE and AET/Eaglestar

As part of our Biodiversity Flagship Programme, we conducted "A Date with The Reefs" - a series of reef conservation awareness roadshows throughout the MISC Group. The event was participated by many enthusiastic employees who are passionate towards the sea and the environment. Participants conducted group discussions and shared their thoughts on threats to the oceans and corals, including ways that they could be part of the solution. They were also enlightened on the real issues damaging the reefs particularly those within the country by Reef Check Malaysia. The session ended with GHSSE giving a sneak preview into MISC's biodiversity conservation journey.

AET's Bankers' Virtual Appreciation Ceremony

AET hosted its inaugural Bankers' Virtual Appreciation Ceremony via Microsoft Teams, celebrating the successful closure of the USD575 million term loan facility. This facility is to fund the conversion of AET's short-term loan into a longer-term financing facility which supports AET's fleet rejuvenation programme.

MMS Contractors HSSE Engagement

On 28 July 2020, MISC Maritime Services Sdn. Bhd. (MMS) organised its inaugural MMS Contractors HSSE Engagement, which was conducted on the virtual platform. About 100 participants joined this engagement that formed an excellent avenue for MMS together with its contractors and partners to create alignment and strengthen their commitment to HSSE (Health, Safety, Security & Environment) excellence.

Contractors and partners who demonstrated exemplary performance by stepping up the safety leadership behaviours in delivering their services to MMS received their respective MMS HSSE Excellence Awards.

In his keynote address MMS Managing Director (MD)/CEO Encik Hazrin Hasan emphasised that everyone must play a vital role to inculcate a stronger HSSE discipline and mindset. He advised all MMS contractors and partners to continuously place HSSE at the core of what they do to protect everyone they work with.

MISC Berhad's 51st Annual General Meeting (AGM)

In 2020, MISC Berhad's 51st Annual General Meeting (AGM) was conducted virtually for the first time via a successful live streaming session to our shareholders. The virtual AGM was chaired by Dato' Ab. Halim Mohyiddin, Independent Non-Executive Director of MISC Berhad, while Mr. Yee Yang Chien, President/Group CEO, presented on our organisation's FY2019 performance. Also present were MISC's Board of Directors as well as its Management Committee members and other invited representatives.

MMS MD/CEO Delivers Keynote Address at the 2nd Tropical Ocean and Marine Sciences International Symposium

MISC Group has always been passionate about sharing our aspiration in promoting harmony for the ocean and nature that is closely tied to our sustainability agenda. On 23 November 2020, Encik Hazrin Hasan, MD/CEO of MMS delivered his keynote address as a guest of honour for the 2nd Tropical Ocean and Marine Sciences International Symposium.

The virtual event organised by the Institute of Oceanography, Universiti Malaysia Terengganu brought together leading academic scientists, researchers, and research scholars from all around the world.

Encik Hazrin spoke insightfully about the blue economy, a topic that has been gaining more global attention in recent times. He also shared his valuable perspectives and emphasised the importance of a collective and sustainable approach for ocean conservation to restore a healthy ocean for future generations.

Inaugural International Project Management Conference (IPMC) 2020 hosted by PETRONAS

IPMC 2020 aims to share cross-industry project management best practices, lessons learnt, cutting edge technologies, tools and processes that help deliver value beyond merely project delivery. The event covered a variety of topics relevant to project management such as Leadership and Human Capital, Project HSSE and Quality, Project Contract and Commercial, Project Control and Monitoring, Project Stakeholder and Risk Management, Project Engineering and General Project Management.

MISC Berhad played a vital role as the Technical Committee providing input into the evaluation of technical papers, selection of speakers and advisory roles in the technical event flow and management. IPMC 2020 turned out to be a success in terms of technical content and enabling participants to learn via the virtual platform. Lesson Learnt sessions with the Technical Committee were conducted and submitted to the event organiser for feedback and identification of areas that could be further improved.

ANCHORING SUSTAINABILITY @ MISC

LIST OF TRADE ASSOCIATIONS

Our involvement in industry associations provide an avenue for us to contribute towards the development of the shipping industry from both local and international standpoint.

Membership	Our position
Global Maritime Forum (GMF)	GMF is an international not-for-profit organisation committed to shaping the future of global seaborne trade to increase sustainable long-term economic development and human wellbeing. As a strategic partner and founding member of GMF with a seat on its Advisory Council, MISC plays an active role in shaping the future of maritime trade by working collaboratively in keeping the environment cleaner with the reduction of harmful GHG.
Maritime Anti-Corruption Network (MACN)	As a global business network, MACN works towards achieving the vision of a maritime industry free of corruption that enables fair trade to benefit the society at large. Our participation in MACN is aligned to the United Nation's Sustainable Development Goals (UNSDG), in particular, UNSDG 16 for Peace, Justice and Strong Institutions and UNSDG 17 for Partnership for Goals.
Oil Companies International Marine Forum (OCIMF)	OCIMF is widely recognised as the voice of the oil industry providing expertise in the safe and environmentally responsible transport and handling of hydrocarbons in ships and terminals and setting standards for continuous improvement. MMS is now officially recognised as a member of OCIMF which qualifies us to be the official marine assurance and compliance representative for PETRONAS Group of Companies.
International Association of Independent Tanker Owners (INTERTANKO)	Through its Gas Tanker Committee (GTC), INTERTANKO aims to promote the interests of independent gas tanker owners in international forums and organisations on best practices and standards beyond compliance with regulations. MISC plays an active role in INTERTANKO by working collaboratively with peers and constructively listening to feedback from industry partners as well as providing meaningful perspectives in driving the successful resolution of its members' concerns.
Malaysia Shipowners' Association (MASA)	MASA engages the government and the industry frequently to strengthen existing relationships as well as foster new ones. MISC plays an active role in highlighting issues aimed at enhancing and strengthening the development of national shipping industry.
Society of International Gas Tanker and Terminal Operators (SIGTTO)	SIGTTO is an international body established for the exchange of technical information and experience between members of the industry, towards enhancing the safety and operational reliability of gas tankers and terminals. Eaglestar is actively involved by participating in the forums and meetings organised by SIGTTO.
Malaysian Gas Association (MGA)	MGA's vision is to promote a vibrant and sustainable Malaysian gas industry. MISC is a Council Member of MGA and also holds the Chairmanship of the Government and Regulatory Affairs Working Committee. This membership has broadened our business base and international ventures by enabling our participation in International Gas Union's (IGU) events as well as contributing our expertise in collaborative projects.
The P&I Clubs	The P&I Clubs play a key role in coordinating and promoting the collective strength of the P&I industry on behalf of the global shipowning community. MISC benefits from the sharing of knowledge and expertise on matters relating to shipowners' liabilities and the insurance and reinsurance of such liabilities.
Malaysia Women in Energy (MyWiE)	MyWiE is an advocacy group with the main objective of championing equal opportunity for women in the energy sector. It is promoting this agenda by bringing industry leaders together to encourage equal opportunity and diversity in the energy sector at all levels and categories. MISC plays an active role as the Chairman of the Advisory Panel.
Society for Gas as Marine Fuel (SGMF)	SGMF is a non-governmental organisation (NGO) to promote safety and industry's best practice with regards to the use of gas as a marine fuel. Eaglestar joined SGMF in 2020 and as one of the first mover in LNG Bunkering operation, our intention is to influence the implementation of best practices in this sector.

During the year under review, MISC Group contributed a total of RM1.19 million to our trade association and membership.

SPECIAL FEATURE : CUSTOMER ENGAGEMENT SURVEY

The MISC Customer Engagement Survey is conducted once every two years, with the most recent survey carried out in 2020. The survey was sent to the key customers of MISC (namely the LNG Business segment and Offshore Business segment), AET, MHB, Eaglestar and MMS.

A total of 44 responses were received and MISC Group's average score is within the 'Meeting Expectations' category.

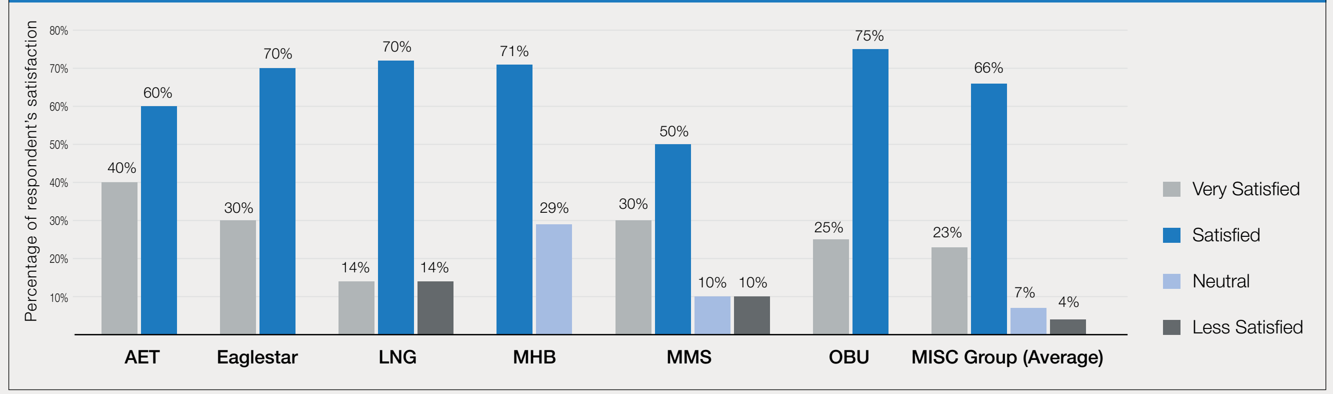
With respect to the Group's aspects of service, Asset/Fleet/Service Quality along with Operational Performance received the highest scores, while Commercial Competitiveness scored the lowest. As for our business units and subsidiaries, 89% of respondents were either 'Very Satisfied' or 'Satisfied'.

Our scores indicate that our customers are generally satisfied with the services provided by the Group. In general, customers will consider MISC for future business opportunities based on our track record and service quality.

Customers also indicated a high level of willingness to recommend us to others.

The survey also provided customers with the opportunity to share their concerns. Among the key issues raised were commercial competitiveness, enabling a more proactive approach in providing new ideas and solutions, and conducting regular engagements to keep customers abreast of the latest developments. Moving foward, we plan to use the feedback obtained to further improve our customer service proposition.

OVERALL SATISFACTION



STRATEGIC COMMUNITY INVESTMENT

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

Theme	Aspects	Benefits to community	Material matters	UNSDG	Relevant sections
Biodiversity conservation	Marine (coral reef) conservation	• Increase socio-economic status of the local community • Conservation of marine biodiversity	• Ocean Health		Operating Safely and Sustainably
	Turtle Conservation				Port Management & Maritime Services Business Review
Education	Cadet Scholarship Programme	• Support communities to have better access to education resources	• Skilled workforce • Employee Engagement		• Integrated Marine Services Business Review • Maritime Education & Training Business Review
	MHB Art of Science				Marine & Heavy Engineering Business Review
	MHB Go Green				Marine & Heavy Engineering Business Review
COVID-19	Donations	• Provide relief to the communities during the COVID-19 pandemic	• Corporate Social Responsibility		• Petroleum & Product Shipping Business Review • Marine & Heavy Engineering Business Review

ANCHORING SUSTAINABILITY @ MISC

As responsible member of the global maritime value chain, MISC also strongly supports the following externally-developed economic, environmental and social charters principles.

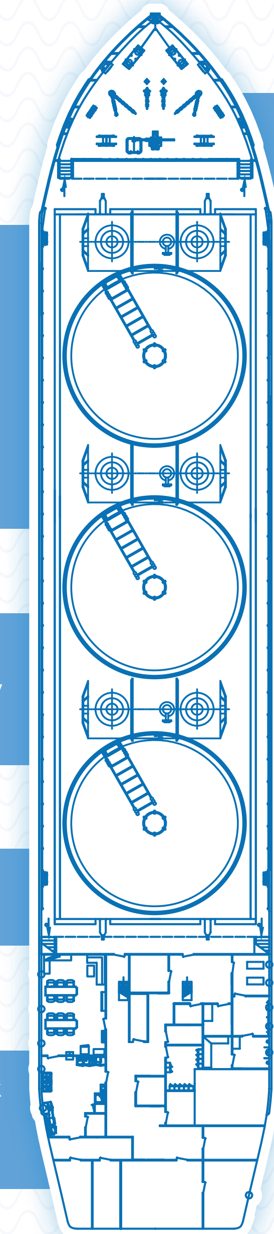
Principles/charter	Description of the principles/charter	Our position
Getting to Zero Coalition	Getting to Zero Coalition is a partnership between the GMF, the Friends of Ocean Action, and the World Economic Forum. The coalition is a powerful global alliance of more than 70 public and private organisations which is committed to developing zero-emission vessels by 2030 and leading the push for international shipping's decarbonisation in line with the IMO's aspirations.	MISC is collaborating with key maritime strategic partners on a joint development project for an ammonia-fuelled tanker to support the shipping industry's drive towards a decarbonised future. The goal is to have commercially viable zero-carbon emission, deep-sea-going vessels available to the global maritime industry by 2030. The joint development project enables industry players with a similar mindset to pursue the path towards decarbonisation and reduce the effect of climate change. For more details please refer to page 120 on The Castor Initiative
Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (The Hong Kong Convention)	The Hong Kong Convention recognises that ship recycling is the most environmentally sound way to dispose ships at the end of their life cycle, as most ship materials can be reused.	MISC conducts the disposal of vessels that have reached the end of its life cycle in a responsible manner by ensuring that an inventory of hazardous materials is prepared, and the disposal is done in accordance with Hong Kong Convention on Ship Recycling.
Neptune Declaration on Seafarer Wellbeing and Crew Change	In 2020, the COVID-19 crisis had caused an unprecedented crew change crisis, as a huge proportion of seafarers were left stranded working aboard ships beyond their initial contracts due to pervasive lockdowns, travel restrictions and border closures. In response to this, MISC along with over 300 organisations from the maritime value chain banded together to form a worldwide call to action to put an end to the crew change crisis which was causing seafarers fatigue, in addition to putting their physical and mental wellbeing at risk.	MISC is a signatory to The Neptune Declaration on Seafarer Wellbeing and Crew Change which defines four main actions to facilitate crew changes and keep global supply chains functioning: • Recognise seafarers as key workers and give them priority access to COVID-19 vaccines • Establish and implement gold standard health protocols based on existing best practice • Increase collaboration between ship operators and charterers to facilitate crew changes • Ensure air connectivity between key maritime hubs for seafarers

OUR SUSTAINABILITY VOYAGE CONTINUES

Since embarking on our sustainability journey in 2012, through the development of the MISC Sustainability Framework, MISC has grown from strength to strength in developing and implementing its sustainability agenda to engender positive outcomes. We have steadily embedded sustainability elements within our operations, products and services to arrive at where we are today, where sustainability has been integrated as a key element of our business strategy moving forward.

Our future sustainability journey is centred on playing a significant role to help meet the shipping industry's aspiration for zero-carbon emission vessels by 2030 and contributing to the larger sustainability agenda of the UNSDG, energy transition and the carbon neutral economy. The following infographic captures the key milestones in our sustainability journey over the past eight years.

MISC Group Sustainability Journey



2012
- Developed MISC Sustainability Framework
- Established Sustainability Steering Committee

2014
- Received the Best First-time Reporting Awards at MASRA 2015
- Become constituent of FTSE4Good Bursa Malaysia

2015
- Refreshed MISC Vision and Mission Statement

2016
- Developed the MISC Sustainability Strategy

2017
- Carbon Emissions Reduction Target set
- Embarked on Integrated Reporting journey
- Launched sustainability website

2018
- Fleet renewal with the adoption of environmentally-friendly technologies onboard our vessels

2019
- Alignment with the UNSDG
- Participated in the Dow Jones Sustainability Index (DJSI)
- Established the flagship Biodiversity Programme
- Received Sustainable Business Awards 2019
- Delivery of the first LNG dual-fuel vessel

2020
- Developed the Sustainability Strategy 2021-2025
- Established the Sea Turtle Conservation Programme
- Participated in the Carbon Disclosure Project (CDP)

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UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDG)

MISC has in place, focused initiatives and programmes that support the following 11 UNSDGs.

3 Good Health and Well-Being	Our strong HSSE culture is defined by a broad spectrum of programmes that promote the health and wellbeing of our employees, contractors and communities.
4 Quality Education	Our talent development agenda is geared towards promoting skills throughout our workforce, including technical and vocational skills, to empower people to gain employment and decent jobs as well as encouraging entrepreneurial skills.
5 Gender Equality	We proactively encourage female participation in the maritime industry, to ensure their full and effective involvement as part of the global maritime community as well as enable their access to equal opportunities for leadership at all levels of decision making.
8 Decent Work and Economic Growth	Through our policies and processes that uphold labour rights, and promote a safe and secure work environment, we are encouraging sustainable economic growth and decent work for all.
9 Industry, Innovation and Infrastructure	Through the greater adoption of clean and environmentally sound technologies, we are designing or retrofitting our vessels and assets towards more sustainable performance that optimises the efficient use of resources.
10 Reduced Inequalities	Our various workplace policies are designed to ensure equal opportunities at the workplace, irrespective of age, gender, nationality or cultural background.
12 Responsible Consumption and Production	We are driving towards sustainable consumption by promoting the circular economy, through measures designed to eliminate waste and promote the use of renewable resources, as well as sustainable procurement practices.
13 Climate Action	We design and operate assets that either combat or reduce the effects of climate change.
14 Life Below Water	As a responsible maritime organisation, we have in place programmes that sustainably manage and protect marine ecosystems by strengthening their resilience and take action towards their restoration to maintain sustainable ocean health.
16 Peace, Justice and Strong Institutions	We are fostering a strong governance and business ethics culture to fight corruption and modern slavery, and promote fair practices.
17 Partnerships for the Goals	By encouraging and participating in multi-stakeholder partnerships that share resources on expertise and technology, we are promoting a global partnership towards a sustainable maritime industry.

List of Sustainability Policies

In support of the overarching sustainability governance process, the Group along with our business units and subsidiaries, have various internal and external mechanisms and systems in place for the management of specific sustainability-related matters. The following table highlights some of the policies and systems that are currently in place :

Aspect	Policies/Guidelines	
Governance and Business Ethics	• Code of Conduct and Business Ethics (CoBE) • MISC Anti-Bribery and Corruption (ABC) Manual • Whistleblowing Policy • Gift and Entertainment Policy • MISC Corporate Privacy Policy • Conflict of Interest	• Competition Law • Economic Sanctions • Personal Data Protection Act (PDPA) • Human Rights Statement • Modern Slavery Policy
Health, Safety, Security and Environment (HSSE)	• MISC Health, Safety & Environment (HSE) Policy • MISC Security Risk Management Policy • MISC HSE Requirements for Contractors	• MISC Substance Misuse Policy • MISC Safety Rules
Employees	• Performance Management System • International Labour Organisation (ILO)	• Maritime Labour Convention 2006 • MISC Employee Handbook

List of certifications and companies certified

The following provides the certifications that our business units and subsidiaries have obtained.

Certification	Business units/subsidiaries certified	
ISO 14001 Environment Management System	• Eaglestar (all vessels) • Offshore Business unit • MHB	
ISO 45001 Occupational Health and Safety Management System	• Eaglestar • Offshore Business unit • MHB	
ISO 50001 Energy Management System	• Petroleum fleet (AET) • LNG fleet (LNG Business unit)	
ISO 37001 Anti-bribery Management System	• MISC Berhad • MHB • AET	
Green Seal Office	• AET (Singapore, London, Houston, Rio and KL) • MISC Berhad (KL) • MMS (KL, Sg Udang Port, Kimanis and Miri)	• Eaglestar (KL) • MHB (KL) • ALAM (Melaka)

List of ESG Disclosures

MISC provides ESG disclosures to the following:

- FTSE4Good Bursa Malaysia
- Dow Jones Sustainability Index (DJSI)
- Carbon Disclosure Project (CDP)
- Transition Pathway Initiative (TPI)
- Vigeo Eiris (VE)
- Sustainalytics
- Morgan Stanley Capital International (MSCI)

UNVEILING OUR 2021-2025 SUSTAINABILITY STRATEGY

STRATEGY DEVELOPMENT PROCESS

MISC undertook a comprehensive process in the development of the 2021-2025 Sustainability Strategy, which comprised six employee workshop as follows:

- **Session 1: Knowledge Sharing**
- **Session 2: Materiality and Stakeholder Analysis**
- **Session 3: Gap Analysis**
- **Session 4: Strategic Priorities**
- **Session 5: Strategic Results, Objectives and Structure**
- **Session 6: Sustainability Strategic Priorities Results and Structure**

The sessions featured good mix of employee from the Group's various business units and subsidiaries. We harnessed the diverse perspectives and viewpoints of our multi-generational workforce, and brainstormed the issues surrounding ESG factors that were pertinent to MISC.

We also collaboratively identified MISC's appropriate response in light of the Group's strategic priorities, as well as our commitment towards contributing to the greater global sustainability agenda.

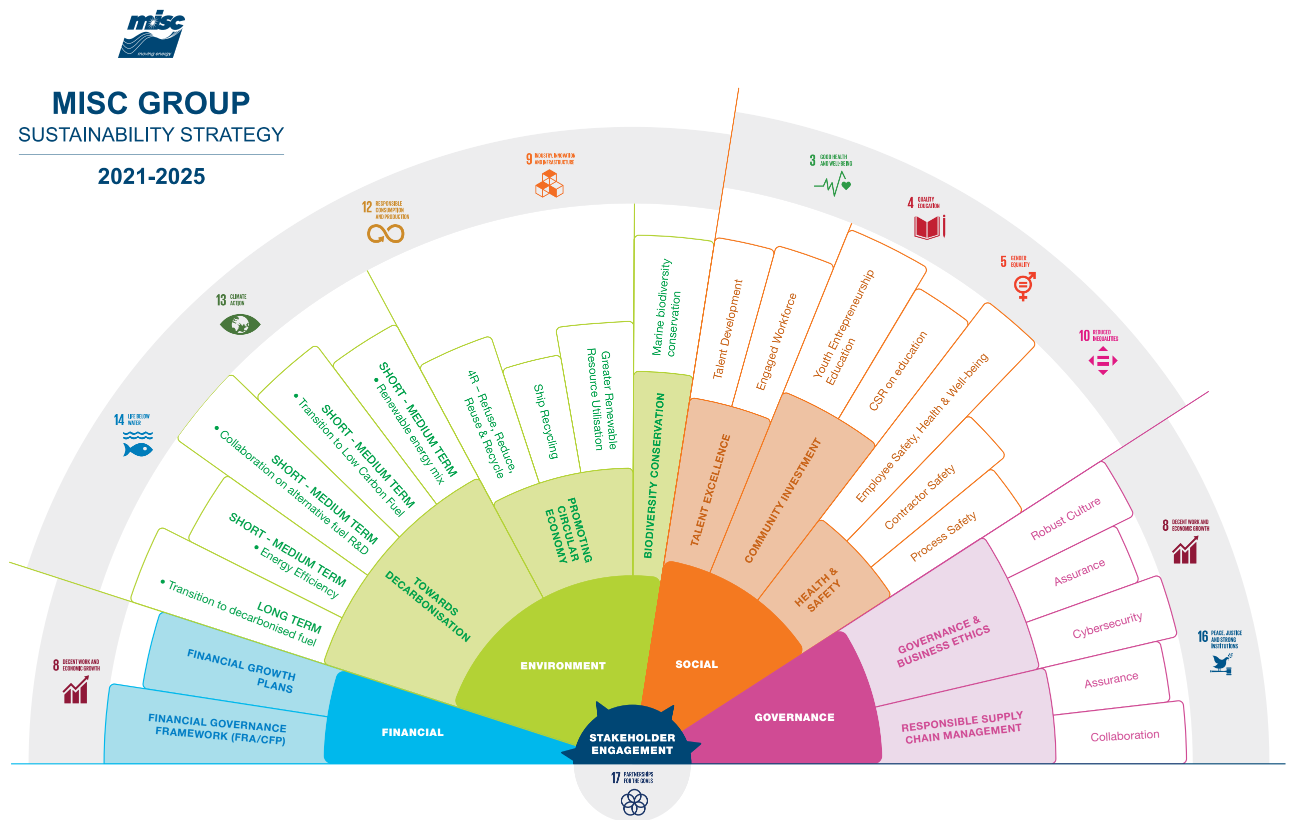
A total of 19 focus groups and discussions participated by 130 employees as well as the top management of the respective business units and subsidiaries were held. These sessions undertook a holistic approach towards collaboratively and collectively drawing up the Sustainability Strategy, by incorporating a top down approach with management and leadership on board to share their views, as well as a bottom up approach where our employees at working level could share their points of view based on their own experiences.

Through the sessions, we prioritised the issues and arrived at a deeper understanding of our stakeholders needs and concerns. A gap analysis was also conducted to identify areas of improvement against our previous strategy and incorporate these into our forward moving strategy.

ANCHORING SUSTAINABILITY @ MISC

Our overall discussions were guided by the following:

- Material matters identified in the 2019 MISC Group Materiality Matrix;
- Gaps identified through benchmarks based on ESG ratings indices;
- IMO aspirations; and
- Commitment to align (our business goals) with the UNSDG goals.



Based on the outcomes of all the sessions, we then identified nine strategic priorities within the three ESG pillars of environment, social and governance, and complemented by the fourth Stakeholder Engagement Pillar. In addition, we included Financial Pillar as part of our financial sustenance to complete the Sustainability Strategy.

In coming up with the optimal sustainability governance structure that would support the execution of the Sustainability Strategy and to embed sustainability into our daily business operations, we decided that a custodian governance structure would best achieve our objective.

Thus, while the Board and BGRC provides the highest oversight on the Sustainability Strategy, each business unit and subsidiary will now be expected to take ownership of their respective sustainability programmes and initiatives, cascading down to each individual employee. We believe the custodian approach to sustainability governance will enable us to internalise the shift towards a sustainability-centred business, where each member of the MISC Family proactively works towards achieving MISC's sustainability targets, within their own jobs and functions.

FINANCIAL PILLAR	The aim of our Financial Pillar is to achieve growth in a predictable manner, and through recurring sources of cashflow. We have identified two key strategic priorities to drive our financial sustainability under this pillar as follows:

- Financial growth plans (a five-year rolling business plan)
- Financial governance framework, developed in line with the financial reporting accounting standards and certified financial planner

More details on our strategic priorities in the Financial Pillar can be found in the Delivering Our Strategy section on page 90 of this Integrated Annual Report.

ENVIRONMENT PILLAR	MISC seeks to contribute to the global call for a sustainable future, to demonstrate our commitment to upholding the highest standards of environmental stewardship as a responsible corporate citizen. Considering our role as global energy movers, we are mindful of minimising the environmental impacts of our business operations, whilst at the same time giving back to the environment by contributing to efforts to preserve the planet for future generations. Our three strategic priorities within the Environment Pillar are as follows:
Towards Decarbonisation	This strategic priority demonstrates MISC's commitment to transition towards decarbonised operations by 2050 and aligns MISC's carbon emission reduction commitments with the IMO's Initial Greenhouse Gas (GHG) Strategy. Our Towards Decarbonisation strategic priority consists of the following two phases:

1 Short to medium-term carbon reduction targets comprising of:

- Five-year plan from 2021 until 2025
- 10-year plan from 2021 until 2030

2 Long-term carbon reduction targets with a 20-year plan, from 2030 until 2050

MISC has put in place dedicated plans for both shipping and non-shipping operations. Within our shipping operations, we are looking at continually improving energy efficiency in the vessel designs and operations as we progressively renew our fleet to low-carbon fuel. We are also collaborating with strategic partners in developing a zero-carbon emission vessel to meet the Getting to Zero 2030 aspiration. As for the longer-term 2050 targets, our aim is to progressively decarbonise our newer vessels as part of the fleet renewal/rejuvenation programme. With regards to our non-shipping units and subsidiaries, the focus is on improving energy efficiency at the workplace and in operations, and increasing the mix of renewable energy use.

Why Do We Need to Decarbonise?

There is an urgent need to reduce GHG emissions from international shipping, and to phase them out within this century. The IMO has set the following aspirations for the shipping industry:

- IMO 2050: Reduce total GHG emissions from shipping operations by at least 50% in 2050 compared to 2008; and
- IMO 2030 & 2050: Reduce the average carbon intensity from shipping operations by 40% in 2030 and 70% in 2050 compared to 2008

To align with IMO aspiration for 2030 and 2050, MISC is currently developing carbon reduction targets aligned with IMO GHG aspiration timeframes for both the medium and long term in terms of total GHG and carbon intensity.

Task Force on Climate-related Financial Disclosures (TCFD)

MISC Group is in support for the Task Force on Climate-related Financial Disclosure (TCFD) and for more details on the Group's commitment towards climate change and our current initiatives aligned to the four basic recommendations of TCFD, please refer to Task Force on Climate-related Financial Disclosure section in this Integrated Annual Report on page 59.

SPECIAL FEATURE : THE CASTOR INITIATIVE

An alliance of 4 key maritime industry players namely MISC, Samsung Heavy Industries (SHI), Lloyd's Register (LR) and MAN Energy Solution was formed in January 2020 with an ambition to jointly develop commercially viable deep-sea Zero-Emission Vessels (ZEVs) by 2030.The Joint Development Project (JDP) is aligned with the International Maritime Organisation's 2050 Greenhouse Gas (GHG) aspirations and Getting to Zero Coalition's commitment. A key milestone of the collaboration was achieved in September 2020, as LR awarded Approval in Principle (AiP) to SHI for its ammonia-fuelled tanker design with the aim of commercialising these developments by 2024.

Recently in February 2021, the JDP announced the addition of Yara International ASA (Yara) and Maritime and Port Authority of Singapore (MPA) into the coalition. The addition of Yara and MPA into the coalition now completes the representation of all key areas of the maritime industry ecosystem. The experiences and expertise of all key partners would be central to the success of the initiative, from conception to project realisation. The JDP partners further announced the name for the expanded coalition as 'The Castor Initiative'.

Partners of The Castor Initiative agreed to the name Castor because it is symbolic to the "star" Castor, which is uniquely formed by a system of 6 stars that shine brightly in unison. The 6 stars present in Castor symbolises the 6 partners of this perfect and complete alliance which has representation from all areas of the maritime ecosystem. A star based name was also selected because stars are traditionally linked very closely to the maritime world as seafarers look upon the stars to chart their onward voyage. As one looks up to the sky – Castor is seen as one, that's how we would like to be seen as – "One" alliance that will shine the way forward for a greener future.

The Castor Initiative was motivated by the partners' shared belief that the maritime industry needs leadership and greater collaboration if shipping is to meet the IMO's GHG ambitions. While ammonia is one of the fuels being considered by maritime stakeholders, the partners also recognise that the shipping industry will need to explore multiple decarbonisation pathways and hope their collaboration will spur others in the maritime industry to join forces on addressing this global challenge.

Promoting Circular Economy

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

MISC aims to promote the elimination of waste and the continual use of resources, as well as increase the use of renewable resources within our operations and the value chain. We will drive our efforts by practising 4R (Refuse, Reduce, Reuse and Recycle), utilising the WtV concept wherever possible. We are also promoting greater utilisation of renewable resources throughout our operations.

A key means by which we are promoting the circular economy is through our efforts at green ship recycling. This is in line with our commitment towards the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ship 2009 (the Hong Kong Convention).

How Does MISC Conduct Ship Recycling?

MISC is committed to recycling ships responsibly, when dismantling vessels that have reached the end of their operational lives. The aim is to ensure that the dismantling and breaking up of ships do not pose any unnecessary risks to human health and safety, and to the environment.

Ship recycling refers to the dismantling and recycling of ships in a sustainable and environmentally sensitive manner. Appointed brokers or their site managers are required to perform the demolition and recycling of a vessel according to established recycling yards standards, operating procedures and industry best practices.

MISC maintains an Inventory of Hazardous Materials (IHM) on each vessel. The IHM is a vessel-specific document that identifies and quantifies all potentially hazardous material on board a ship that poses health, safety and environmental risks. The document facilitates green ship life cycle management as it provides the ship recycler with the information they require to specifically identify and manage the hazardous materials appropriately in the vessel.

Biodiversity Conservation

This strategic priority demonstrates MISC's commitment to protect ocean health by rehabilitating marine biodiversity, specifically coral reefs and sea turtles. We are driving this strategic priority through collaborative partnerships that promote and conduct marine biodiversity programmes and activities. In 2020, we launched the Heart of the Ocean initiative, signifying our long-term commitment towards marine biodiversity conservation.

We have introduced two signature marine biodiversity conservation programmes under the Heart of the Ocean initiative as follows:

- The MISC Biodiversity Conservation Flagship Programme, a reef conservation and marine debris and plastics management programme located on Mersing Island, Johor
- The UMT-MMS Sea Turtle Conservation Programme, led by our subsidiary, MMS, located on Pulau Redang, Terengganu

SOCIAL PILLAR

Our commitment under the social pillar is to promote health and safety, individual and team excellence, as well as positively impact communities. Our renewed commitment is a combination of the 2016-2020 Employee and Community Pillar mission statements with an enhanced focus on health and safety. Our efforts under this pillar is important as it provides the social license for us to operate as the programmes we have implemented are aimed towards contributing to the socio-economic development of communities, as well as strengthen our human capital. The strategic priorities for 2021-2025 under the Social Pillar are as follows:

Health and Safety

Under this strategic priority, MISC aims to provide a safe and healthy environment for employees, contractors and communities. This is being driven through our Behavioural HSSE culture (b-HSSE) where the leadership encourages all employees to embrace the 'See it, Own It' b-HSSE ethos. Our future plans are focused on enhancing our HSSE culture through the adoption of various health and safety initiatives and management processes, including Process Safety Management.

Talent Excellence

Our Talent Excellence strategic priority aims to futureproof our business by strengthening the outcomes of the MISC talent and leadership agenda. By accelerating talent potential, we will be able to advance our pipeline of high potential talents to the next level of leadership. We plan to enhance our competency development programmes by employing a more structured approach based on the MISC Group Competency Framework. Continued focus on Career Management Programmes will allow us to further drive our Talent Excellence agenda. In order to strengthen employee engagement, we will enhance communication with our employees, and diversify the channels of engagement.

Moving into 2021 and beyond, Diversity and Inclusion (D&I) will be a key focus within this strategic priority. MISC believes that by embracing the diversity agenda, we can enhance performance, improve employee retention and is a means for us to access different perspectives and ideas. For MISC, diversity includes, but is not limited to, gender, age, ethnicity, religion, beliefs, origin and cultural background. Our diversity agenda leverages on a wide spectrum of skills, experiences and talents from different backgrounds to add to the strength of our Group.

Our strategic focus areas within the D&I ambit are as follows:

- To grow our diverse talent base by building up gender and national representation that reflects our growing international footprint
- To foster an inclusive culture and work environment that emphasises on equity and meritocracy to provide opportunities for a multigenerational workforce
- To promote an 'Inclusive Leadership' culture founded on leadership accountability towards creating a workplace that is valued by a diverse talent base

ANCHORING SUSTAINABILITY @ MISC

Community Investment

MISC's commitments in the Community Investment strategic priority aims to foster the development of youths towards becoming future leaders through education. Demand for future workforce skills will change as businesses accelerate their digitalisation and automation journey. The workforce of the future will need to be adaptive, and innovative in the way they conduct their jobs and responsibilities.

In many industries, the youths of today will end up assuming roles that have yet to exist as part of the future workforce. With this in mind, MISC's specific focus is on developing entrepreneurship skills within the younger generation. Towards this end, our initiatives seek to establish multi-stakeholder community investment programmes aimed at upskilling entrepreneurship skills of youths. In particular, we will continue with our maritime cadet sponsorship programme at ALAM.

GOVERNANCE PILLAR

Under the Governance Pillar, MISC aims to reinforce a strong governance, business ethics and culture. A robust governance and ethical culture will preserve and strengthen stakeholder confidence, whilst providing the foundations for a high-performing organisation that demonstrates long-term resilience. Our two key strategic priorities within this pillar are as follows:

Values, Assurance and Business Ethics

We are continuously working to embed a culture of strong corporate governance, business ethics and conduct, throughout all the MISC Group. A significant area we plan to focus on is to enhance our cybersecurity framework and safeguard our operations as our business operations accelerate the shift towards digitalisation and automation.

Within the Corporate Governance function, we will enhance our oversight of ESG risks via Enterprise Risk Management. The new BGRC which came into effect on 1 January 2021 will provide increased Board oversight on ESG risks and opportunities including cyber risk governance.

We plan to step up on our Compliance and Business Ethics by progressing with our journey to embed a strong compliance culture into our business processes through awareness and assurance programmes. Towards improving cyber resiliency, we will enhance the employees' cybersecurity capabilities and awareness across all levels, as we elevate and continuously improve our cybersecurity framework.

We are cognisant of the human rights risks that exist for our business, and we are deeply committed to ensuring we regularly conduct our human rights assessment and provide for a grievance mechanism, in line with promoting fair labour practices.

Responsible Supply Chain Management

Through this strategic priority, MISC aims to drive sustainable practices within our base of suppliers. We hope to take them along on our sustainability journey and encourage them to join us in our ambition towards a sustainable future. We will be driving this by implementing an ESG Supply Chain assurance programme that emphasises on sustainable sourcing, circular economy, health and safety, and business ethics compliance, including human rights.

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

STAKEHOLDER ENGAGEMENT PILLAR

As MISC, we stand by the belief that our stakeholders are an important component of our business journey. As we continue to create shareholder value, we are cognisant to also contribute value to our other stakeholders, especially through our sustainability agenda. In line with this, we have instituted the Stakeholder Engagement Pillar as a vital part of our Sustainability Strategy. This pillar seeks to create meaningful value through trusted stakeholder relationships.

The following form our principles of stakeholder engagement:

- **COLLABORATE** with strategic partners
- **PROMOTE** sustainability awareness
- **COMMUNICATE** effectively through identified platforms
- **FEEDBACK** sought regularly from stakeholders
- **TRANSPARENCY** through disclosures on sustainability-related frameworks

Over the next five years, we plan to strengthen the collaborations we have established with our strategic partners, whilst regularly seeking feedback on our sustainability agenda. We will strengthen the relationships with our ecosystem of stakeholders, by transparently communicating and disclosing the outcomes of our sustainability agenda.

SECTION 6

FINANCIAL REVIEW

RAJA AZLAN SHAH RAJA AZWA
Vice President, Finance

GROUP FINANCIAL REVIEW

VICE PRESIDENT'S REMARKS

2020 has been a challenging year for all, with the pandemic causing unprecedented impacts on the global economy. MISC has been fortunate as our overall financial performance and financial position have remained strong. This is mainly due to most of our assets being under long-term time charters. MISC's reliance on long-term contracts as the primary source of our cash flow has insulated us from volatilities that other businesses suffered during the year.

MISC recorded robust financial performance in 2020, and revenue improved by 4.9% to RM9.4 billion, from RM9.0 billion in 2019. The Group's strong financial trajectory is reflected in our cash flows from operating activities, low gearing ratios and stable credit ratings.

During the year, the Group had to contend with the financial impacts of the COVID-19 pandemic. The Marine & Heavy Engineering segment had to close its shipyard and suspend operations during the Movement Control Order (MCO) period in March 2020. This led to a loss of revenue and higher unabsorbed overheads as a result of slower progress on ongoing heavy engineering projects. The unfavourable decision in relation to the Gumusut-Kakap (GKL) arbitration further compounded matters, resulting in a one-off write-off of trade receivables and loss on re-measurement of finance lease receivables and a provision for litigation claims.

Despite those impacts, MISC recorded higher revenue by 4.9% and its growth was mainly driven by construction revenue for the deepwater Mero 3 FPSO project, and higher revenue from the ongoing Kawasari Gas Development Project which is the region's largest offshore platform. Although the unfavourable decision in relation to the GKL arbitration had impacted the Group's bottom line by RM1.9 billion, if this one-off impact is excluded, profit before tax (PBT) would be RM1.8 billion in 2020, which is 17.2% higher than the reported PBT of RM1.5 billion in 2019. This was mainly from higher margins on freight rates in the Petroleum & Product Shipping segment as well as higher share of profit from joint ventures recognised in the Offshore Business segment following the recognition of a one-time gain from a contract extension secured during the year. We believe cash flow from operating activities is a better reflection of MISC's performance and financial strength, which we have maintained at the RM5.6 billion threshold in 2019 and 2020.

2020 has been a landmark year in terms of securing new contracts. We were awarded long-term contracts for three dynamic positioning shuttle tankers (DPSTs) with Petrobras and two dual-fuel VLCCs with Total in our Petroleum & Product Shipping segment. The LNG Asset Solutions segment acquired six of the largest very large ethane carriers (VLECs) in the world with long-term contracts. We also secured the Mero 3 FPSO project, which is a pivotal milestone as we have successfully achieved our goal of penetrating the Atlantic basin. The Group took delivery of six DPSTs, one VLEC and an LBV, and successfully sailed away the *FSO Golden Star*, all of which bolsters our secured income for the future. We also completed the construction of Dry Dock 3 at MHB, increasing our capacity and future earnings from the Marine & Heavy Engineering segment.

Now, more so than ever, we are finding that our dedicated pursuit of long-term contracts and diligent risk assessments are proving to be the right management strategy for the Group. These long-term contracts with reputable clients provide MISC with sustainable secured income even through trying times, and our contract wins in 2020 contribute towards replenishing and growing our secured income in the future. We practice a strict and disciplined project risk assessment process that looks at contractual, project execution and financial risks. By employing this approach, we are able to match the targeted return to the relative risks of the projects which we undertake in a disciplined and conscientious manner.

MISC's balance sheet has also remained healthy in 2020. Our gearing ratio of 0.41 is one of the lowest in the industry with ample headroom for growth. The strength of our balance sheet is demonstrated by the Group's stable credit ratings despite the external headwinds. During the year, S&P Global Ratings, Moody's Investor Service and MARC maintained their ratings for MISC, at BBB+, Baa2 and AAA$_{\text{IS}}$ respectively.

Complementing this is the strong support from MISC's existing group of banks. MISC has access to various financing options, which provides ample liquidity at competitive costs, which in turn allows us to reduce our financing cost. MISC has successfully closed financing for its six VLECs and secured sufficient commitments for the Mero 3 FPSO project. The milestones have been achieved amidst the current challenging financial market landscape which has been exacerbated by the pandemic. This has resulted in banks being more selective. The Group's ability to close financing despite the difficulties is a strong testament to the Group's credit worthiness and confidence the lenders have in the Group.

In response to the investor community having become more focused on climate change concerns in assessing their investments, MISC will be embarking on our Task Force on Climate-related Financial Disclosures (TCFD) journey in 2021 to remain as the market's investment of choice. We have developed a TCFD Roadmap and as part of our 2021-2025 Sustainability Strategy, we intend to roll out the TCFD Programme beginning with our core businesses, before including our other strategic enabling businesses. The aim is to progressively provide more TCFD aligned disclosures on climate-related risks and opportunities, with the end goal of full compliance by 2023. This will be another achievement demonstrating MISC's commitment to a more sustainable way of conducting our business.

We will also be continuing our internal transformation efforts in the areas of finance, procurement and document management towards becoming a data-driven organisation. 2021 is going to be a year of execution, where MISC will be working closely with our vendors, suppliers, contractors and our banks, to ensure smooth and seamless delivery of our projects. We are confident, that with long-term secured income tagged to our new CAPEX, our secured cash flow stream will only grow and augment the strength of our balance sheet and credit worthiness, providing us with the ability to sustain consistent dividend pay-outs.

RAJA AZLAN SHAH RAJA AZWA
Vice President, Finance

HIGHLIGHTS OF FINANCIAL PERFORMANCE

REVENUE

For the financial year ended 31 December 2020 (FY2020), Group revenue of RM9,401.2 million was 4.9% higher than the financial year ended 31 December 2019 (FY2019) revenue of RM8,962.7 million. The increase in revenue was mainly from higher contribution from on-going heavy engineering projects from the Marine & Heavy Engineering segment and recognition of construction revenue for a floating production, storage and offloading unit (FPSO) in the Offshore Business segment.

OPERATING PROFIT

The Group's operating profit of RM2,017.2 million was 4.6% higher than FY2019 operating profit of RM1,929.3 million. The increase was mainly driven by higher margin on freight rates achieved in the Petroleum & Product Shipping segment and higher profit in the Offshore Business segment following the recognition of construction profit of an FPSO.

LOSS BEFORE TAX

The Group reported loss before tax of RM123.6 million compared to profit before tax of RM1,512.3 million in FY2019. The current year loss was mainly due to the recognition of provision for litigation claims amounting to RM1,049.2 million, as well as a write-off of trade receivables and loss on re-measurement of finance lease receivables of RM846.2 million relating to the adverse decision on arbitration proceedings by Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL) against Sabah Shell Petroleum Company Limited (SSPC). Excluding the impact from GKL's arbitration decision, the Group would have recorded profit before tax of RM1,771.8 million which is 17.2% higher than FY2019's profit before tax of RM1,512.3 million. This was contributed by higher operating profit as explained above coupled with higher share of profit from joint ventures following the recognition of a one-time gain from a contract extension secured during the year.

LOSS PER SHARE (SEN)

Loss attributable to the equity holders of the Corporation amounting to RM43.1 million translates to loss per share of 1.0 sen in FY2020 as opposed to earnings per share of 32.0 sen in FY2019.

DIVIDENDS

In respect of FY2020, the Board had approved and declared on quarterly basis a total tax exempt dividend of 33.0 sen per share or RM1,473.0 million which was consistent to the total dividend declared and paid in respect of FY2019. The dividends were declared in line with the commitment to provide sustainable distribution to the shareholders.

The Group's income statements for the year ended 31 December 2020 can be found on page 319 of this Integrated Annual Report.

GROUP FINANCIAL REVIEW

FINANCIAL POSITION

TOTAL ASSETS

The Group's total assets as at 31 December 2020 of RM51,821.0 million was 0.1% lower than RM51,863.8 million as at 31 December 2019. The decrease in the Group's total assets were mainly due to the write-off of trade receivables and loss on re-measurement of finance lease receivables relating to the GKL's arbitration decision as well as impairment loss on ships, offshore floating assets and other property, plant and equipment. However, this was offset by CAPEX incurred during the year.

TOTAL LIABILITIES

The Group's total liabilities of RM18,669.9 million as at 31 December 2020 was 15.9% higher than RM16,110.1 million as at 31 December 2019 mainly due to the provision for litigation claims for GKL's arbitration decision coupled with the increase in interest-bearing loans and borrowings as well as increase in deferred income relating to time charter income paid in advance by customers.

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION

Equity attributable to equity holders of the Corporation of RM32,272.8 million as at 31 December 2020 was 7.1% lower than RM34,727.2 million as at 31 December 2019 mainly due to the loss reported in FY2020 following the adverse decision on GKL's arbitration decision, dividends payments as well as hedging and currency translation loss.

GROSS DEBT/ EQUITY RATIO

The Group's gross debt-to-equity ratio of 0.41 as at 31 December 2020 was higher compared to 0.37 as at 31 December 2019 following increase in total interest-bearing loans and borrowings during the year.

Details of the Group's financial position as at 31 December 2020 can be found on pages 321 to 322 of this Integrated Annual Report.

CASH FLOWS FROM OPERATING ACTIVITES

The Group's cash flows generated from operating activities for the year ended 31 December 2020 of RM5,587.9 million was in line with RM5,579.1 million recorded in the corresponding year mainly due to the steady cash flow generated from the Group's portfolio of long-term contracts.

Details of the Group's cash flows for the year ended 31 December 2020 can be found on pages 327 to 328 of this Integrated Annual Report.

CAPITAL EXPENDITURE REQUIREMENTS

The Group's approved and contracted committed CAPEX as at the end of FY2020 stood at RM6,637.5 million. Based on our strong cash position as at the end of FY2020 and existing funding facilities, the Group should be able to fund the committed CAPEX and pursue growth prospects.

Details of the Group's capital commitments as at 31 December 2020 can be found on page 424 of this Integrated Annual Report.

SEGMENTAL PERFORMANCE

LNG ASSET SOLUTIONS

LNG Asset Solutions segment's revenue of RM2,652.7 million was RM70.6 million or 2.7% higher than the corresponding year's revenue of RM2,582.1 million, mainly from higher earning days following fewer dry docking being performed in the current year.

The segment's operating profit of RM1,191.0 million was RM0.6 million higher than the corresponding year's profit of RM1,190.4 million, mainly from higher revenue as explained above but offset with higher vessel operating costs during the year.

PETROLEUM & PRODUCT SHIPPING

The Petroleum & Product Shipping segment's revenue of RM3,863.5 million was RM441.3 million or 10.3% lower than the corresponding year's revenue of RM4,304.8 million, mainly due to lower number of operating vessels in the current year.

The segment's operating profit of RM469.2 million was RM108.8 million or 30.2% higher than the corresponding year's profit of RM360.4 million, mainly from higher margin on freight rates in the current year.

OFFSHORE BUSINESS

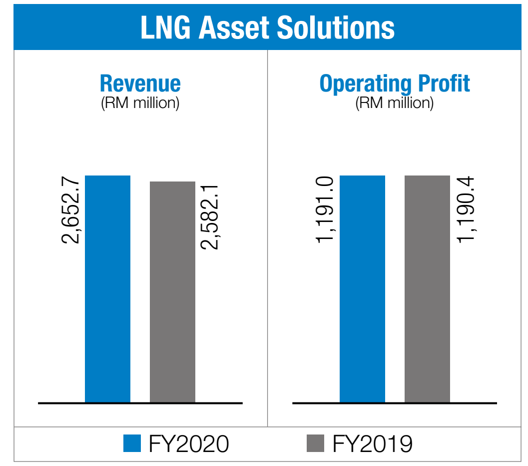
The Offshore Business segment's revenue of RM1,288.5 million was RM202.3 million or 18.6% higher than the corresponding year's revenue of RM1,086.2 million mainly due to the recognition of construction revenue for an FPSO in the current year.

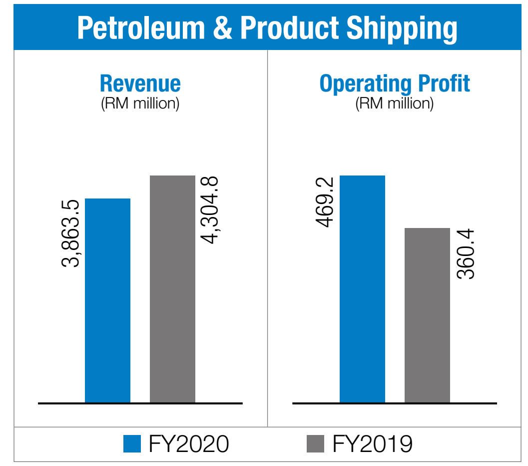
The segment's operating profit of RM565.8 million was RM70.4 million or 14.2% higher than the corresponding year's profit of RM495.4 million mainly due to the construction profit recognised for the FPSO mentioned above.

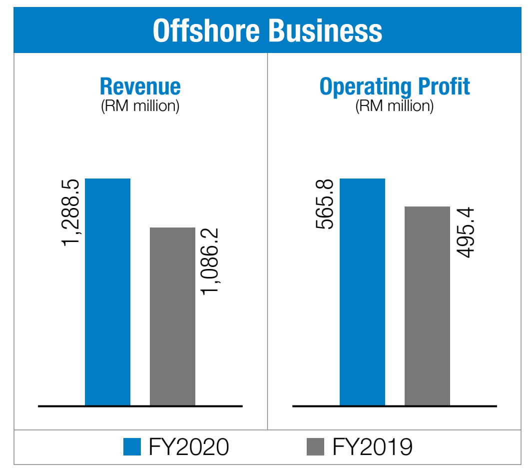
MARINE & HEAVY ENGINEERING

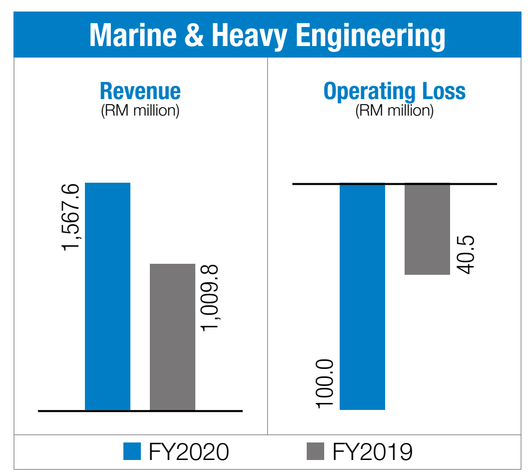
The Marine & Heavy Engineering segment's revenue of RM1,567.6 million was RM557.8 million or 55.2% higher than the corresponding year's revenue of RM1,009.8 million mainly due to higher revenue from on-going heavy engineering projects.

The segment posted an operating loss of RM100.0 million, compared to operating loss of RM40.5 million in the corresponding year mainly due to additional cost provisions and associated higher unabsorbed overheads arising from the COVID-19 pandemic.









FINANCIAL CALENDAR

FINANCIAL PERIOD

1 January 2020 to 31 December 2020

ANNOUNCEMENTS OF FINANCIAL RESULTS

1st Quarter	8 May 2020
2nd Quarter	13 August 2020
3rd Quarter	17 November 2020
4th Quarter	18 February 2021

ANNOUNCEMENTS OF TAX EXEMPT DIVIDENDS

	Announced	Paid
1st Dividend	8 May 2020	9 June 2020
2nd Dividend	13 August 2020	15 September 2020
3rd Dividend	17 November 2020	15 December 2020
4th Dividend	18 February 2021	16 March 2021

FIVE-YEAR GROUP FINANCIAL PERFORMANCE

	Audited 1.1.2020 to 31.12.2020 RM million	Audited 1.1.2019 to 31.12.2019 RM million	Audited 1.1.2018 to 31.12.2018 RM million	Audited 1.1.2017 to 31.12.2017 RM million	Audited 1.1.2016 to 31.12.2016 RM million
Revenue	9,401.2	8,962.7	8,780.3	10,068.2	9,597.2
Operating profit	2,017.2	1,929.3	1,466.4	2,733.6	2,228.8
(Loss)/profit before taxation	(123.6)	1,512.3	1,344.1	2,003.6	2,814.0
(Loss)/profit after taxation	(169.8)	1,436.3	1,284.3	1,990.7	2,793.3
(Loss)/profit for the year attributable to equity holders of the Corporation	**(43.1)**	**1,426.4**	**1,311.5**	**1,981.5**	**2,581.6**
Dividends paid during the year	1,473.0	1,339.1	1,339.1	1,830.2	1,450.7
(Loss)/earnings per share (sen) (1)	(1.0)	32.0	29.4	44.4	57.8
Total assets	51,821.0	51,863.8	52,065.3	50,469.8	56,151.3
Total liabilities	18,669.9	16,110.1	15,701.2	14,565.0	16,820.3
Equity attributable to equity holders of the Corporation	32,272.8	34,727.2	35,351.1	34,844.2	38,065.7
Interest-bearing loans and borrowings	13,440.4	13,152.2	13,049.9	11,663.9	12,601.5
Net tangible assets per share (sen)	724.3	782.1	795.4	785.4	860.1
Gross debt/equity ratio (times)	0.41	0.37	0.36	0.32	0.32
Net debt/equity ratio (times)	0.20	0.17	0.20	0.16	0.15
Interest cover ratio (times) (2)	6.6	4.5	4.4	11.0	10.2
Cash flows from operating activities(3)	5,587.9	5,579.1	4,099.2	4,739.1	5,222.3

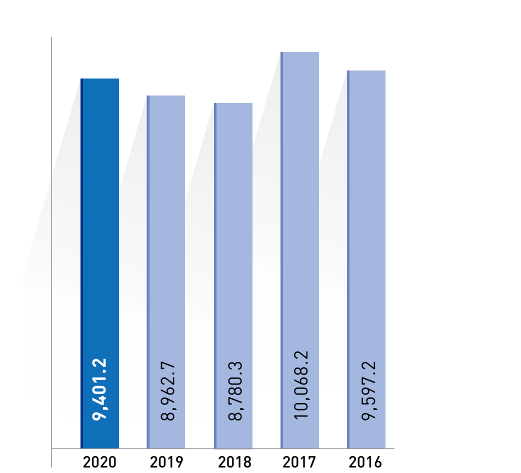
Notes:

(1) (Loss)/earnings per share has been calculated using the weighted average number of ordinary shares in issue during the financial year.

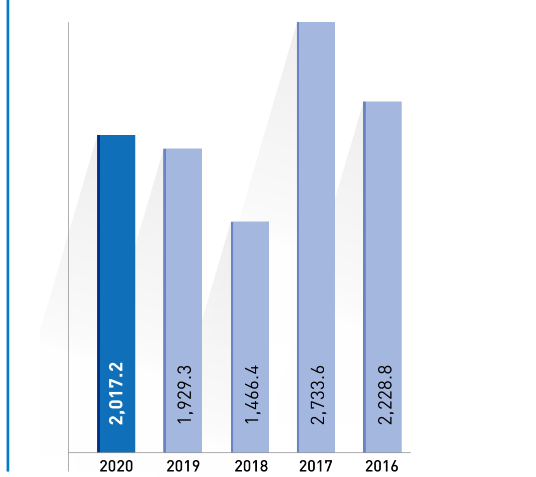
(2) Excluding gain on acquisition of businesses, net gain/(loss) on disposal of ships and offshore floating assets, impairment provisions, provision for litigation claims and write-off of trade receivables and loss on re-measurement of finance lease receivables.

(3) FY2019 and FY2020 cash flows from operating activities reflect the reclassification arising from the adoption of MRFS 16: Leases.

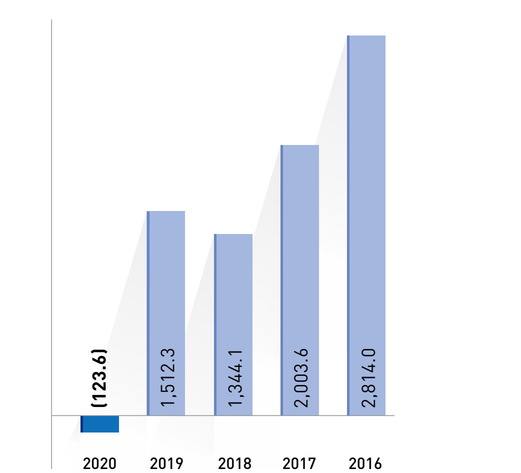
REVENUE
(RM million)



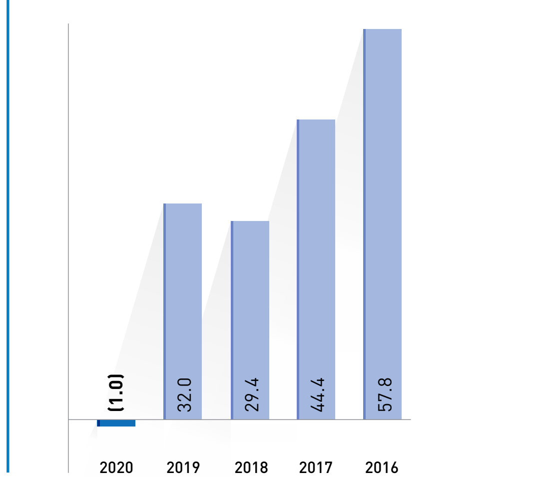
OPERATING PROFIT
(RM million)



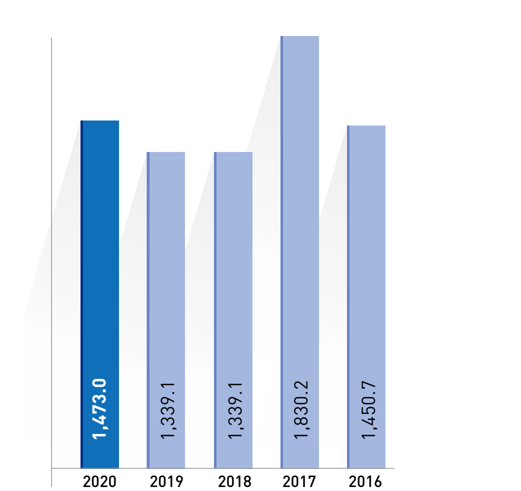
(LOSS)/PROFIT BEFORE TAX
(RM million)



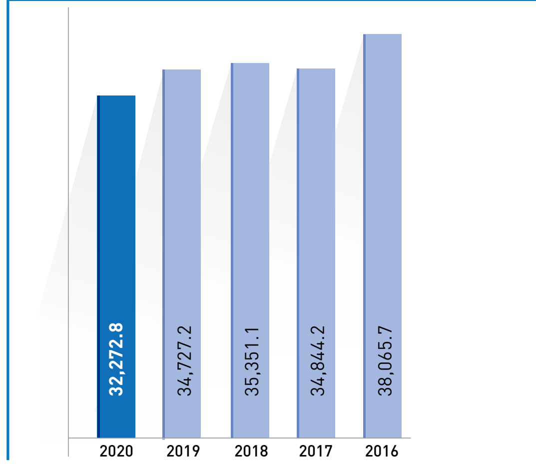
(LOSS)/EARNINGS PER SHARE
(sen)



DIVIDENDS PAID
(RM million)



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION
(RM million)



//// Leadership / Business Review / Financial Review / Sustainability / Strategic Review ////
MISC Berhad / Integrated Annual Report 2020

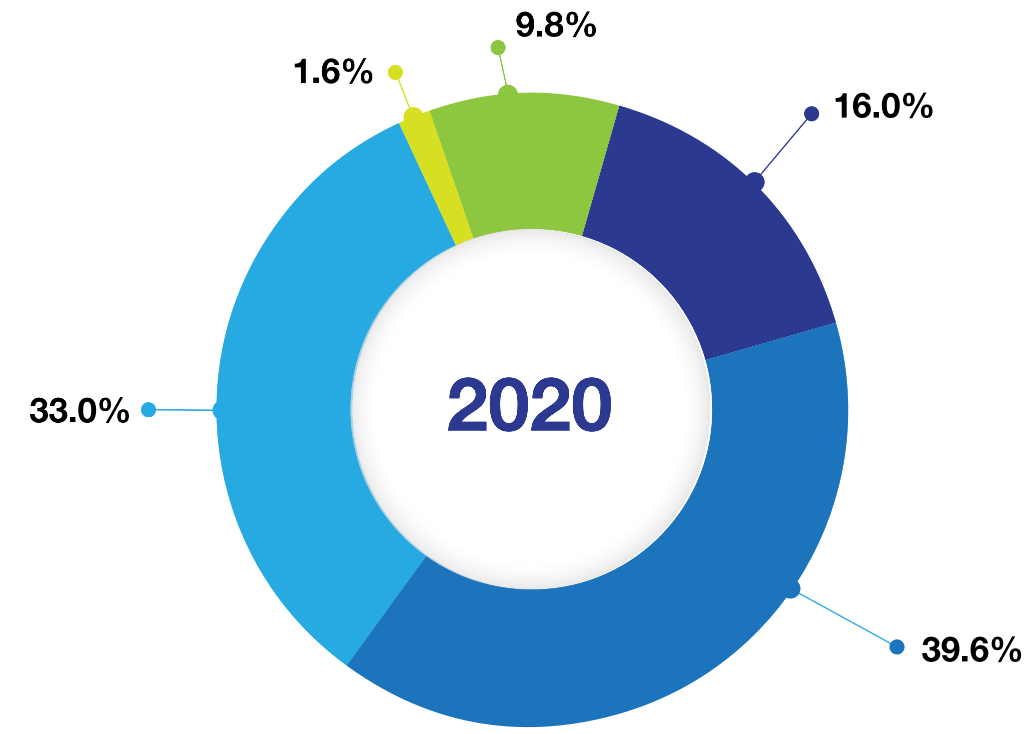
STATEMENT OF VALUE ADDED AND VALUE DISTRIBUTED

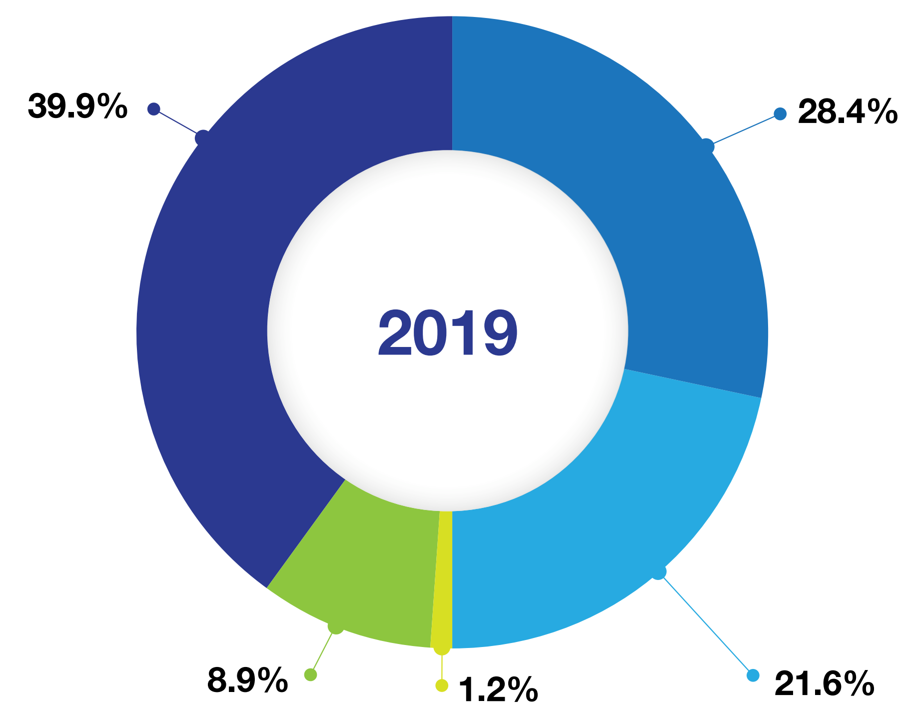
Statement of Value Added

	2020 RM'000	2019 RM'000
Revenue	9,401,234	8,962,724
Purchase of goods and services	(3,735,193)	(3,313,845)
Value added from operations	**5,666,041**	**5,648,879**
Other operating income	141,681	118,853
Finance income	112,612	169,249
Gain on disposal of ships and an offshore floating asset	25,135	7,884
Gain on acquisition of a business	-	23,731
Write-off of trade receivables and loss on re-measurement of finance lease receivables	(846,229)	-
Provision for litigation claims	(1,049,248)	-
Share of profit of joint ventures and an associate	429,023	250,629
Total value added	**4,479,015**	**6,219,225**

Distribution of Value Added

	2020 RM'000	2019 RM'000
Employees:		
Employee costs	1,775,287	1,765,161
Shareholders:		
Dividends	1,473,035	1,339,123
Non-controlling interests	3,000	3,000
Government(s):		
Taxation	70,436	76,207
Providers of debt capital:		
Finance costs	441,739	551,548
Retained for reinvestment and future growth:		
Depreciation, amortisation and impairment	2,459,228	2,457,438
Deferred tax	(24,189)	(151)
Retained (loss)/profit	(1,719,521)	26,899
Total value distributed	**4,479,015**	**6,219,225**





Employees: Employee costs

Shareholders: Dividends, Non-controlling interests

Government(s): Taxation

Providers of debt capital: Finance costs

Retained for reinvestment and future growth: Depreciation, amortisation and impairment; Deferred tax; Retained (loss)/profit

SECTION 7

BUSINESS REVIEW

BUSINESS REVIEW

LNG ASSET SOLUTIONS

MISC's LNG Asset Solutions segment possesses more than three decades of proven experience and distinguished reputation as a global industry leader in the safe and efficient transportation of liquified natural gas (LNG). We have a sterling track record of operational excellence, reliability, safety and on-time cargo deliveries.

As one of the world's largest single owner and operators of LNG carriers (LNGCs), we are well-positioned to capitalise on emerging opportunities including non-conventional LNG solutions by leveraging on our in-house technical and ship management capabilities as well as expertise in project management for newbuilds, refurbishment projects and technological solutions for floating storage units (FSUs). More recently, we have ventured into the emerging sectors of LNG bunkering vessels (LBV), and very large ethane carriers (VLECs).

Further details on LNG Asset Solutions
https://www.misc.com.my/solutions/lng-shipping

KEY HIGHLIGHTS

Owns and/or operates:

- **29** LNGCs
- **2** FSUs
- **1** LBV
- **1** VLEC

Entered into Memorandum of Agreements with Zhejiang Satellite Petrochemical Co. Ltd. (STL) for the purchase of **6** VLECs

Entered into Time Charter Parties (TCPs) with STL for a period of **15 years** for the transportation of ethane from the United States to China

Became commercial operator and ship manager of Southeast Asia's **1ST** dual-purpose LBV

Commencement of a **3-year** charter by PETRONAS LNG Sdn. Bhd. for one LBV

Seri Amanah awarded the **Best Quality Ship Award 2019** by the Japan Federation of Pilots' Associations

100% utilisation for LNG trading vessels in 2020

Awarded **Approval in Principle (AIP)** by Bureau Veritas for one of our LNG-to-power (L2P) solutions

FINANCIAL PERFORMANCE

Revenue
RM2,653 million

Operating Profit
RM1,191 million

ZAHID OSMAN
Vice President, LNG Business

LNG ASSET SOLUTIONS

VICE PRESIDENT'S REMARKS

2020 has been an exceptional year for the LNG Business, especially considering the impacts of the COVID-19 pandemic and the new ways of working we had to adopt. Notwithstanding the difficult market environment and challenges posed by the pandemic, we were able to build on our success from the previous year, to grow and diversify our business by adding new asset classes and revenue streams. LNG Business remained the largest contributor to the Group in terms of profitability and cash generation, with our LNGC segment as the main revenue generator.

The key impacts of the pandemic were predominantly focused on operational and new business growth perspectives. Operationally, we adapted new paradigms such as work from home (WFH) for our office-based employees. Seafarers spent longer periods on board vessels and had to comply with strict SOPs and quarantine requirements throughout the world. From a growth perspective, we had to adapt the way we secure new business deals by conducting discussions and contract negotiations online. We were able to successfully build trust with prospective clients and navigated this new landscape to secure contracts during the year despite challenges of having to conduct business development in a virtual setting.

Significant milestones for the LNG Business in 2020 were the diversification of our portfolio through the addition of the very large ethane carrier (VLEC) and LNG bunkering vessel (LBV). In the current tough and competitive market landscape affecting LNGC segment, these new asset classes will strengthen the resilience of our business and ensuring a steady growth of secured revenue stream for the Group.

We signed Memorandum of Agreements to purchase six new VLECs in July 2020, of which we have taken delivery of the first vessel, *Seri Everest*, in October 2020, and the second vessel, *Seri Erlang*, in January 2021. Concurrently, we entered Time Charter Party (TCP) agreements with Zhejiang Satellite Petrochemical Co. Ltd. (STL) for the six VLECs to operate in international waters. The entry into ethane transportation business is historic and strategic for MISC. Besides building our footprint in China, one of the fastest growing economies in the world, this move gives us an early mover advantage in this niche segment, considering that the manufacturing of ethane-based products has increased substantially over the last few years and expected to grow rapidly in the future. As there are only eight other VLECs currently operating globally, our move into this area promises us attractive returns on investment and secured revenue stream from the long-term contracts. You can read more on how our foray into the global ethane market will create significant value for MISC in the side bar accompanying this Business Review.

We also partnered with Avenir LNG to form a joint venture company, Future Horizon (L) Pte. Ltd., to become the region's first dual-purpose LBV commercial operator. The LBV, *Avenir Advantage*, can provide bunkering services to LNG-fuelled vessels across Malaysia, as well as transport smaller scale LNG cargo regionally. *Avenir Advantage* has been chartered by PETRONAS for a period of three years. Considering the imposition of new sulphur emission limitations by the IMO effective 1 January 2020, our move into the LBV space has strengthened the business' value propositions in the marketplace. There has been a global shift towards cleaner fuel sources, of which LNG is viewed as a viable transitionary fuel towards industry decarbonisation. We are therefore well placed to capture burgeoning new opportunities in the horizon.
Our spot and trading vessels have also enjoyed 100% utilisation in a depressing market with stiff competition. The decision that we took to secure multi-months charters with market-linked rates have enabled us to capture the upside value from movements in the market.

On the technology front, we progressed with obtaining Approval In Principle (AIP) for technical solutions we have developed for our floating storage regasification unit (FSRU) design based on converted *Puteri* and *Puteri Satu* class vessels. As a new area of growth, this presents us with potentially new future revenue streams. This recognition is consistent with one of our key priorities for the year where we sought to maximise cash generation by sweating or creating new usage for our existing assets. The FSRU solution will open up new potential for MISC and create additional value proposition to our customers.

The past year has proven beyond a shadow of a doubt that our employees are our key strength. They have the right mindset to overcome challenging circumstances to continue delivering on all fronts. Our workforce has demonstrated their operational excellence capabilities in managing assets and superior stakeholder management, that further strengthened MISC's reputation in the market as a safe and prudent owner operator of vessels. This was proven with the recognition by the Japan Federation of Pilots' Association in June 2020 whereby Seri *Amanah* was awarded the Best Quality Ship Award 2019.

Having built on a strong growth momentum, we are in a sweet spot to drive our future growth. Our five-year strategic plan centres on building a more resilient business by generating diverse revenue streams to maintain the LNG Business as a key cash generator for MISC. This will require us to have a diverse client portfolio and asset class. Besides obtaining STL as a client in 2020, we had already made inroads into obtaining new clients in 2019 by securing a 15-year charter contract with SeaRiver Maritime LLC (SRM) a wholly owned affiliate of ExxonMobil Corporation for two LNGCs and an 18-year charter contract with Diamond Gas International (DGI), a wholly owned subsidiary of Mitsubishi Corporation (MC), via a joint venture with Nippon Yusen Kabushiki Kaisha (NYK) and MC for two LNGCs.

The MISC Sustainability Strategy 2021-2025 is a key focus area for the year ahead, and the LNG Business is charting out sustainability plans that will align and contribute towards the greater MISC Group sustainability agenda. MISC being a member of the 'Getting to Zero Coalition' with the aim of developing zero-emission vessels by 2030, we believe we can play a key role by promulgating progressive views and actions, and leverage on sustainability to offer value-added propositions to our customers.

Our immediate priorities for 2021 are to focus on excellent delivery and execution of the major contracts we have secured. These include delivering the remainder of the four newbuild VLEC vessels to STL to commence the TCP, as well as the execution of the LBV charter with PETRONAS. We will also be focusing on our ongoing newbuild projects, namely the two LNGCs for SRM and two LNGCs for DGI which are currently under construction at the Korean shipyards.

Our venture into the LBV and VLEC space represents new diversified revenue streams for the LNG Business which we intend to deliver on. As for the conventional LNGC potentials, we plan to be selective in pursuing opportunities that support our strategic objectives, bearing in mind the continuity of challenges and competition in the market. We are confident that our stellar track record, coupled with prudent and focused strategic approach and customer centric mindset, will enable us to deliver our aspiration and meet our clients' expectations.

ZAHID OSMAN
Vice President, LNG Business

MARKET REVIEW

In 2020, market activities were muted due to the low LNG prices prior to the winter months and the COVID-19 pandemic. International and local lockdowns led to a reduction in global energy demand, as industries either shutdown or curtailed their activities. The drastic drop in Brent crude oil prices significantly impacted the energy sector especially oil and gas players who mitigated against this by either cancelling or deferring LNG projects. However, demand for gas remained relatively steady despite the oversupply of LNG in the market since 2018.

The low price and abundant supply of LNG accelerated the evolution of LNG industry trends especially the growth of spot market and addition of new LNG players/markets. The continued growth of intermediaries as buyers in the LNG value chain led to further industry fragmentation. LNG spot prices remained volatile as global supply chains were disrupted by the pandemic. In 2020, the average spot charter rates were USD69,300 per day for two-stroke gas injection (GI) vessels, USD58,800 per day for tri-fuel diesel electric (TFDE) vessels and USD43,800 per day for modern steam vessels.

There was higher demand for cleaner sources of energy such as LNG, driven by government policies centred on combating the effects of climate change. A new wave of LNG suppliers has been entering the market, predominantly from the US, Russia, the Middle East and East Africa. In the medium term, the increased supply of LNG coupled with green energy policies adopted by governments and more competitive LNG prices compared to fuel oil, have and will continue to spur the development of LNG bunkering and LNG-to-Power(L2P) initiatives and further strengthen the position of LNG as a transition fuel for this decade.

LNG ASSET SOLUTIONS

KEY DEVELOPMENTS

Notwithstanding the difficult market environment in 2020, the LNG Business has successfully grown its business and made strategic entry into new market and asset classes. The expansion of our footprint into China through the acquisition of six VLECs was historic and strategic. We also continued to explore opportunities to broaden our market presence by participating in pre-qualifications and tenders for LNG shipping requirements globally. Please refer to the side-bar for more details on this.

Another significant milestone in 2020 is our successful venture into the LNG bunkering segment, becoming the region's first commercial operator and ship manager for an LBV. The LBV, *Avenir Advantage*, is currently chartered by PETRONAS LNG Sdn. Bhd. for a three-year period.

During the year, MISC was awarded AIP by Bureau Veritas on one of our L2P solutions. The AIP was obtained based on conversion of our *Puteri* and *Puteri Satu* class vessels into floating storage regasification unit (FSRU).

In recognition of our operational excellence, the *Seri Amanah* was awarded the Best Quality Ship Award 2019 by the Japan Federation of Pilots' Associations. The international recognition is a validation of the MISC's consistent ship management track record of smooth operations. It is also testament of the vessel's solid and reliable safety management systems that includes excellent ship to shore coordination, bridge resource management, crew competency and precision in safety and operational practices.

In brief, the LNG Business has successfully created new revenue streams through our ventures into the VLEC and LBV segments, whilst selectively pursuing opportunities in the more competitive conventional LNGC market. The LNG Business is confident on delivering the business aspirations and meeting clients' expectations by leveraging on commendable track records, a prudent and focused strategic approach, as well as customer-centric mindset.

SUSTAINABILITY

We continued the course with our sustainability agenda, through a spectrum of initiatives targeted at our stakeholders and areas of interest as follows.

Sustainability Pillar	Initiatives and outcomes
Shareholders	In order to create sustainable and long-term financial value for our shareholders, we have focused our sights on continuing to grow the secured-revenue stream in both conventional LNG shipping and unconventional gas carriers like VLECs; and expand our third-party business portfolio including new market entry. In 2020, we developed several non-conventional LNG solutions to broaden our sources of revenue.
Customers	In line with our aim to exceed customer expectations, we have increased the quality of our service to improve customer perception and interactions. In 2020, the LNG Business through MISC Group, conducted a customer survey for our key customers. The aim was to gauge our customer's perception of the Group and to identify areas of improvement to better serve them. In the 'Meeting Expectation' category, the LNG Business scored well, with more than 85% of respondents indicating that they were satisfied with services provided. Based on the findings, an action plan to address the identified gaps has been developed. For more details of the customer survey, please refer to Anchoring Sustainability @ MISC section on page 104 of this Integrate Annual Report.
Governance and Business Ethics	The LNG Business has embedded a strong culture of business ethics and ethical conduct as part of our DNA. We continue to inculcate a robust compliance culture through monthly sharing sessions and messages shared by the Vice President. During the year, we conducted due diligence exercises on new and existing clients.
Employees	We conducted many employee engagements to ensure they understand the business' strategic priorities and targets for the year. These engagements also allowed us to share key development in the business as well as its performance. To gain further insight into our employees and identify areas for improvements, we conducted a survey to gauge their opinions on the work culture, compliance, human rights and the LNG Business as a whole.

Sustainability Pillar	Initiatives and outcomes
Environment	Towards mitigating the impacts of climate change, and in line with our commitment to practice green shipping, we continued to explore the viability of low carbon emission solutions such as LBV that support the establishment of green infrastructure for the energy transition. We proactively managed our environmental footprint and inculcated a strong sense of environmental consciousness amongst our employees. In 2020, LNG vessels achieved an 18% reduction in emission, double the target set in 2016. Please refer to the Operating Safely and Sustainably section on page 206 of this Integrated Annual Report.
Community	The LNG Business segment is supporting the Group's initiative in investing for the next generation of talent through well-established and fully functioning programmes that promote education and awareness amongst youths. Our efforts are contributing to the younger generation's development and their journey towards becoming future industry leaders.

LNG ASSET SOLUTIONS

MOVING FORWARD

With expectations that the dissemination of vaccines will slowly lead to the normalisation of international trade, global LNG supply and demand is forecasted to recover in 2021. In the longer term, global LNG demand is expected to grow by approximately 50% from 370 million metric tonnes per annum (mmtpa) in 2020 to 550 mmtpa by 2030. Global LNG supply in 2021 is expected to be increased by 17 mmtpa in comparison to 2020 of 366 mmtpa. In Northeast Asia, China remains the key driver of growth.

The deferral of new LNG project start-ups in 2020 is expected to lead to a stagnant in demand for LNG shipping in the near future. Coupled with the high tonnage supply of uncommitted vessels to be delivered from 2020 onwards, this could cause the LNG shipping trade unable to grow significantly in the short to medium term.

Climate change concerns that are being addressed through IMO regulations are leading to the scaling up of investments in greener vessels and bunkering barges. LNG as marine fuel for international shipping is expected to reach nearly 30 billion cubic metres (bcm) by 2030, accounting for around 4% of the global fleet and 10% of international bunker sales.

While challenges are expected to persist, the LNG Business is well placed to take advantage from opportunities in the horizon in conventional LNG shipping, LBV, as well as the growing VLEC segment. We are well placed to capture significant growth in the LNG bunkering segment leveraging on our operational experience and capability building in operating one LBV in the region. We continue to explore business opportunities in L2P solutions utilising our FSRU conversion designs and leveraging on our experience in managing FSUs.

The focus for 2021 is on execution and delivery excellence. These include delivery of the remainder of the four newbuild VLECs to STL before commencement of the TCP, as well as the execution of the LBV charter with PETRONAS. We will also be focusing on the ongoing construction of four LNGC newbuild projects, namely two LNGCs for Diamond Gas International Pte. Ltd. and the two LNGCs for SeaRiver Maritime LLC, a wholly owned subsidiary of ExxonMobil Corporation, (delivery in 2023) which are currently under construction at the Korean shipyards.

We will continue to be selective in pursuing new growth opportunities in the conventional and non-conventional asset classes. We are confident that our stellar track record, coupled with prudent and focused strategic approach and customer centricity mindset, will enable us to successfully grow the business sustainably.

Very Large Ethane Carrier: A Step Forward in the New Frontier

In July 2020, MISC recorded a major milestone in the development of our business with the purchase of six VLECs at a cost of RM3.09 billion, marking our foray into the global ethane market. This milestone helped us to diversify our portfolio ensuring our long-term business viability and is testament of our business resilience during this challenging period.

In more recent times, ethane has become an increasingly important global-trade commodity due to its use in ethylene production which is the main feedstock for a wide range of plastics such as polyethylene, polyesters and other ethylene-based derivatives that are vital for the manufacturing industry. Competitive ethane cost, healthy production yields and lower plant operation margins have made ethane an attractive proposition for manufacturers, and thus fuelled the growth in investment in ethane-based projects worldwide. It is projected that ethylene demand growth in China alone, in comparison to world demand, will increase from 18% in 2020 to 23% in 2030.

The burgeoning ethane trade has opened new areas of growth for MISC in terms of VLEC opportunities. China is a key market for VLEC as Chinese petrochemical producers have announced their plans to import ethane from the US. The LNG Business has successfully gained the early mover advantage in this segment with the 15-year time charter agreement with STL to operate six VLECs.

These six newbuild VLECs each has a carrying capacity of approximately 98,000 cubic meters (cbm), and are the largest vessels of its kind in the world. They are constructed at the South Korean shipyards of Samsung Heavy Industries Co. Ltd. and Hyundai Heavy Industries Co. Ltd. MISC took delivery of the first VLEC, the *Seri Everest*, on 30 October 2020. The *Seri Everest* has achieved international recognition and has been named by the Maritime Reporter and Engineering News as 'one of the Great Ships of 2020'. Subsequently, on 17 January 2021, the *Seri Everest* successfully completed her inaugural full cargo loading which marked the largest ethane loading in the history of ethane shipping to date. The cargo was loaded from the newly constructed Orbit Ethane Export Terminal in Nederland, US. The *Seri Everest* is the first second-generation VLEC to export ethane from the new terminal.

In January 2021, MISC took delivery of the second VLEC, *Seri Erlang*. These two vessels will be joined by their four sisters, to be delivered throughout the first half of 2021. Upon delivery of all the VLECs, MISC will become the largest transporter of ethane in the world.

The VLECs are capable of transporting large scale ethane over long distances whilst ensuring the highest level of safety and reliability. With only eight other VLECs currently operating globally, the addition of these six VLECs to our assets has enabled the Group to gain a strong foothold in this niche segment to cater to increasing future demand.

BUSINESS REVIEW

PETROLEUM & PRODUCT SHIPPING

The Petroleum & Product Shipping segment helmed by AET continues to strengthen its reputation as one of the leading providers of safe, high quality and comprehensive maritime transport, and specialist energy maritime logistics services to the global energy industry. Our fleet of 76 petroleum and product tankers move petroleum, refined products and chemicals worldwide to meet the world's evolving energy needs. Alongside the provision of conventional energy shipping services, we are market leaders in the operation of specialist lightering services.

Over the years, we have developed our leadership presence in various segments of our global business, including strengthening our strategic presence in very large crude carriers (VLCCs) and mid-size tankers, growing our partnerships in the dynamic positioning shuttle tankers (DPST) space in Latin America and the North Sea, and expanding our lightering services in the US Gulf and Latin America. AET is also the only tanker company worldwide to possess modular capture vessels (MCV) for marine well blowout containment systems in the US Gulf.

Further details on Petroleum & Product Shipping
https://www.misc.com.my/solutions/petroleum-shipping

KEY HIGHLIGHTS

vessel availability of **99.7%**

vessel utilisation of **98.4%**

Awarded contract for the construction and time charter of **2 eco-efficient** LNG dual-fuel VLCCs

Took delivery of **2 LNG dual-fuel DPSTs** on long-term charters to Equinor

Took delivery of **4 eco-efficient DPSTs** on long-term charters to Petrobras

Took delivery of **1 eco-efficient DPST** in January 2021 on long-term charter to Shell

AET has performed **1,984 days of Lost Time Injury (LTI) free** lightering operations in the US Gulf, with AET Offshore (AETO) and our Global Lightering Team accomplishing **5 years of LTI free** (July 2015–2020)

Winner of Maritime and Port Authority of Singapore (MPA) International Safety@ Sea Award for **Outstanding Contribution to Search and Rescue Efforts** in 2019 by AET owned *Eagle Kuching*

The Chamber of Shipping America (CSA) Jones F. Devlin Awards recognised our outstanding safety records for a combined **54** ships and **4** workboats in our fleet

CSA also recognised **56** ships and **2** workboats with the **Environmental Achievement Awards,** reflecting industry recognition of our stringent HSSE and environmental protection measures

FINANCIAL PERFORMANCE

Revenue
RM3,864 million

Operating Profit
RM469 million


CAPTAIN RAJALINGAM SUBRAMANIAM
President & CEO, AET

PETROLEUM & PRODUCT SHIPPING

PRESIDENT & CEO'S REMARKS

While 2020 started on a stable footing, by the end of the first quarter of the year, the COVID-19 pandemic had triggered a global health and economic crisis with wide-ranging implications for the maritime and logistics industry. At AET, there was a significant shift in our business, as we dealt with the new landscape. Relying on our strategy, strong brand reputation and high-performance workforce, AET maintained strict focus to sustain our operations as an 'essential services' business delivering the world's energy. We adapted time tested crisis management plans, which we rolled out across all our regions of operation.

Keeping our employees safe was our utmost priority, and we effected new working norms such as remote working arrangements and accelerated our adoption of digital platforms and technologies in order to enable remote working. The shifting work patterns proved to be challenging for our employees on several fronts, as they sought to deliver on their jobs and responsibilities efficiently and productively whilst dealing with the emotional stress of living through a pandemic. But we learned how to balance our approach in keeping our team members safe and maintaining good business efficiencies.

As for our seafarers, heightened health and safety standard operating procedures (SOPs) led to increasingly stringent restrictions on crew changes being implemented by global authorities globally. Many seafarers had to extend their time onboard vessels. However, AET and the MISC Group made every effort to proactively seek out ways to bring our seafarers back home safely.

Our customers in the energy sector were impacted by the drastic drop in demand actuated by the pandemic. This along with the global glut in oil output, led to many energy majors reducing CAPEX for the year. At AET, we worked together with our customers to ensure that we delivered on our contractual obligations despite the difficulties encountered. We operationalised our strategic priorities to continue to build secure income streams and diversify our portfolio.

A milestone we are particularly proud of is the agreement we entered into for the construction and time charter of two LNG dual-fuel very large crude carriers (VLCCs) ever built. Delivery of these vessels will commence in 2022 and will grow our long-term secured income portfolio as part of the greener shipping solutions. AET was also awarded long-term charter contracts for three Suezmax second-generation dynamic positioning shuttle tankers (DPSTs) by Petrobras, effectively expanding our presence in the Latin America region.

Another significant achievement was the delivery of seven DPST newbuilds. These comprised our first two LNG dual-fuel DPSTs and five eco-efficient DPSTs. All these vessels are on long-term charters with major international energy players. You can read more on our key achievements for the year in the Key Developments section of this Business Review.

AET continued to deliver on customer expectations throughout the year. We collaborated with our customers and evolved our business to support them in their energy transition. Our agreement with one of the World's leading energy majors on LNG dual-fuel VLCCs is an example of our collaborative approach with our customers. These vessels will be amongst the most environmentally friendly VLCCs in the market and represent a significant step on our part to provide greener shipping solutions that respond to our customers' needs. Our teams have also done well in renewing various lightering and VLCC time charter contracts with quality customers across the globe.

Our efforts to provide responsive and proactive services to our customers were reflected in the results of our first ever Net Promoter Score customer survey that was conducted during the year. A total of 60% of customers responded as being 'Satisfied' with our levels of service, while another 40% were 'Very Satisfied'.

Most importantly, in an extremely challenging year, we have maintained the financial trust of our key stakeholders such as banks and financiers to sustain strong lines of financing and credit, and secured attractively-priced longer-term debt financing for our new deliveries in 2020 and 2022.

Our Sustainability Journey

At AET, governance is not merely an exercise in compliance, and we believe in practicing a robust governance culture throughout the organisation. In 2020, we achieved the ISO 37001 Anti-Bribery Management certification as a result of our sustained focus on establishing a culture of integrity, transparency, openness, and compliance. Alongside this, we continued to develop our high-performance culture that is centred on doing what is right rather than what is convenient.

Despite the pandemic, we remained on course with our corporate social responsibility (CSR), in particular on the education agenda, to build the capability of our next generation of maritime talent. We brought onboard 19 interns, to expose them to the maritime and logistics industry at our global operations. Our team members across various units in AET supported this human capital development as part of our commitment to build future maritime talent.

Mindful of the difficulties faced by communities across the globe as a result of the pandemic, we did our part to give back to society. In 2020, we funded over two million meals for the underprivileged in the form of either cooked meals or food packs. Our CSR donation for the year stood at USD600,000 to support COVID-19 impacted vulnerable community members. We partnered with national and local charities' food programmes in Singapore, United States, Brazil, and United Kingdom where our key offices are located, and in India and the Philippines where we have a significant shipping industry sea faring presence.

In 2020 we continued to drive the sustainability agenda across every aspect of our business, and we plan to expand our sustainability commitments in line with MISC's Sustainability Strategy 2021–2025 as well as our own strategic business objectives. Reflecting the global transition to clean energy, AET's customers are shifting their focus from being oil and gas providers to becoming integrated energy providers. A key takeaway from the pandemic has been the acceleration of the environmental agenda as the means to drive a sustainable future.

We are looking into various means by which we can continue to bring environmental, social and governance (ESG) matters to the fore within our business. We have found sweet spots in terms of providing LNG and dual-fuel sourced vessels as an eco-friendlier fuel alternative. Bearing in mind the energy transition shift, we have already started looking at how we can rejuvenate our fleet and minimise environmental impacts in the various localities we operate in. Our aspiration is to have a larger percentage of our operating fleet on cleaner fuels, including LNG, by 2025.

We strongly believe in developing a diverse and inclusive maritime workforce as an essential component of our employee management approach. In 2020 we furthered our commitment in this area by adopting our Diversity and Inclusion Policy. Our multi-generational talent pool is the backbone of our success, and we seek to develop multi-generational maritime employees who are sensitive to global social causes. We continue to champion a balanced workforce in the maritime industry, and AET's male to female gender ratio of 56:44 reflects our successful efforts in this regard. We have stayed on course with our talent development agenda and leadership succession plan, to create a cadre of leaders who both inspire and motivate.

As we move into 2021, we expect an evolving global trading landscape providing both opportunities and challenges amidst a global reset. However, we believe we are in position to effectively manage emerging risks and future challenges that may arise. We believe that success is a team sport, and our strength lies in our diverse and inclusive team with over 20 nationalities, energised and focused to remain sustainable and purposeful. We remain committed to ensuring our profitability, strengthening our balance sheet whilst improving our stakeholder returns.

CAPTAIN RAJALINGAM SUBRAMANIAM
President & CEO, AET

PETROLEUM & PRODUCT SHIPPING

MARKET REVIEW

In early 2020, the tanker market was focused on ensuring compliance with the International Maritime Organisation (IMO) 2020 sulphur regulation. The resulting time out-of-service for scrubber retrofits is estimated to have reduced the active crude tanker capacity by 1.1% and product tanker capacity by 0.5% in 2020, and provided some support to the tanker market during the year.

In the first half of the year, the crude tanker market fundamentals were largely positive, despite some early signs of demand destruction due to the COVID-19 pandemic. After the collapse of Organisation of Petroleum Exporting Countries and its allies (OPEC+) talks in Q1 2020, oil supply from some Middle Eastern crude producers increased significantly with a sharp drop in oil prices leading to inventory building in some regions, and significant floating storage requirements. The unprecedented demand for floating tonnage, which peaked at 12% of the fleet by the end of May 2020 took away tanker capacity from the active trading fleet supporting freight rates that reached record highs.

Starting June, subsequent production cuts implemented by the OPEC+ to mitigate against the oversupply of oil pressured seaborne crude trade, and tanker earnings weakened substantially. The tanker market continued to ease back in the second half as impacts from COVID-19 and deep supply cuts by OPEC+ intensified. On the tanker supply side, the tanker fleet grew by 1.1%, a modest growth on the back of a limited orderbook.

Ship owners have been cautious in newbuilding orders, for a combination of factors, with only 81 newbuild crude tankers ordered in 2020 compared to 102 in 2019. Overall, only 189 crude vessels were on order at the end of 2020, which represents just 8.9% of overall deadweight tonnage (DWT) capacity compared to 12.6% DWT capacity a year earlier in January 2019. On the scrapping front, for the large part of 2020, the incentive to scrap remained low due to the tonnage demand for floating storage.

KEY DEVELOPMENTS

Against the COVID-19 backdrop, AET took delivery of a series of tankers including two LNG dual-fuel DPSTs; *Eagle Blane* and *Eagle Balder* and five eco-efficient DPSTs; *Eagle Petrolina*, *Eagle Paulinia*, *Eagle Paraiso*, *Eagle Passos* and *Eagle Pilar* (delivered in January 2021). Despite challenging market conditions brought about by everchanging health policies and requirements due to the pandemic, all seven vessels have been safely delivered in full compliance with the customers' stringent acceptance tests and are operating on long-term charters in the North Sea and the Brazilian Basin.

As part of our VLCC fleet rejuvenation strategy, AET entered into an agreement with Chartering and Shipping Services SA, a wholly owned subsidiary of Total for the construction and time charter of two of the world's most environmentally friendly VLCCs in the market. Delivery of these vessels will commence in 2022. This will contribute to our objectives of increasing both secured income from long-term contracts and number of eco-efficient vessels in our fleet.

The contracts secured with Petrobras in early 2020, coupled with our contracts with Shell in December 2019 have enabled AET to expand our presence in Latin America and strengthen our relationships with customers in the region. This enhanced Latin American presence places AET in a sweet spot for West-East crude trades which we envision will continue to grow, driven by Latin American exports to the Asia Pacific region.

In 2020, we reviewed our mid-sized tanker fleet portfolio to ensure we continue to operate an optimum portfolio of vessels without compromising our services to our customers. As a result of this review, we accelerated the sale of two older Aframax tankers from 2023 to fourth quarter of 2020 that were no longer aligned with our sustainability ambitions, as well as to improve our operating and financial performance in view of the pandemic driven challenging market environment and outlook. The 10 DPSTs currently on long-term charter contracts with Equinor and Petrobras have notably contributed to AET's earnings during the year and will provide a firm base as we enter 2021.

From late 2021 to 2022 we will take delivery of another six DPSTs on long-term charters with Shell and Petrobras. In addition, two LNG dual-fuel VLCCs are scheduled for delivery in 2022, which will be on long-term charter contracts with Total. We will continue to ensure that these tankers are constructed and delivered as per our customer expectations. These vessels when delivered will improve our financials further. Purposeful sustainable profitability will always be our guiding principle in our commercial strategy and portfolio management.

Our continuous commitment to upholding the highest levels of HSSE was recognised by the Maritime and Port Authority (MPA) of Singapore's International Safety@Sea Award in acknowledgement of AET's rescue of three French sailors in the Bay of Biscay. The CSA's Jones F. Devlin Awards recognised our outstanding safety records for a combined 54 ships and 4 workboats in our fleet. CSA also recognised 56 ships and 2 workboats with the Environmental Achievement Awards, reflecting industry recognition of our stringent HSSE and environmental protection measures.

SUSTAINABILITY

We maintained our sustainability commitments during the year, to create value for all our stakeholders as follows.

Sustainbility Pillar	Initiatives and outcomes
Shareholders	We leverage on a strong environment, social and governance (ESG) proposition to tap into new markets and expand our footprint in existing markets. Our ESG-led business development approach enhances investment returns by allocating capital to more promising and more sustainable opportunities. AET's secured income strategy focuses on long-term contracts, which delivers sustainable returns for shareholders. This has proven to be a financially sustainable strategy given the COVID-19 crisis.
Customers	We strengthened our customer engagements and collaborations to continue building relationships of mutual trust and respect. In 2020, AET and Total announced the agreement of the time charter of two LNG dual-fuel VLCCs. The two newbuilds are scheduled to be delivered to AET commencing 2022. When in service, they will emit around 20% less CO2 greenhouse gases than conventional vessels, 85% less NOx and 99% less SOx. Besides that, 99% fewer fine particles will be released. As part of our emissions reduction strategy, we partnered with Shell to promote LNG as a sustainable marine fuel. We supported the US Coast Guard Foundation's Virtual Awards Fundraiser as a guardian sponsor, our first in-person event with customers in 2020, in compliance with Texas' social distancing requirements of a maximum 10 pax. In 2020, AET conducted the biennial Customer Engagement Survey to gain deeper insights into our customer expectations and requirements. The Customer Engagement Survey results showed that 60% of our customers were 'Satisfied' with our services while another 40% of the customers were 'Very Satisfied'. Please refer to the Anchoring Sustainability @ MISC section on page 104 of this Integrated Annual Report for more details.
Governance and Business Ethics	In June 2020, AET established our own Anti-bribery Management System (ABMS) and published the ABMS Manual in our Business Process Management (BPM). The Anti-bribery and Corruption Policy was approved by our Board of Directors and has been published on both our external website and in our BPM. Along with the ABMS Manual and Anti-bribery and Corruption Policy, we have also introduced the Third-Party Due Diligence SOP and Joint Venture Management Framework and Guideline SOP. As well as that, we revised our Global Disciplinary Policy and Recruitment processes and conducted multiple employee awareness sessions on our ABMS and anti-bribery and corruption controls across all our offices. We also received the ISO 37001:2016 certification, an international Anti-Bribery Management System standard designed to help organisations combat bribery risk in their own operations and global value chains. This certification signifies to our customers, industry partners and employees that as an organisation, we have robust anti-bribery management systems in place, building on our strong global culture of integrity and governance to tackle bribery and corruption risks. To embed the Code of Conduct and Business Ethics (CoBE) as a key and fundamental constituent of the AET culture, we provided Ethics and Compliance Training for our people through an e-learning platform. All AET shore employees have completed this module. In order to increase employee awareness on AET's compliance policies, we launched a new learning initiative using artificial intelligence (AI) named Clever Nelly.

PETROLEUM & PRODUCT SHIPPING

Sustainability Pillar	Initiatives and outcomes
Employees	**Response to COVID-19** In the face of the pandemic, AET established the Pandemic Response Team (PRT) chaired by the CEO, and consisting of the Executive Leadership Team (ELT), the Product Business Head and the Corporate HSSE (CHSSE) Head. The team put in place a robust Pandemic Response plan, looking at the control measures for business travel, personal travel, managing visitors and social distancing measures. As an organisation with employees and business operations in various global locations, the workplace measures took into consideration the different national and regional level responses, health threat assessment, risk of infection during commutes, medical response capability in the locality, support for medically at-risk groups and the need to maintain business continuity. Following the spread of COVID-19, AET introduced flexible work arrangements, and although we were faced with situations that make relieving crew members difficult, we explored all avenues to relieve our crew as timely as possible amidst the ever-changing global health measures. As a result, our fleet continued their voyages without causing any significant headwind for our customers. As part of our efforts to ensure the health and safety of our people during the pandemic, we provided them access to a virtual doctor through our partnership with three application platforms, namely 'Doctor Anywhere', 'Doctor World', and 'Hi Doc'. This move enabled our workforce to get timely medical attention whenever required. For our seafarers, we introduced enhanced maritime security protocols for vessels calling into high-risk areas such as the Gulf of Guinea and the Persian Gulf to assure our people of their safety and security. **Diversity and Inclusion** In 2020, as part of our commitment to diversity and inclusion, AET adopted the Diversity and Inclusion Policy. The policy centres on promoting diversity and inclusion as an essential element of AET's human capital management, based on our central belief that an inclusive workplace fosters a sense of belonging and helps employees of all backgrounds to thrive. Under the Diversity and Inclusion framework, gender, nationality, and multi-generations are the three focus areas that we are leveraging to build our Employee Value Proposition (EVP). We benchmark gender equality through the Bloomberg Gender-Equality Index (GEI), which utilises a Gender Reporting Framework. Given the international landscape of our company, our talent pool is inherently diverse, with 20 nationalities. AET's male to female gender ratio is nearly equal at 1:0.8. We have a significant number of female leaders in our management, with 29% in middle management and 25% in the senior leadership. **Talent Management** We believe in supporting our people through a robust talent development agenda that encourages all employees to enhance their knowledge and learn new skills to remain relevant in the evolving business environment. In line with encouraging cross-learning among the different teams and offices, we launched the 'New Norm in Learning 2020', where our internal subject matter experts conducted sharing sessions on Sustainability, Inclusivity and Leadership, Compliance Awareness, and Business Awareness. This contributed to over 1,478 hours of learning for our employees.

Sustainability Pillar	Initiatives and outcomes
Environment	Despite the difficulties of the year, AET has retained our sterling reputation in the environmental space, reinforcing our reputation as a greener shipping solution provider. • AET took delivery of *Eagle Blane* and *Eagle Balder* amongst one of the first LNG dual-fuel DPSTs ever built. These sister DPSTs meet substantial emission benefits when operating on LNG as fuel. LNG emits approximately 20 to 25% less CO2 than conventional marine fuels when providing the same amount of propulsion power. The vessels also emit 85% to 90% less SOx and NOx, 98% less particulate matter and 93% less black carbon particulates than DPSTs burning conventional fuel. • AET also took delivery of a series of five eco-efficient DPSTs, namely the *Eagle Petrolina*, *Eagle Paulinia*, *Eagle Paraiso*, *Eagle Passos* and *Eagle Pilar*. All five vessels were safely delivered and gained the customers' stringent acceptance tests, operating on long-term charters to Petrobras and Shell in the Brazilian Basin. • *Eagle Petrolina*, *Eagle Paulinia*, and *Eagle Paraiso* are the first DPST vessels to have received DNV GL's SmartShip notation. - To qualify for DNV GL's SmartShip descriptive notation, a vessel must be equipped with technological features considered as smart technologies in marine applications, following the DNV GL Class Guidelines for SmartShip CG-0508. The vessels received the notation for their navigation decision support system with route optimisation features, an energy efficiency management system with trim optimisation, and a ship performance monitoring system. - The shuttle tankers are installed with SVESSEL, Samsung Heavy Industries' (SHI's) solution to meet the SmartShip standard, which enables monitoring, planning, reporting, and managing of information data of the vessel from onshore. - Furthermore, *Eagle Passos* is the first shuttle tanker to be granted an ABS smart notation, which recognises the vessel's data communication and network infrastructure. - These DPSTs operate to the highest operational and environmental standards, including full compliance with IMO NOx Tier 3 and SOx emission requirements. • In 2020, our Aframax LNG dual-fuel tanker, *Eagle Brasilia* and LNG dual-fuel DPST, *Eagle Balder* were certified by the Green Foundation Award (GFA), joining three other AET vessels *Eagle Barents*, *Eagle Bergen* and *Eagle Blane*. • AET was also certified as a Green Seal Partner, validating our commitment to promoting sustainability by focusing on waste reduction and recycling, responsible use of office supplies, training and education. AET offices in Singapore, Houston, and Rio De Janeiro are now Green Seal certified.

PETROLEUM & PRODUCT SHIPPING

Sustainbility Pillar	Initiatives and outcomes
Community	In 2020, AET for the first time sponsored a MaritimeONE Scholarship with the Singapore Maritime Foundation (SMF). Driven by our desire to contribute to maritime education and training, we support our home grown cadetship programme in ALAM through EagleStar. Between 10 to 15% of our sea staff onboard our ships are trainees from ALAM. During the global pandemic, we are looking to do more for the communities where we are based. Despite the current challenges, our global intern programme continues to grow, and in 2020, we welcomed 19 undergraduates into the AET family to learn more about international shipping. We have collectively invested more than 7,600 hours in training and developing these promising individuals who have benefited from working in a hands-on capacity across a variety of functions within our diverse and multi-cultural teams. During the year, we contributed some USD600,000 towards food programmes to support over 2 million meals for the COVID-19 impacted vulnerable community members. The contributions were made through the national and local charities' food programmes in Singapore, United Kingdom, United States, Brazil, India and Philippines. The details of our contributions are as follows: • **Singapore:** Migrant Workers' Centre (MWC) delivered over 10,700 food care packs to workers in various sites and dormitories and provided 10,500 cooked meals for workers in need. AET employees also contributed 75 food packs to migrants in need. • **India:** Akshaya Patra Foundation provided 6,625 families with food packs in Delhi, Mumbai, Vadodara, and Ahmedabad, translating into more than 270,000 much-needed meals. • **Philippines:** Philippine Business for Social Progress supported around 3,175 families with food packs (fresh and dried goods) in Metro Manila and Cebu City, translating in over 240,000 cooked meals. 100 fishermen, farmers, sewer workers and their families received much-needed income from the food and masks sold for the packs, reinvested in fishing and farming supplies. • **US:** Houston Food Bank catered over 225,000 meals to children, families, and seniors in need, while the Galveston County Food Bank provided around 300,000 meals to meet the growing demand of the community. • **Brazil:** Rio Contra Corona distributed food packs to 13,500 families most impacted by COVID-19 in the Rocinha, Vidigal and other underprivileged communities in Rio De Janeiro, translating to close to 1 million meals. • **UK:** - The Trussell Trust supported foodbanks that needed infrastructure to serve the underprivileged impacted by COVID-19. - The contribution to Felix Project translated into about 115,000 meals cooked with the fresh supply being rescued and delivered to frontline charities. Our employees participated in the 'Walk for Our Children 2020' (Virtual Edition) to support the Singapore Children's Society (SCS) with a collective goal to contribute 10 million steps by end November 2020. Our employees exceeded the target set clocking a total of 33,876,503 steps which also raised SGD1,150 for this campaign from personal donations. This was complemented by AET's bronze sponsorship of SGD5,000 for the charity walk with all funds raised to support SCS's day-to-day programmes and services. A key part of AET's crisis management readiness plan in 2020 focused on an integrated response structure in close collaboration with other stakeholders. During the year, AET and Eaglestar collaborated with Gallagher Marine Systems (GMS) on a crisis drill requiring the setting up of a Unified Command (UC). The drill allowed AET to conduct further tests on our new Crisis Management Plan involving regional and global crisis management teams. Over 40 personnel from agencies such as GMS, the United States Coast Guard, Texas General Land Office and others have come together to constitute the UC. This partnership has strengthened our people's ability to respond swiftly in the event of a crisis.

MOVING FORWARD

The tanker market is expected to remain challenging in 2021, as subsequent waves of infections continue to hit oil demand centres of North America, Europe and Asia. Sustained oil supply cuts by OPEC+ are continuing to impact tanker demand. However, demand is likely to return by the second half of the year on the back of vaccine availability, and increase in refinery runs, which may support tanker rates.

Tanker newbuilding activities have slowed down, due to in part COVID-19 and weak market outlook, but also in view of recent regulatory developments amplifying shipowners' concerns on the choice of propulsion systems and fuels. Overall, the tanker fleet capacity growth is projected to be 1.5% in 2021, underscored by high scrapping potential for an older fleet amid challenging market conditions.

The maritime sector is increasingly focused on the reduction of shipping's GHG emissions. The continuing evolution of maritime regulation towards emissions reduction is in line with AET's Sustainability Agenda to care for the environment and operate responsibly. Oil and gas players are expected to continue investing in energy with a focus on efficiency and GHG reduction technologies along their value chain, while the shipping finance fraternity is coming together with initiatives that promote alignment of their financing portfolio with IMO's GHG ambition such as Poseidon Principles.

There is no single solution available to shipowners to meet emission reduction ambitions as green technologies continue to evolve and LNG is expected to remain one of the most competitive transition fuel option for shipping in terms of price and environmental impact. As a pioneer in LNG dual-fuel vessels, AET's specialised capability in managing these assets sets us apart from the competition.

AET continues to monitor the development of eco-efficient technologies closely and seeks collaboration opportunities with technology and energy companies focusing on cleaner energy applications in maritime and shipping. Bearing in mind the uncertainties ahead, AET's business strategies are geared towards pursuing long-term sustainability by growing our secured-income portfolio and participating in eco-efficient shipping opportunities either on our own or through strategic partnerships.

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BUSINESS REVIEW

OFFSHORE BUSINESS

MISC's Offshore Business segment offers a comprehensive array of innovative offshore solutions from concept selection, engineering design, project management and operations right up to decommissioning in the floating production systems (FPS) market. We cater to marginal, conventional and deepwater field developments for national and international energy companies. We possess exceptional production and operations performance track records for all our facilities.

As one of the leading floating offshore solutions providers in the world with 14 assets, MISC's business reach spans Malaysia, Vietnam, Thailand, Brazil and other strategic locations to meet the global demands of the energy industry.

Further details on Offshore Business
https://www.misc.com.my/solutions/offshore-business

KEY HIGHLIGHTS

FPSO average uptime of **98.86%**

FSO average uptime of **100%**

Fleet average uptime of **99.34%**

Malaysia Vietnam Offshore Terminal (L) Limited (MVOT)'s *FSO Golden Star* successfully received the **1st** condensate for the Sao Vang and Dai Nguyet (SVDN) Project offshore Vietnam

Extended contract with Shell for *FPSO Espirito Santo* **by another 5 years**

Strong HSSE culture with **ZERO** fatality recorded **and** LTIF of **0.22**

Awarded the **Mero 3 FPSO** project by Petrobras

FINANCIAL PERFORMANCE

Revenue
RM1,289 million

Operating Profit
RM566 million

/// Governance / Leadership / Business Review / Financial Review / Sustainability ///

MISC Berhad / Integrated Annual Report 2020

SYED HASHIM SYED ABDULLAH
Vice President, Offshore Business

OFFSHORE BUSINESS
VICE PRESIDENT'S REMARKS

2020 has been an extremely challenging year on all fronts, as the impacts of the COVID-19 pandemic extended beyond public health and safety concerns to affect the global economy. Reflecting the interconnectedness of today's world, the pandemic led to massive uncertainties that resulted in volatilities in the financial and commodities markets, including price volatilities in the crude oil market. As the Offshore Business segment is dependent on contracts from oil and gas players, we were not sheltered from these fallouts.

Despite this, we recorded key wins during the year, the result of our employees' unwavering focus, resilience and passion, as they continued to perform at their best levels in very trying circumstances. They adapted well to changes in work methodologies and were able to work around the constraints that the pandemic caused to deliver on our business goals. We were able to meet our financial targets, despite having to contend with requests for discounts from our oil and gas clients who were undergoing their own difficulties as a result of a drastic drop in demand for oil.

An achievement we are particularly proud of is being awarded a project by Petróleo Brasileiro S.A. (Petrobras) for an FPSO to be installed in the Mero field belonging to the Libra block in Brazil's Santos Basin (the Mero 3 FPSO project), as well as its corresponding operations and maintenance services in August 2020. The project signifies our maiden venture into the Brazilian premium FPSO market and marks our acceptance as a player to contend with on the global stage.

This award is extremely meaningful for us, forming part of our large-scale capability building initiative which we commenced in 2018 to transform the Offshore Business segment into an international player by focusing our investments on people, processes, partners and technology. Since then, we have been steadily growing our capabilities and capacities, and were able to submit a technically competent proposal to the client that offered them the best value. Despite travel restrictions that prevented us from meeting our clients face to face, we were able to leverage on digital platforms to successfully negotiate and conclude the signing of the contract.

While the pandemic had caused many projects that we had set our sights on to either be deferred or cancelled, we were able to successfully negotiate contract extensions for our existing operational works, most notably for five years in Brazil on our joint venture *FPSO Espirito Santo*. As a result of the lockdowns, closures of borders, and heightened health and safety requirements, we encountered some challenges in terms of contract deliveries. Nevertheless, we did our best to deliver on our projects according to our clients' expectations.

Our *FSO Golden Star*, successfully received the first condensate for the Sao Vang and Dai Nguyet (SVDN) Project offshore Vietnam in December 2020. We maintained progress on all our existing FPSO and FSO assets, which continued to perform well. As well as that, we have been working closely with all our clients to improve their commercial returns on our operations and maintenance contracts.

The business has remained on our upward growth trajectory, as demonstrated by the expansion of our workforce which increased from 100 a few years ago, to close to 400 today. In 2020, whilst many companies halted their new hire programmes in what has been the worst recession since the Great Depression in the 1930s, we continued to bring on board new talent, as we maintained our focus on talent management, training and knowledge transfer.

HSSE was our utmost priority, and we received several awards in 2020 from the Malaysian Society for Occupational Safety and Health (MSOSH) validating our efforts to build an excellent safety culture. In particular, our *MAMPU 1* asset received the Gold Merit Award, while the *FSO Orkid* received the Gold Class 1 Award.

While the pandemic did affect various aspects of our business, I believe we were able to manage the impacts and mitigate the risks well. It was challenging to continue with business as usual with movement controls and quarantines in place. There was some slowdown in terms of planned work schedules, but for the most part our employees were able to quickly adapt to the new normal and employ innovative and new ways of getting their job done. Having already embedded digital and online tools within the Offshore Business segment, we accelerated our adoption of these applications and used them almost seamlessly as the pandemic evolved.

We had carefully structured plans in place to manage our employees' work schedules whilst safeguarding their health. The greatest impacts were felt by our site-based employees, operations and logistics as a result of uncertainties in travel, visas, quarantine and associated protocols. However, by working closely with our clients, we were able to successfully navigate the difficult operational environment. We stepped up on our engagements with our employees, shifting to virtual communication platforms to allay their fears and keep them motivated. Our leaders showed tremendous resolve to capably and empathetically manage their teams.

A significant focus area for the year ahead is to embed Environmental, Social and Governance (ESG) pillars we have identified within the MISC Sustainability Strategy 2021-2025 into our own sustainability strategy. These will be delivered progressively by project owners within the Offshore Business segment. As well as that, we have established a dedicated project team that shall be examining new business opportunities and sustainability projects centred on through the environmentally friendly sources of energy and other new technologies that will further enhance our future outcomes, in line with the transition to decarbonisation.

As we move into the year ahead, we are keenly focused on delivering on the best health, safety and environmental outcomes, as we continue to invest in our employees and growing our teams' capabilities and support systems. Since conducting a gap analysis of our organisation two years ago to identify areas that required improvements, we have been steadily progressing on not just closing up these gaps, but also strengthening our capabilities.

Having successfully obtained and invested significantly in the Mero 3 FPSO project, failure is not an option. Our primary focus for the year ahead is to progress with the project on time and on budget. We will continue to maintain and enhance our existing contracts' operational performance, whilst working towards contract renewals and securing new awards from targeted opportunities. We will leverage on our strengths to drive the globalisation of our business as we meet the challenges of new client demands and market shifts in these challenging and evolving times.

As we move into the next phase of our growth journey in the post-COVID-19 era, we have fine-tuned our strategy by taking into account market shifts that we expect in these unprecedented times. In the medium term, as the world slowly recovers from the pandemic, we expect FPSO and FSO project opportunities to increase particularly in South America. Bearing this in mind, in addition to our core markets of Malaysia and Southeast Asia, we will continue to selectively pursue opportunities farther afield in South America, especially in Brazil and around the Gulf of Mexico, with Africa remaining an area of interest for us. We will also be looking towards effecting inorganic growth by acquiring key assets that will complement our strategic expansion within the next one to two years. With the Group's robust financial position and strong cash flow, we believe that we are well placed to do so.

Fuelled by our diverse and skilled workforce from around the world, and with the strong support of the MISC Board and leadership, we will maintain our journey of continuous improvement and growth. We are optimistic that our focused approach will continue to engender new opportunities for us in the years to come.

SYED HASHIM SYED ABDULLAH
Vice President, Offshore Business

MARKET REVIEW

In the recent past, the average production capacity of FPSO units have been steadily increasing for both leased and owned units, of which the latter tend to possess larger processing capabilities compared to the former. Growth has mainly been driven by projects located in Brazil with processing capacities of over 200,000 barrels of oil equivalent (boe) per day. As of January 2021, there are 296 FPS in service.

The top five regions for installed FPS are Southeast Asia (93 units), Africa (73 units), South America (72 units, majority which are located in Brazil (67 units)), Gulf of Mexico (54 units) and Northern Europe (47 units). FPSO units comprises 56% of the installed FPS.

Over the next five years, it has been forecasted that between 35 to 70 FPSO orders will be awarded. Assuming oil prices remain steady at around USD50 per barrel, these awards should follow through, arising mainly from Brazil, followed by Southeast Asia and Africa. As a result of the COVID-19 pandemic, many energy majors have committed to accelerating their energy transition strategies, and are emphasising on the sustainability agenda as a key element to drive their future growth. This in turn will impact MISC in terms of FPS solutions that are innovative and eco-friendly.

OFFSHORE BUSINESS

KEY DEVELOPMENTS

A milestone contract the Offshore Business segment secured in 2020 was the Mero 3 FPSO project, located in Brazil. More information on this project can be found in the Vice President's Remarks in this Business Review.

In December 2020, we entered into an agreement with Shell to renew leasing and operations contracts for a further five years for the *FPSO Espirito Santo* in Brazil. The contractual lease and operate period has now been extended to December 2028, thus securing MISC's long-term income stream. MISC holds 49% equity ownership in the *FPSO Espirito Santo*, while SBM Offshore N.V. holds 51%.

In 2020, all of our existing FPSO and FSO contracts continued to contribute to MISC's cash flow. The contracts that have been extended will sustain our revenue into 2021 and beyond. Among these are contracts with PETRONAS for the *FPSO Bunga Kertas* and *FSO Puteri Dulang*, PETROFAC for the *FPSO Cendor*, Vestigo for *MAMPU 1*, REPSOL for *FSO Orkid*, Murphy Oil Corporation for *FPSO Kikeh*, Sabah Shell Petroleum Company for *Semi-FPS Gumusut Kakap*, PC Vietnam Limited for *FPSO Ruby II*, Chevron for *FSO Benchamas*, and Hess Exploration for *FSO Mekar Bergading*.

On the business development front, we pursued the highly anticipated PETRONAS deepwater FPSO in Limbayong offshore Sabah which was re-tendered in September 2020. Apart from that, we have participated in several market surveys out of Asia Pacific and Brazil, and have been closely engaging with major clients to support field developments in Africa and the Americas. These activities are set to continue into 2021 and beyond.

During the year, our exemplary HSSE culture was externally validated by a number of awards. Among them was the Repsol Marine Vessel Safety and Operational Excellence Award for the *FSO Orkid*.

SUSTAINABILITY

In 2020, we maintained our sustainability commitments within the Environmental, Social and Governance (ESG) spheres.

Sustainability Pillar	Initiatives and outcomes
Shareholders	In 2020, we established our Special Projects team that is focusing on capturing valuable sustainability-centred opportunities that will drive our future growth. The team will look into how to better manage greenhouse gas (GHG) emissions and improve our water and waste management efforts throughout our FPS operations. They are also identifying new technologies that could potentially improve our fleet efficiency or enhance our commercialisation capabilities. As well as that, they are exploring the use of wind, current and wave as new sources of clean energy for our fleet. By exploring these sustainability long-term opportunities, we are also gearing towards increasing shareholder value, as the world continues to drive the climate change agenda.
Customers	A customer survey was conducted during the year and the Offshore Business segment obtained excellent feedback. Respondents indicated they were satisfied with our overall services and facilities provided. We scored a rating of 'Meeting Expectation'. Based on the outcomes of the survey, an action plan with respect to the identified gaps and areas of recommendation has been developed and is being progressively implemented. For more details on the customers survey, please refer to the Anchoring Sustainability @ MISC section on page 104 of this Integrated Annual Report.

Sustainability Pillar	Initiatives and outcomes
Governance and Business Ethics	In 2020, the Offshore Business segment embarked on the Social Risk Assessment (SRA) exercise by conducting an SRA awareness session for key employees. Based on the SRA materiality assessment, we have decided to conduct SRA on one of our joint venture assets in 2021.
Employees	With regards to our employees, we have in place a Behavioural Health and Safety programme that promotes an excellent HSSE culture by offering practical ways that our employees can enhance their health and safety awareness and attitudes. Due to the challenges associated with COVID-19, we opted to implement the programme via a digital platform in 2020, which involved all our 340 employees.
Environment	In 2020, we continued with our environmental contributions through the following initiatives: • **Electronic Waste (e-waste) Collection Initiative** We created more awareness through our e-waste collection campaign which provided convenient e-waste collection points for all employees to responsibly dispose of their e-waste. A Department of Environment approved e-waste collector was appointed to manage e-waste collection and disposal. We disseminated information on this initiative through workplace talks and emails. • **Ozone Depleting Substance Phase Out Programme** In line with MISC's sustainability agenda, we are progressively replacing R-22 as an air-conditioning refrigerant with more eco-friendly alternatives within all our FPS assets. The programme began in 2019 and will be completed in 2021. • **Green Ship Recycling** The disposal of offshore floating assets after it reaches the end of its service life leaves a huge amount of waste, posing a potential hazard to the environment. While shipbreaking has emerged as the most common method of ship disposal, environmentally unsustainable shipbreaking practices have resulted in the dumping of dangerous toxic materials on beaches and other open spaces. Towards an effective greener and more responsible operations, we had embarked on our first green ship recycling experience with the demobilisation of *FSO Abu* in October 2018. In 2020, we continued with our green ship recycling efforts with the demobilisation of *FSO Cendor* and *FSO Angsi*. Our green ship recycling efforts are in line with our commitment towards the International Maritime Organisation's Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships 2009. During the year, as part of the Group's community initiatives, we conducted a detailed study, the *FPSO Kikeh* GHG Emission Reduction Studies, which looked into available solutions and technologies to reduce GHG emissions on the *FPSO Kikeh*. The scope of the study is focused on the recovery of cargo vent gas that is currently released to the atmosphere via cold venting.
Community	The offshore business segment proactively supported community investment through the group initiatives in investing for the next generation of talent. For more details on MISC's community initiatives, please refer to the Anchoring Sustainability @ MISC section on page 104 of this Integrated Annual Report.

MOVING FORWARD

The massive reduction in oil and gas companies' CAPEX in 2020 as a result of the crisis has led to some USD155 billion worth of greenfield projects that is now waiting to be sanctioned in 2021. This represents USD60 billion more than what was actually sanctioned in 2020. Given this shift, Energy Maritime Associates (EMA) shared that 137 FPSO projects will continue to be assessed from 2021 to 2025. We are expecting around 10 project awards in 2021, and potentially a further 35 until 2025.

Our oil and gas clients are more keenly focused on the energy transition which is opening up new opportunities for us. Our Special Projects team is looking into these opportunities, to identify those that will provide us sustainable long-term returns. We will also be looking at engendering greater collaborations with our clients on this front.

A large part of our forward moving plans is centred on our employees. We will continually improve our HSSE outcomes, to ensure the health and safety of our employees in their work environments. In the spirit of diversity and inclusion, we continue to invest in programmes to attract diversified talents whilst providing an inclusive environment and equal opportunities for our existing employees to thrive and upskill themselves.

Our main focus for the year ahead is to ensure that we deliver on the major projects we have secured during the year, on time and on budget. As part of the MISC's growth agenda, we will continue to explore potential projects that will serve MISC's best interests both locally and internationally. In addition to expanding in Brazil, Offshore Business segment remains open to opportunities in Asia Pacific, the Americas and Africa, as well as new partnerships that are related to our core business.

BUSINESS REVIEW

MARINE & HEAVY ENGINEERING

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) is a globally trusted energy industry and marine solutions provider for a wide range of heavy engineering facilities and vessels.

MHB has more than 40 years of track record of delivering integrated and complex solutions to international oil and gas clients. We are recognised for our global expertise in deepwater support services, offshore conversion services and LNG carrier (LNGC) repair and dry docking. MHB owns and operates a regional Centre of Excellence – a learning centre that produces technically expert workers for the industry. MHB also owns and operates one of the region's largest marine and heavy engineering facilities and is the only yard in Malaysia that is capable of constructing complex deepwater offshore mega structures and possesses dry docking facilities.

Backed by an exceptional track record, a highly-skilled workforce and world-class facilities, MHB is able to provide innovative solutions to meet the complex demands of the energy industry - safely, on time and within cost.

Further details on Marine & Heavy Engineering
https://www.misc.com.my/solutions/marine-and-heavy-engineering

KEY HIGHLIGHTS

Launched the new
Dry Dock No.3
in December 2020

Heavy Engineering -
Awarded a 'call-out' contract
from Carigali-PTTEPI Operating Company Sdn. Bhd. (CPOC)

Excellent HSSE culture with
12.8 million of safe manhours
delivered and zero Loss Time Injury (LTI)

Marine Operations -
Secured 6 en bloc agreements

Continued expansion
into offshore windfarm sector

FINANCIAL PERFORMANCE

Revenue
RM1,568 million

Operating Loss
RM100 million

PANDAI OTHMAN
Managing Director and CEO, Malaysia Marine and Heavy Engineering Holdings Berhad

MARINE & HEAVY ENGINEERING

MANAGING DIRECTOR AND CEO'S REMARKS

In 2020, MHB found ourselves in the eye of a perfect storm, as we contended with the twin challenges of the downturn in the oil and gas sector and the COVID-19 pandemic. Our business was impacted by oil majors' CAPEX cut during the year, which led to the deferment of several large-scale projects. As at December 2020, MHB's backlog of ongoing offshore projects are stretched out till 2024 which includes a major engineering, procurement, construction, installation and commissioning (EPCIC) works for PETRONAS Carigali Sdn. Bhd. (PCSB)'s heaviest and largest offshore platforms in the region known as the Kawasari Gas Development Project.

The government's imposition of a Movement Control Order (MCO) on 18 March 2020 led to almost a month-long closure of our yard operations to ensure the safety of our workers despite being designated as an 'essential services' business. We initially resumed yard operations at limited capacity, and then ramped it up to full capacity soon thereafter. Disruptions in the supply chain led to project delays, as did border lockdowns which limited our access to foreign specialist workers. Our people navigated a tough year to catch up with time lost during this period to deliver on our key projects for the year.

A seminal milestone was the start-up of our new Dry Dock No. 3 (DD3) operations at the end of 2020. The addition of another dry dock that complements our two dry docks and one floating dock has significantly augmented MHB's capacities to conduct repair and refurbishment services on vessels and other marine and oil and gas facilities. Please refer to the side bar accompanying this Business Review on how DD3 has placed MHB on a path to ensure sustainable future growth.

We took advantage of the slowdown in our projects to accelerate our automation and digitalisation initiatives in line with our goal to become a data-driven organisation. MHB was able to swiftly pivot our business to achieve better data-led visibility and insights and drive greater value within the spectrum of marine and heavy engineering related solutions and services we offer. The process and technology improvements we implemented have enabled us to derive significant benefits in terms of time and cost savings. You can read more on our improvements in the Business Review section.

As MISC gears up to implement its new Sustainability Strategy 2021–2025, MHB has identified potentially lucrative opportunities within the new growth area of renewable energy in line with the Group's sustainability agenda. In more recent years, the offshore windfarm sector has gained momentum in tandem with the global energy transition movement. Towards capturing growth opportunities in the offshore windfarm sector, in late 2019 we had entered into a global collaboration agreement with Smulders Projects Belgium NV (Smulders), a leading European offshore windfarm foundations and substations fabricator.

Under this partnership, MHB will provide services to fabricate and assemble works in Asia for offshore windfarms. As at end 2020, we have gained traction in the offshore windfarm sector by jointly participating with Smulders in pursuing several projects in Taiwan and Japan.

We have stepped up on green initiatives throughout our operations. In particular, we had entered into a Memorandum of Understanding with PETRONAS Power Sdn. Bhd. for the installation of solar rooftop solutions at MMHE West Yard in Pasir Gudang in 2019 as part of our ongoing cost optimisation and energy conservation programme. We progressed with this project in 2020 and have identified seven buildings that will be installed with a total of 8 Megawatt peak (MWp) solar power capacity. Expected to be fully functional in 2021, these solar panels will generate cost savings of RM8.5 million in the next 21-year period.

On another front, we encourage our people to adopt the zero-waste lifestyle and to reduce plastic waste generation through the 'Bring Your Own' campaign. We have limited the use of polystyrene at our yards by encouraging our people to bring reusable containers and water bottles to work to takeaway food and drink from the canteen instead of using polystyrene or single-used plastic containers.

As we move into 2021, we will leverage on our proven strengths and consistent track record to sustain our operations and growth. A key focus will be to catch up on our projects to sustain our business recovery. The addition of DD3 places us in a strong position to secure more projects in the future and we will leverage on our expanded capacity with more competitive offerings in a challenging market.

We have in hand a healthy orderbook of projects to look forward to which we expect to deliver on time and on budget. Towards gaining greater cost benefits, we plan to further our investment in equipment and technology upgrades and also in the automation and digitalisation space to enhance our repair and refurbishment services and engineering capacities, as we continue to improve our project deliveries. With regards to the marine side of our business, we are exploring viable opportunities in the industry.

We are cautiously optimistic of recovering our footing in 2021, as we steady our course after the passing storm of 2020. We have learnt much from the challenges of the past year and will apply the outcomes of the lessons learnt to drive our operational efficiencies by implementing new and innovative ways of working. Our ability to adapt swiftly will ensure the long-term sustenance of our business.

PANDAI OTHMAN
Managing Director and CEO, Malaysia Marine and Heavy Engineering Holdings Berhad

MARKET REVIEW

The COVID-19 pandemic caused a drastic drop in global oil demand which led to crude oil prices plummeting. This occurred on the heels of the initial crash in the oil market as a result of the price war between Saudi Arabia and Russia and existing supply glut. Exacerbating the situation were lockdown measures imposed worldwide to curtail the spread of the COVID-19 pandemic. The intensely challenging landscape led to energy majors significantly downsizing their capital spending and revising their investment plans to counteract the negative financial impacts.

Global LNG demand and trade were not spared from the ramifications of the COVID-19 pandemic. However, LNG demand fared relatively better compared to oil demand throughout the year. Trade increased in the second half of 2020 especially during the winter to cater to greater demand from Far East consumers.

Within the volatile operating environment, MHB focused on resource optimisation to reduce our operating cost and steadfastly pursued business opportunities in other segments to replenish our order book. We intensified our efforts in the execution and delivery of our ongoing projects to ensure competitiveness for ongoing and future bids.

KEY DEVELOPMENTS

Although there were some initial setbacks off the back of the pandemic and the MCO imposed by the Malaysian government, MHB continued with ongoing contracts and projects, and secured a new contract.

During the year, the Heavy Engineering segment was awarded a three-year 'call-out' contract from CPOC for the provision of offshore brownfield modification works. The contract is part of an umbrella agreement pertaining to onshore fabrication and offshore modification services for CPOC facilities located within the Malaysia-Thailand Joint Authority (MTJA) area.

We continued with EPCIC works on the Kawasari Gas Development Project, and recorded progress of 30.35% for 2020 for PCSB. The project is slated for completion in 2024. Another project which is progressing as scheduled is the Bekok Oil Project, an EPCIC project also for PCSB. Project progress works stood at 58.02% and it is scheduled to be completed in 2021.

/// Governance / Leadership / Business Review / Financial Review / Sustainability ////

MARINE & HEAVY ENGINEERING

A notable accomplishment in 2020 was the successful sail away of PCSB's Bokor Phase 3 Re-Development Project Central Processing Platform (CPP) Topsides at the Baram Delta in Miri, Sarawak. Weighing at 18,995 metric tonnes, the project was delivered with zero LTI. The hook-up, offshore pre-commissioning and commissioning works are currently ongoing and targeted to be completed in the first quarter of 2021.

We also completed the fabrication engineering, bulk material procurement, construction and onshore commissioning epC works on the Pluto Water Handling Module for TechnipFMC. The module which weighs at 1,688 metric tonnes was sailed away in the fourth quarter of 2020 with zero LTI, to be installed on Woodside Energy Ltd.'s existing Pluto Alpha Gas Production Platform, located on the North West Shelf of Western Australia, offshore Western Australia.

In the first quarter of 2020, we completed the construction, installation and integration of floating storage and offloading (FSO) external turret, *FSO Golden Star* for Sao Vang and Dai Nguyet Development Project, offshore Vietnam. The work scope of the contract awarded by Promor Pte. Ltd. included construction and commissioning of the external turret. We completed the 1,110 metric tonnes external turret on schedule and with zero LTI.

We also sailed away the Bergading Mercury Removal Unit (MRU) Modules under the Bergading CPP-MRU Integration Project for Hess Exploration and Production Malaysia B.V. with zero LTI. The modules were installed and integrated into the existing Bergading CPP in the North Malay Basin. In the fourth quarter of 2020, we successfully achieved the 'Ready for Start-Up' milestone as planned, and we have targeted for the remaining work to be completed in 2021. We also completed the hook-up and commissioning (HUC) works for Tembikai Non-Associated Gas (TNAG) offshore wellhead facilities (OWF) as scheduled during the second quarter of 2020.

A significant milestone for the year for the Marine Business segment was the addition of Dry Dock No. 3 (DD3) to our existing facilities of two dry docks and one floating dock to conduct repair and refurbishment services on vessels and other marine and oil and gas facilities. With the addition of DD3, our dry docking capacity has expanded to provide multiple comprehensive works on LNGCs, floating production storage and offloading (FPSO) units, FSO units and oil rigs. Please refer to the side-bar accompanying this Business Review for more information on DD3.

A total of 12 LNGCs were repaired during the year. Additionally, we secured six en bloc agreements as part of the 61 projects on our books. Throughout 2020, we served 22 new clients comprising 13 domestic clients and 9 international clients. The latter hail from Brunei, United Kingdom, Singapore, Greece, Korea and United Arab Emirates.

A key area of focus for MHB in 2020 was the automation and digitalisation of our operations. We enhanced our project monitoring by integrating a spectrum of digital initiatives which enabled us to effectively monitor and control project progress as well as identify potential issues quickly and implement remedial actions in a timely manner.

SUSTAINABILITY

We continued with our sustainability efforts to create value for our various groups of stakeholders as follows:

Sustainability Pillar	Initiatives and outcomes
Shareholders	We have maintained strong relationships of trust with our shareholders by proactively communicating company updates on a regular and timely basis. Throughout the year, we provided real-time reports on MHB's share price, presentations, annual reports, announcements and press releases to shareholders on MHB's corporate website. As a result of movement restrictions, we held our Annual General Meeting in a virtual setting, with 80 shareholders attending. We also maintained two-way communications with close to 35 analysts, fund managers and shareholders throughout the year through regular one-on-one meetings, small group sessions and analyst briefings.
Customers	We believe in proactively engaging with our customers and obtaining their feedback with the intention of improving on our customer service. During the year, we requested feedback from our customers at the completion of each project cycle through the MHB Customer Engagement Survey. A total of 75 feedback forms were received from our customers, providing constructive comments and recognitions of our yard's strategic location, good facilities, experienced managers and supervisors, and excellent communications with the project team and workers. We also maintained continuous engagements throughout the year via other channels such as the International Project Management Conference 2020 where we exchanged ideas and knowledge. MHB also hosted 32 clients during their visits to the MMHE West Yard in Pasir Gudang, Johor to showcase our company's strength and capabilities while providing an interactive platform to highlight technology and operational innovations. Our clients were involved in numerous quality, health, safety, environment (QHSE) related events such as the HSE Appreciation Day, which underlined our commitment to maintaining high levels of safety and quality throughout all our projects.

MARINE & HEAVY ENGINEERING

Sustainability Pillar	Initiatives and outcomes
Governance and Business Ethics	The MHB Code of Conduct and Business Ethics (CoBE) follows the example set by PETRONAS as our guide towards conducting business ethically and sustainably. We introduced the MHB Anti-Bribery and Corruption Manual which is closely aligned with the CoBE towards enhancing our commitment in upholding a 'Zero Tolerance Policy towards Corruption'. We implemented a number of programmes and measures in line with our commitments. We held the MMB Virtual Subcontractors and Vendors Engagement (SAVE) session to inform and educate our value chain on our stance towards anti-bribery and corruption. We implemented virtual integrity and compliance programmes throughout all our business and service units to enhance our people's awareness and knowledge. In order to build a strong culture of governance and ethics, we enforced the Anti-Bribery Key Performance Indicator (ABKPI) in 2020. We also revised the MHB Corruption Risk Assessment (CRA) in line with our governance push. Towards ensuring compliance with privacy requirements legislated by the Personal Data Protection Act (PDPA), we conducted an awareness programme during the year for all our employees and third-party vendors and suppliers. We updated our internal and external stakeholders on our revised policy by uploading the PDPA Declaration form submission on our internal portal and through HR for our employees, and on our website and MHB's vendor registration web page for third parties. We maintained excellent HSSE performance levels, and our efforts were lauded by the Malaysian Society of Occupational Safety and Health (MSOSH) which honoured MHB with the Occupational Safety and Health (OSH) Gold Class 1 award denoting our good OSH practices. To ensure high levels of vendor performance that can support MHB's own customer service aspirations, we conduct regular assessments of our vendor performance. During the year, 94.9% of our vendors scored between 'average' to 'good' on the Vendor Assessment Result. In 2020, we have received a number of ISO certifications which are the ISO 3834-2: 2005 Quality Requirements for Fusion Welding of Metallic Materials, the ISO 29001: 2020 Quality Management System for Petroleum, Petrochemical and Gas Industry and the EN 1090-1: 2009 + A1: 2011 Execution of Steel Structures and Aluminium Structures.
Employees	We conducted workshops and training sessions to update and discuss matters such as lessons learnt, international standards (ISO) updates, and the value of ethics and integrity. Focused capability development programmes were also conducted for our technical staff. Regular campaigns highlighting QHSE and integrity, as well as events to celebrate and appreciate MHB employees were also held virtually throughout the year. A total of 104 drills were conducted to increase our employees' alertness and response during emergencies. These included evacuation drills, oil spill drills and firefighting drills. As well as that a series of 13 enforcements were held throughout the whole company involving QHSE matters and evaluating employees' performance through the Performance Management System. Employee engagements were maintained through interactions between employees and MHB's top management. These included 'Leadership Engagement: Townhalls and Walkabouts' to foster and encourage two-way communication. We also had periodic engagements with our employee union through activities such as HSE Management Committee meetings. **Adapting to COVID-19** The shift to new norms under the COVID-19 pandemic resulted in heightened sanitisation and hygiene routines. Towards assisting and supporting our people to transition to the new SOPs, we supplied refillable bottles of hand sanitisers throughout the yard. We also disseminated 55 memos, 30 awareness posters and one 'Living Info Pack' to create more awareness of the virus and how to stay safe within our workplaces. A total of four COVID-19 mass preliminary screening of symptomatic assessments were held during the year as and when required by stakeholders. As at end of December 2020, a total of 7,093 people, including our employees, clients and subcontractors were screened.

Sustainability Pillar	Initiatives and outcomes
Environment	**1. Green Seal ® Green Office Partnership** During the year, the MHB Kuala Lumpur Office received recognition as a Green Seal Office, with another seven of our offices currently undergoing the process to obtain this certification. The Green Seal recognition was obtained after the implementation of various measures within our workplaces that strives to advance environmentally sound practices. These include purchasing and using Forest Stewardship Council (FSC) approved paper, the activation of sleep mode on computers after 30 minutes of inactivity, setting printers and copiers to the default setting of double sided printing and maintaining a total of 74 recycling bins throughout all MHB premises. **2. Energy Savings** MHB's energy savings programme aims to reduce the yard's carbon footprint with regards to Scope 2 emission (indirect emissions) resulting from the use of electricity. As at end of 2020, Scope 2 emissions comprised 79% of MHB's greenhouse gas (GHG) emissions. Besides installing solar rooftop solutions which are targeted to be fully functional by 2021, we also replaced conventional compact fluorescent lights (CFL) with light-emitting diodes (LED) to benefit from energy saving. We have switched a total of 5,775 units of light bulbs in the yard to LED. In order to reduce the unnecessary use of electricity, we installed 113 motion sensors in the toilets located at our offices as well as on the streetlights in the yard. **3. Waste Management** Our waste management programme employs the 4R (Refuse, Reduce, Reuse and Recycle) approach to embed the recycling culture within our people. We have reduced our domestic waste through programmes such as the banning of polystyrene and encouraging our employees to bring their own reusable containers to take packed food and beverage for breakfast and lunch. In 2020, we collected 5,352.17 metric tonnes of domestic waste. We have in place a Scheduled Waste (SW) Management programme for the storage and disposal of SW in compliance with local regulations and yard procedures. In 2020, we renewed our regulatory approval to store SW of more than 20 metric tonnes and upgraded the management process at our temporary SW storage area. **4. Water Conservation** Recognising that water is a limited and scarce resource, we have in place an awareness programme that focuses on water conservation. Among the measures implemented are the regulation of the minimum level of water inside the flush tank and switching from twist-type taps to push-type taps. We recorded 497,177 m^3 freshwater consumption in 2020. We fully support the Johor state government's Johor Sustainable Development Plan 2019–2030, of which environmental sustainability and water conservation is one of its eight key thrusts. In line with this, MHB participated in the World Water Monitoring Day Celebration 2020 held by the Johor state government.

MARINE & HEAVY ENGINEERING

Sustainability Pillar	Initiatives and outcomes
Communities	In 2020, we contributed to the wellbeing of communities through the following means. **1. Community Programmes** We implemented various community centred programmes which benefitted some 1,409 individuals. The programmes were conducted by 56 MHB employees who volunteered 2,863 hours of their time in their efforts to give back to society. Among the programmes were the sponsorship of the PETRONITA Virtual Orchid Run, and donating RM5,000 to the Ministry of Defence's Engineering Division Welfare Fund (Tabung Kebajikan Bahagian Kejuruteraan). Towards nurturing a future generation of creative thinkers, we conducted the Art of Science programme in collaboration with EcoKnights. Key highlights included a Waste to Arts Workshop, an interactive online class that focused on utilising waste and recycled household items into valuable art that was held via Google Meet. A total of 30 students and teachers from Sekolah Menengah Kebangsaan Dato' Penggawa Timur (SMKDPT) attended the event. We also implemented the MHB Go Green programme in replacement of the previous MHB Knights of Nature Youth Camp. The new programme featured a more refined and impactful approach to raise environmental awareness amongst the younger generation. We crafted a full-fledged environmental education programme for SMKDPT consisting of environmental activities focusing on issues related to air, water and waste management to be rolled out over a period of two years. **2. COVID-19 Assistance** Towards assisting MHB's own employees and subcontractors that were undergoing difficulties due to the pandemic, we held an e-Donation drive which raised a total of RM43,063. We also conducted COVID-19 tests for a total of 50 individual subcontractors. As well as that, we contributed personal protective equipment (PPE) for medical front liners at Hospital Sultanah Aminah and Hospital Permai, Johor. We also contributed 1,050 packed meals to medical front liners, that were prepared by nine canteen operators from MMHE West Yard, Pasir Gudang. Basic food supplies were donated to 33 underprivileged families from Kampung Orang Asal Seletar in Kampung Pasir Putih, Pasir Gudang.

MOVING FORWARD

In view of the ongoing recovery of oil demand and price coupled with the drawing down of oil supply, a rebalanced oil market is imminent. Deferred projects in 2020 are expected to be revived and sanctioned by oil majors in 2021 on the international and domestic fronts. Although the oil market is on the path of recovery, the rate of global COVID-19 vaccines availability and distribution will either derail or accelerate the progress. Should oil prices continue to climb slowly, the timing of capital spending by oil majors remains uncertain.

LNG demand is anticipated to continue on its growth trend and to account for larger market share in 2021. The increasing demand for LNG is due to its different market dynamics compared to the oil market. Tanker ton-mile and oil trade should recover in tandem with improvement in oil demand upon the successful deployment of vaccines to the world population. Increase in economic activities from impending unrestricted mobility across the globe should also improve containership trade.

As we step into the year ahead, MHB is starting the year with an orderbook of approximately RM1.9 billion in projects. Coupled with our foray into the offshore windfarm sector, we remain optimistic in making the most of opportunities available in the near-term future. The expanded capacity we now enjoy with DD3 will play a key role in our medium-term expansion and business growth. Although we expect the operating environment to remain challenging in the interim, we will employ a prudent approach in assessing our strategic growth opportunities.

HERALDING A NEW ERA OF GROWTH AT MHB

In December 2020, MHB logged a significant milestone in our strategic growth journey by commencing operations on our newly completed Dry Dock No. 3 (DD3). DD3 complements our existing assets of two dry docks and one floating dock to conduct repair and refurbishment services on vessels and other marine and oil and gas facilities.

The 350-metre long, 80-metre wide and 14-metre deep dry dock has the capacity to cater to all vessels sized up to 400,000 dwt. DD3 can also accommodate the concurrent co-docking of smaller vessels when it is not in use for LNGCs, FPSOs or FSOs. The dry dock comes fully equipped with supporting facilities such as cranes, workshops, special equipment, offices and substation docks.

The first vessel to enter MHB's newly built DD3 was the vessel *CSAV TOCONAO*, a container vessel owned by one of our long-term collaborators, Zodiac Maritime. The *TOCONAO* arrived to undergo repair and maintenance works at our new dry dock. Since the beginning of our collaboration with Zodiac Maritime in 2001, we have successfully completed a total of 25 dry docking repairs on their vessels utilising our dry dock, land-berth and quay facilities.

Our additional dock space has sharpened our competitive edge and put us ahead of the curve amongst our regional peers in the marine repair industry. This investment will enable us to capture more value in the years ahead to cater to the needs of clients who require works conducted on their vessels.

Since MHB's incorporation, we have successfully completed more than 3,800 marine repair works, including several life extensions and upgrading solutions for various vessels owned and operated by local and international clients. We are committed to continue delivering high-quality, value-added and cost-efficient services to our clients, and possess a comprehensive track record of more than 34 FPSO, FSO, and floating storage units conversions.

BUSINESS REVIEW

INTEGRATED MARINE SERVICES

Eaglestar, a member of MISC Group of Companies, was established to provide comprehensive integrated marine services focusing on:

- Ship's technical and commercial operations
- Talent management and development of seafarers and technical shore personnel
- Operational maintenance and repairs including dry docking of vessels
- Enhancing operational excellence and performance improvements
- Ensuring compliance to standards
- Engineering and project management for newbuilds, vessel conversion and vessel life extension

Eaglestar possesses more than half a century of industry experience and exposure, and presently manages more than 90 vessels of different types and sizes, globally. Our vessel portfolio includes very large ethane carriers (VLECs), LNG bunkering vessel (LBV), LNG carriers (LNGCs), LNG dual-fuel and eco-friendly petroleum tankers and dynamic positioning shuttle tankers (DPSTs), LNG floating storage units (FSUs) and modular capture vessels (MCVs). In line with our excellent HSSE safety records, we are committed in delivering safe and high-quality services. Throughout the years, Eaglestar has maintained HSSE as its topmost priority. We have also worked towards continuous improvements in terms of enhancing customer satisfaction and improving our Tanker Management and Self-Assessment (TMSA) ratings.

Further details on Integrated Marine Services
https://www.misc.com.my/solutions/integrated-marine-services

KEY HIGHLIGHTS

High overall vessel availability rate of above **99%**

Good HSSE culture with **LTIF** of **0.05** and **TRCF** of **0.14**

Developed and implemented agency model to enable **transition from an owner operator to third-party shipmanager**

Strong PSC performance, with **85%** inspections of zero deficiency

Prestigious awards validating our excellent shipmanagement proposition:

Green Foundation Award for LNG dual-fuel vessel Aframax *Eagle Brasilia*

58 vessels have received the **Chamber of Shipping America (CSA) Jones F. Devlin Award** for safety

Safety Award for *Eagle Kuching* by the Maritime and Port Authority of Singapore

Best Quality Ship Award 2019 for LNGC *Seri Amanah* by the Japan Federation of Pilots' Associations

58 vessels have received **CSA Annual Environment Achievement Award**

Received **Notable Achievement in Environmental Performance** at the Prime Minister's Hibiscus Award

29 vessels received the **'Automated Mutual-Assistance Vessel Rescue System'** (AMVER) from the Commandant of the United States Coast Guard in supporting lifesaving in the world's oceans

CAPTAIN RAJA SAGER
Managing Director/CEO,
Eaglestar Marine Holdings (L) Pte. Ltd.

INTEGRATED MARINE SERVICES

MANAGING DIRECTOR/ CEO'S REMARKS

As an integrated marine services provider, Eaglestar maintained solid progress with our efforts to create value for our stakeholders, and ensured seamless business and operational continuity throughout 2020, regardless of the multiple challenges that we faced as a result of the COVID-19 pandemic.

The pandemic severely disrupted supply chains worldwide, and shipping and ports turned into the global economy's primary doorway. In these difficult times, seafarers became key employees facilitating the trade and transportation of energy, and Eaglestar continued recording strong performance through the efforts of our high performing employees.

Our sea, shore and newbuilding site teams rose to the challenge to demonstrate strong resilience in shifting their work strategies to the new normal. Our people were agile and adaptive in managing operational challenges, and responded swiftly to implement creative and innovative solutions. Throughout 2020, the Eaglestar team ensured that all our integrated marine services were conducted in full compliance with the stringent global health and safety-focused standard operating procedures (SOPs) that were imposed by governments throughout the world. We successfully delivered services while minimising any disruptions that arose from COVID-19 in the spirit of keeping our operations within the norms of 'business as usual'.

The dedication and commitment of our workforce have been the cornerstone of our sustained growth strategy, throughout all these years. As our people form our most valuable asset, ensuring the safety and wellbeing of our maritime professionals at sea and shore is our topmost priority. Our consistent ongoing engagements and communications with our people have been key in ensuring clear alignment towards Eaglestar's successful achievements of our business goals and aspirations. During the year, we sought to keep our employees safe, motivated and their morale high, in line with our commitment to inculcate a high-performance culture. Our human capital management approach has been a critical factor driving our ability to achieve our aspiration to become the preferred integrated marine service provider.

Eaglestar remains an integral and strategic enabler of MISC, as we support the Group in terms of the supply of human capital and technical services. Our company's role spans the overall life cycle of each vessel, from shipbuilding, operational and maintenance, to the end-of-life ship scrapping. Based on our collective experience of over half a century, Eaglestar continues to provide shipmanagement related solutions in managing the fleet through all seasons and weather conditions, even through the current global pandemic.

In 2020, a total of six newbuilds were delivered under the supervision of Eaglestar's experienced and multi skilled project management team. Moving forward, there are more vessels in the pipeline comprising of DPSTs, LNG dual-fuel very large crude carriers (VLCCs) and full-scale LNGCs. A key milestone during the year was our appointment to provide shipmanagement services for Southeast Asia's first LBV, the *Avenir Advantage*, making us one of the first ship operators with such highly sought-after industry capabilities.

Sensitive to the fact that our clients were also encountering their own financial difficulties, we created customer value by working closely with them to effectively manage costs despite increased ship operating costs. This approach is in line with our partnership model of business where we view ourselves as partners to shipowners and strive for the optimisation of operational expenditure.

As a result of our focused approach over the past year in expanding the types of vessels that we delivered, as well as catering to our customers' needs, we have augmented our business resilience and capabilities towards achieving our short, medium and long-term value creation aspirations. Our unwavering focus has enabled us to maintain our high overall vessel availability rate at above 99%.

While we have always focused our efforts towards maintaining a good track record in health, safety, security and environment (HSSE), in 2020 we recorded a regrettable fatality as a result of an unfortunate mooring accident which has deeply saddened us. We have extended our support to our employee's family by providing them the assistance that they required to help them cope with their loss. To internalise the accident, the MISC Family had a HSSE Stand Down on 23 September 2020 across all our worldwide operations. In order to identify the incident's root case, a thorough investigation was conducted and all recommendations made have since been instituted to ensure that such an incident is never repeated.

Eaglestar's longer-term objective is to expand our client base beyond the Group and provide integrated marine services to ship owners from the global energy transportation sector. We plan to further build up our stellar track record in the integrated marine services sector, and increase the scale and types of vessels in our management portfolio. Based on the Group's shipmanagement projects that we have undertaken for AET and LNG Business segment, we are keenly aware of the requirements and expectations of international energy companies and our experience to date in the shipmanagement sector has strengthened our credibility and presence in the industry. This will provide the platform for us to secure new business beyond the Group, and we hope to leverage on the economies of scale obtained to provide cost advantageous integrated marine services to all our clients, combining the knowledge and solutions of both internal and external operations.

A key focus area for the year ahead is embarking on the MISC Sustainability Strategy 2021–2025. We plan to accelerate the decarbonisation of our business by increasing energy efficiencies on vessels through the adoption of technological innovation. We have identified a number of areas that we will focus on which is shared in more detail in the Sustainability section of this Business Review on pages 175 to 176.

The industry has demonstrated a clear shift towards greater demand for LNGCs and LNG propelled dual-fuel carriers, as ship owners and operators seek to utilise LNG as a transition fuel towards industry decarbonisation. This is in line with the International Maritime Organisation's (IMO) initial aspiration to reduce total greenhouse gas (GHG) emissions by 50% by 2050, as well as the IMO 2020 sulphur cap regulation which came into force on 1 January 2020. Based on our unparalleled track record and experience in operating LNG-fuelled vessels, Eaglestar is well-positioned to provide skilled crews who have experience in green shipping in line with future growth trends.

With our sights firmly set on these strategic priorities, we remain committed to continue building a dynamic workforce fully capable of responding to ever shifting market trends and a challenging operating environment.

CAPTAIN RAJA SAGER
Managing Director/CEO,
Eaglestar Marine Holdings (L) Pte. Ltd.

INTEGRATED MARINE SERVICES

MARKET REVIEW

During the year under review, the pandemic caused severe logistical challenges as a number of major ports around the world either suspended or restricted crew change activities which led to an industry-wide crew change crisis. This was further compounded by travel restrictions imposed by various countries around the world. In many instances, ship managers had to extend the service of crews on board vessels, or re-route seafarers, which impacted their work-life balance. There were also occasions when ships had to be diverted to other ports for crew changes to take place. Consequently, there were increased crew repatriation costs, additional voyage costs encountered in relation to bunker and port charges, and a rise in crew voyage periods. In addition to deviations related costs, the crew change crisis caused an increase in ship operating costs mainly due to crew-related expenses. Further costs were incurred to comply with the various COVID-19 related health checks and quarantine requirements, as well as allowances paid to crew during extended service periods.

Market imbalance in tonnage demand and supply led to fluctuating freight rates for gas carriers and tankers. Ship owners were pressured to efficiently manage ship operating costs to ensure sound financial performance and demonstrate their ability to weather the crisis, as they sought to mitigate the impacts of the pandemic on their business.

KEY DEVELOPMENTS

Eaglestar is a service-based organisation, with our sea, shore and newbuilding site teams possessing the knowledge and skillsets required to operate and maintain ships as key business enablers. We play an important role in securing and delivering various projects that have contributed positively towards the Group's business growth. Leveraging on our expertise to provide technical recommendations and competitive pricing, we worked jointly with Petroleum & Product Shipping and LNG Asset Solutions segments to secure 11 new vessels as part of new projects obtained in 2020.

Despite disruptions at the shipyard that affected newbuilds and dry docking, we delivered a total of six newbuilds during the year off the back of the sterling abilities and collective expertise of Eaglestar's sea, shore and newbuilding site teams. Over the next two years, more vessels are in the pipeline scheduled for delivery.

Eaglestar has demonstrated a wide variety of shipmanagement skillsets to cater to a wide spectrum of vessels. Our experience in delivering Southeast Asia's first LBV, the *Avenir Advantage*, has put us ahead of the curve amongst other regional shipmanagement businesses. *Avenir Advantage* completed its first LNG bunkering delivery to the Pasir Gudang Port in Johor on 9 November 2020. Additionally, Eaglestar conducted the delivery of two VLECs, the *Seri Everest* and the *Seri Erlang*, from Samsung Heavy Industries Co. Ltd. (SHI) to Zhejiang Satellite Petrochemical Co. Ltd. (STL).

Recognising the role of technology which is a key push and pull factor shaping global trade flows, we have embarked on our journey towards the digitalisation of the fleet that will take place through 2023. The adoption of e-navigation systems to replace the traditional paper-map navigation has led to increased levels of safety in vessel navigation with up-to-date maps, and better data exchange and communications between ships, as well as between ship and shore.

During the year, Eaglestar developed and implemented the agency model to enable the business to operate as third-party shipmanagers. We are undertaking a phased approach in rolling out this model, and have commenced with the foundational groundwork towards establishing ourselves as a competitive third-party shipmanager to generate new sources of revenue beyond our traditional client base of MISC and AET.

In September 2020, our exemplary shipmanagement track record received international recognition when Eaglestar obtained the Green Foundation Award certification for the LNG dual-fuel Aframax *Eagle Brasilia*. In addition, the LNGC *Seri Amanah* was awarded the 'Best Quality Ship Award 2019' by the Japan Federation of Pilots' Associations in June 2020.

Our good HSSE culture has received various international acknowledgements. As at the end of 2020, 58 vessels from the Eaglestar managed fleet have received the Chamber of Shipping America (CSA) Jones F. Devlin award for safety, and 58 vessels received the CSA Annual Environment Achievement Award. A further 29 vessels have been recognised with the 'Automated Mutual-Assistance Vessel Rescue System' (AMVER) from the Commandant of the United States Coast Guard in recognition of their support of lifesaving on the world's oceans. The Maritime and Port Authority of Singapore also presented the *Eagle Kuching* with a Safety Award. On home shores, Eaglestar as part of MISC Group was honoured at the prestigious Prime Minister's Hibiscus Award for the Notable Achievement in Environmental Performance.

SUSTAINABILITY

In line with our commitment to create value through our sustainability initiatives, we recorded the following outcomes during the year:

Sustainability Pillar	Initiatives and outcomes
Shareholders	We are continuously collaborating with our strategic partners to create greater shareholder value.
Customers	In 2020, Eaglestar conducted a Customers Engagement Survey for our key customers to gauge their perception of the Group and identify how we could enhance our customer service. Within the 'Operational Performance', the majority of respondents agreed that overall Eaglestar had well managed the fleet. Based on the findings, an action plan with respect to the identified gaps and areas of recommendation has been developed. For more details of the Customers Survey, please refer to Anchoring Sustainability @ MISC section on page 104 of this Integrated Annual Report.
Governance and Business Ethics	Eaglestar is committed to embedding a work culture founded on principles of strong corporate governance and ethical business conduct, in line with our high standards of ethics and in full compliance with all relevant laws. Our Code of Conduct and Business Ethics (CoBE) provides the framework for the enhancement and monitoring of good business ethics and ensuring our business operations are conducted with the utmost integrity. During the year, Eaglestar conducted a Social Risk Assessment (SRA) at one of our significant operations, to determine Human Rights risks and impacts associated with the business. Based on the risks identified, we developed a mitigation plan that reduces and addresses these risks.
Employees	Throughout the pandemic, Eaglestar proactively and continuously engaged with our seafarers to ensure their health, safety and welfare. We introduced mental health and wellness programmes for crew who served onboard ships for extended periods of time, to help them manage their stress. Coming together with over 300 companies and organisations in the maritime value chain, MISC Group comprising of MISC, AET and Eaglestar signed the Neptune Declaration on Seafarer Wellbeing and Crew Change in January 2021. The declaration is a worldwide call to action to end the unprecedented crew change crisis caused by COVID-19. Fatigue after long periods at sea has significant consequences on the physical and mental wellbeing of seafarers. It also increases the risk of maritime incidents and environmental disasters, and poses a threat to the integrity of maritime supply chains, which transport 90% of global trade. An incident which deeply grieved us during the year was the one case of fatality we recorded due to a vessel unmooring operation. We have reached out to our employee's family, to provide them the assistance they required to help them cope with their immeasurable loss. To internalise this unfortunate accident, we conducted a HSSE Stand Down on 23 September 2020 throughout all our global operations. For more details, please refer to Operating Safely and Sustainably section on page 206 of this Integrated Annual Report.

INTEGRATED MARINE SERVICES

Sustainability Pillar	Initiatives and outcomes
Environment	In line with MISC's sustainability commitment to care for the environment and operate responsibly, and in support of the IMO's targets towards industry decarbonisation, we have instituted the following measures: • Enhancing energy efficiencies by leveraging on technology to improve vessel navigation and optimise speed • Adopting high performance anti-fouling paint on vessels to improve energy efficiencies and reduce the vessel's carbon footprint • Made significant inroads into the Joint Development Project that we had established with our strategic partners across the value chain the previous year. We worked on feasibility studies focusing on fuel tanks, fuel supply system and the main engines that utilise ammonia as a zero-carbon fuel. This collaboration is extremely significant as it allows the consortium to combine our resources and take leadership in identifying innovative ways to progress with our strategic sustainability aspirations. Read more on the Castor Initiative on page 120 of this Integrated Annual Report. Within our shipmanagement role, Eaglestar is involved in the retrofitting of scrubbers for the fleet we manage, to uphold our role in ensuring compliance with IMO 2020 regulations on sulphur emission. We also contributed towards biodiversity conservation by improving ship design, through collaborations with our customers to install a Ballast Water Treatment System that will maintain the balance of the marine ecosystem by removing biological organisms such as zooplankton, algae, bacteria in ballast water during the discharge process. Towards promoting the Circular Economy, Eaglestar has ceased the supply of bottled water onboard vessels and have substituted plastic wrapping on inventories with bio-degradable materials. We have also encouraged our suppliers to 'Go Green'. MISC supports the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships which aims to ascertain that ships which are being recycled at the end of their operational life-cycle do not pose any unnecessary risk to human health and safety, or the environment. Eaglestar is assisting our clients by ensuring ship components are dismantled and discarded or recycled in a sustainable and green manner. We make sure that all vessels are in a gas-free condition, with the exception of bunker tanks, as well as free of asbestos prior to the dismantling process. We keep an inventory of hazardous material on behalf of ship owners in line with the Hong Kong Convention.
Community	We actively interacted with the relevant port authorities, suppliers and local communities within which we operate. Towards building a future-ready workforce for the maritime sector and ensuring a sustainable pipeline of seafaring talent, Eaglestar continued to collaborate with ALAM in the cadet sponsorship programme to sponsor 139 cadets.

MOVING FORWARD

Going into 2021, global LNG demand and supply is expected to grow, off the back of forecasts for LNG prices to rebound, while economic activity normalises. LNG demand is set to incrementally increase, which will help stabilise excess market supply.

It is anticipated that ship operating costs will increase due to new regulations being introduced around the world post IMO 2020 that focuses on the building and operating of vessels, as well as COVID-19 related health and safety requirements.

The shipping industry is increasingly adopting IR4.0 technologies to leverage on the benefits of digitalisation. In order to remain competitive and relevant, shipmanagers will have to be at the forefront of these developments. Among the technologies being incorporated are the Internet of Things (IoT) to improve the monitoring of shipboard systems, Internet of Services (IoS) to increase the use of shore-based services, Cyber-Physical Systems (CPS) to increase instrumentation and integrated ship control, and Big Data (BiD) to increase the use of data analysis to optimise operations.

New entrants to the market have speculatively ordered LNGCs anticipating a spike in demand. However, most ship owners either do not possess the inhouse expertise, or severely lack experience in owning and managing LNGCs and specialised vessels. With Eaglestar's established track record in managing gas carriers, and conventional and specialised tankers such as VLECs, DPSTs and LBVs, among others, we are in a strong position to capture promising growth opportunities.

For the year ahead, Eaglestar plans to drive business growth by increasing the external vessels under our management. In line with a rapidly changing environmental expectations from the IMO as well as our clients, Eaglestar will position itself as a first choice shipmanager for green shipping.

Leveraging on digitalisation as a key enabler towards achieving operational excellence, we will continue to bring value to our clients by providing them with optimised operational expenditure and costs. Underlying this is our firm commitment to continuously upskill our people, as we continue to build a dynamic workforce, fully capable of responding to shifting market trends and a challenging operating environment. We believe our focused approach will mark out our competitive edge in a challenging global shipping sector.

BUSINESS REVIEW

PORT MANAGEMENT & MARITIME SERVICES

As part of MISC Group, MISC Maritime Services Sdn. Bhd. (MMS) serves as the centre for maritime services in the provision of port and terminal management and operations, marine assurance and compliance, and consultancy services to a range of clients in the energy sector. As a service provider who prides itself in delivering high standards of operational excellence, we recruit the best talents comprising of highly experienced and qualified marine technical employees and consultants, accredited inspectors and engineers.

Port and terminal management and maritime services serve as the key operations for MMS. We provide pilotage, loading master, marine controller services to ports and terminals in Terengganu, Melaka, Sabah and Sarawak. Other marine-related activities include jetty and single point mooring (SPM) maintenance at Sungai Udang Port and Kertih Port. We deliver world-class marine operations, consultancy and assurance services to major oil companies, supporting their upstream and downstream activities.

With more than two decades of proven experience, MMS is well positioned to serve as the preferred choice of marine experts to major clients by leveraging on the experienced capability that we have.

Further details on Port Management & Maritime Services
https://www.misc.com.my/solutions/port-terminal-services

KEY HIGHLIGHTS

Marine craft:
Availability
>99%
Utilisation
100%

Excellent HSSE culture with
ZERO
LTI since 1999

Granted
OCIMF MEMBERSHIP
in January 2020

Successfully managed Southeast Asia's
1ST
LNG bunkering vessel operation at Sungai Udang Port's regasification terminal unit

Successfully commenced
Remote OVID & SIRE Inspections
in September 2020

Availability of **in-house OSVIS and VIS** systems at more than
99%
for clients' use

Pilotage services for PETRONAS'
PFLNG SATU
and
PFLNG DUA

Successfully launched MMS Marine Biodiversity Conservation Programme
UMT-MMS Sea Turtle Conservation Programme

Successfully handled
52,000
vessels of up to
350,000
deadweight tonnage since 1992

More than
48,000
vessels inspections and screenings performed since 1992

Awarded the
Occupational Safety and Health Award 'Gold Class II'
by the Malaysian Society for Occupational Safety and Health (MSOSH)

Certified as
Green Seal Green Office Partner
by Green Seal Incorporated

HAZRIN HASAN
Managing Director and CEO,
MISC Maritime Services Sdn. Bhd.
(MMS)

PORT MANAGEMENT & MARITIME SERVICES

MANAGING DIRECTOR AND CEO'S REMARKS

MISC Maritime Services (MMS) started the year positively in January 2020 with the official recognition from the Oil Companies International Marine Forum (OCIMF) which granted MMS membership in the organisation. This important milestone signified our successful transition from a subsidiary of PETRONAS to one of the three key enabling businesses of the MISC Group. The OCIMF membership has augmented our ability to conduct independent assurance and compliance exercises, and significantly strengthened our market proposition.

However, from the first quarter of 2020 onwards, our business was not spared the impacts of the COVID-19 pandemic. As a significant portion of our business operations is heavily reliant on our inspectors travelling to perform vessel inspections, the travel restrictions and border closures imposed as a result of the COVID-19 pandemic posed a huge challenge. We mitigated the risks and responded to the disruptions in a timely manner by engaging local third-party inspectors and conducting inspections remotely, among other measures.

As an 'essential services' sector, all our port and terminal operations as well as our Marine Assurance segment pursued business as usual under the new normal in line with the stringent standard operating procedures (SOPs) announced by the government and relevant ministries. MMS continued to create value for our stakeholders by delivering all our contractual obligations to our clients in 2020.

MMS' key strength is our people, as the main drivers of our growth through the provision of top-class port management and maritime services. Our workforce demonstrated exemplary teamwork during the year, to persevere through a challenging operating environment. Despite the challenges and health risks, MMS' very own front liners comprising our inspectors, pilots, loading masters, marine controllers and all our port operators, continued to work to ensure that operations and inspections were conducted efficiently and safely without any interruption.

As a result, we were able to sustain our profitability levels, despite revenue declining by around 6% during the year, as demand for oil dropped significantly on the back of the pandemic. Despite the lower revenue, we succeeded in exceeding our annual profit target. We protected our profitability by effectively mitigating against identified risks, to drive cost optimisation across our operations. Leveraging on the strong relationships we had built with our clients and contractors over the years, we implemented cost optimisation initiatives that benefited both MMS and our partners.

During the year, a number of our clients extended their contracts, a testament of their trust and satisfaction with the quality of the services we provide. In addition, we are indeed proud of our achievement in expanding our client base beyond the PETRONAS Group and securing new contracts with several third-party clients. This augurs well for our future business growth as we seek to expand our base of clients.

A key element which drove our success in a difficult operating environment was our ability to accelerate the digitalisation of our operations and processes. This served as a key enabler of our ability to deliver a high level of services to our customers in an efficient and timely manner, in line with our mission to exceed customers' expectations. We successfully launched our mobile-based application for the Vessel Inspection System (VIS) and the Offshore Support Vessel Inspection System (OSVIS). These applications have enabled our inspectors to provide quicker turnaround times on their reports and added value for our clients who can check for updates on the status of their vessels at their own convenience in the palm of their hand via either their mobile phones or tablets.

A historic first for us was Sungai Udang Port Sdn. Bhd. (SUPSB) successfully managing Southeast Asia's first LNG bunker vessel (LBV) operations for the *Avenir Advantage*, which was commissioned at the regasification terminal (RGT) unit at Sungai Udang Port with the help of our pilots and mooring master. This marks the start of many more LNG bunkering activities, and gives us a significant edge over our regional competitors.

In a year when HSSE has been of paramount importance, MMS continued to uphold safety as our top-most priority. We closely engaged with both internal and external stakeholder groups to enhance the safety culture at our port and terminal operations. We successfully organised the first virtual Contractor HSSE Awards in July 2020, with more than 100 participants attending the online event. Our continuous engagements with our vendors and suppliers are a key component of our excellent safety culture.

As a result, for the first time in five years, we achieved zero Total Recordable Case Frequency (TRCF) in 2020.

In November 2020, MMS through SUPSB was named as the Malaysian Society for Occupational Safety and Health's (MSOSH) OSH 'Gold Class II' Award winner under the category of Petroleum, Gas, Petrochemical and Allied Sectors. This is our first attempt at participating in the MSOSH Awards programme, and the award symbolised our hard work and proven outstanding track record in maintaining the highest levels of Occupational Safety and Health (OSH) performance at the workplace.

Our commitment to practice green initiatives at our offices were recognised by Green Seal Inc. which certified MMS as a Green Seal Green Office Partner for all of our operating locations in Malaysia. This certification demonstrates our leadership in creating more sustainable workplaces.

As we embark on the MISC Sustainability Strategy 2021–2025, MMS is committed to ensuring responsible and sustainable maritime practices. We plan to focus on protecting marine biodiversity, and have crafted the Five-Year MMS Marine Biodiversity Programme for the conservation of sea turtles. We have embarked on an employee environmental volunteerism programme for our people to undertake a hands-on approach in protecting marine life in order to instil a greater sense of responsibility and appreciation for marine biodiversity. We plan to continue the programme once the pandemic is better contained in 2021. Additionally, we will implement the "Hijaukan Pantai Kita" (Green our Beaches) initiative and a Mangrove Planting Programme in the vicinity of the Sungai Udang Port to replant mangrove forests in the area.

As we move into 2021, the COVID-19 pandemic looks set to continue to be a challenge to our business. Nevertheless, we have identified several key strategic priorities that will guide our future business development and growth. We plan to intensify efforts to upskill our marine professionals in line with our OCIMF membership, especially in terms of building our in-house marine engineering and maintenance services. We will also be seeking out new business opportunities, such as the provision of engineering maintenance services for SPMs to potential clients. As for our existing lines of business, we have identified several areas of improvements, as well as collaborative business development opportunities we plan to embark on to expand our client base. Having accelerated our transition into the digitalisation of our business and operations, we will maintain our momentum in this space to continue with efforts in Smart Port Operations and Remote Assurance.

HAZRIN HASAN
Managing Director and CEO,
MISC Maritime Services Sdn. Bhd.
(MMS)

Market Review

In 2020, businesses around the world were significantly impacted by the COVID-19 pandemic. With the pandemic, safety has become the top-most priority and several new SOPs had to be put in place in performing inspections as well as port and terminal operations globally.

In response to the pandemic, governments throughout the world imposed lockdowns as a countermeasure to stem the spread of the virus. In Malaysia, the restrictions in movement of people resulted in limitations in how vessel inspections providers such as MMS conducted inspection jobs. However, MMS overcame this with the assistance of third-party inspectors located around the world and were able to conduct inspections remotely.

The pandemic had also caused oil demand to drastically drop, which in turn led to the Organisation of the Petroleum Exporting Countries and its allies (OPEC+) reducing crude oil production to counteract the oversupply of oil in the market. This had a direct impact to the port and terminal operations such as MMS as it limited the number of crude and condensate liftings that could be performed.

PORT MANAGEMENT & MARITIME SERVICES

KEY DEVELOPMENTS

OCIMF is widely recognised as the voice of the oil industry providing expertise in the safe and environmentally responsible transport and handling of hydrocarbons in ships and terminals and setting standards for continuous improvement.

A significant milestone recorded during the year was OCIMF acknowledging and granting us membership under MMS in January 2020. The membership registration was backdated to January 2018 to reflect our rebranding in 2017 to MMS (formerly PETRONAS Maritime Services Sdn. Bhd.) after we became part of MISC Group. Prior to becoming part of the Group, the OCIMF membership for PETRONAS' marine assurance and compliance was registered under PETRONAS Sungai Udang Port Sdn. Bhd. (SUPSB), a wholly owned subsidiary of MMS when MMS was an indirect wholly owned subsidiary of PETRONAS.

The event in January 2020 represents a significant achievement for us as it provides independent validation to our clients of MMS' adoption of best practices in how we deal with the transportation of crude oil, oil products, petrochemical and gas in the global marine industry that we are in.

Despite the challenging operating environment, MMS was able continue to expand our business during the year. We began providing pilotage services to PETRONAS' *PFLNG DUA* located offshore Sabah. In response to the pandemic limiting our ability to conduct physical inspections in international waters, we transitioned physical inspections required under Offshore Vessel Inspection Database (OVID) and the Ship Inspection Report (SIRE) to remote inspections when necessary. In September 2020, we were able to perform three OVID inspections in Turkmenistan, UAE and Trinidad and Tobago. We also conducted pre-hire inspections for three anchor handling tug supply (AHTS) and one fast crew boat (FCB) in Trinidad and Tobago. Other inspections we performed included riverine vessel inspection on behalf of PETRONAS for vessels travelling upriver through the forests of Sarawak to transport fuel into remote rural areas. The vessels used for these journeys need to be small enough to access rivers as they get narrower upstream. At the same time, these vessels need to meet the necessary safety requirements to ensure that the cargo is transported safely. We also carried out shipyard assessments at 11 Malaysian shipyards identified by PETRONAS as part of their future newbuild offshore support vessel (OSV) project.

We also put in the groundwork to explore owning our own tugboats to support our port and terminal operations. Having ownership of the tugboats would minimise risks associated with relying on third party providers. Among the benefits are improvements in the uptime of the assets that assist our operations, and in the longer term, the optimisation of operational costs.

HSSE has always been our utmost priority, and we have maintained our Lost Time Injury (LTI) at zero since 1999. Our consistently high safety levels have inspired our clients' trust in the quality and reliability of our service delivery.

During the year, MMS demonstrated its ability and commitment to continuously improve its services with the award of the ISO 9001:2015 certification, the internationally recognised standard for quality management systems from SIRIM.

SUSTAINABILITY

In line with our commitment to create value through our sustainability initiatives, we recorded the following outcomes during the year:

Sustainability Pillar	Initiatives and outcomes
Customers	In 2020, MMS conducted a customers survey for our key customers. The aim was to gauge our customers' perception of the Group and to identify areas of improvement to better serve them. MMS scored well within the 'Meeting Expectation' category, with more than 80% of respondents indicating that they were satisfied with services provided. Assets/Fleet Services and Technical and/or Engineering Capabilities and Innovation scored well. Based on the findings, an action plan with respect to the identified gaps and areas of recommendation has been developed.
Governance & Business Ethics	In 2020, MMS actively participated in the "See. Speak. Support." programme. We also took part in the annual compliance refresher via an e-learning platform, and participated in the annual Compliance Culture Survey.
Employees	In 2020, although the COVID-19 pandemic had led to high unemployment rates nationwide, MMS hired new employees. A total of 13% of our total workforce are new hires. Our gender percentage stands at 20% female and 80% male. We spent approximately RM0.35 million on the training and development of our employees, with an average 25 training hours per employee. HSSE remained our top-most priority, and we maintained safe operations with zero LTI and TRCF. Our excellent HSSE track record led to MMS being awarded the MSOSH OSH 'Gold Class II Award' for good occupational safety and health performance at the Sungai Udang Port, denoting our strong commitment to safety when operating our ports. We developed a volunteer programme to enable our employees to participate in environmental conservation utilising a hands on approach. By visiting the programme site, and getting involved in the day-to-day conservation activities, our employees will have a deeper appreciation of the importance of environmental conservation. In turn, this will instil a greater sense of responsibility towards ensuring the sustainability of marine and other ecological life, which they can act upon in their jobs as well as in their personal lives. We plan to roll out this element of the programme in 2021 once the pandemic is under control and movement restrictions have eased.

Sustainability Pillar	Initiatives and outcomes
Environment	We are deeply committed to protecting the marine environment, and have established a five-year MMS Marine Biodiversity Conservation Programme in line with this. The programme's aim is to protect and conserve sea turtles through a strategic collaboration with Universiti Malaysia Terengganu – Sea Turtle Research Unit (UMT-SEATRU). We aspire to further promote the UMT-SEATRU as a sustainable centre of excellence (COE) both locally and globally. Housed at Pasir Chagar Hutang on Pulau Redang, the programme consists of three modules namely, the facility upgrading programme, outreach programme and the volunteer programme. MMS offices has also been certified as Green Seal Green Office Partnership. It is a certification that implement standards on office sustainability, focuses only on those areas within the direct control of office managers which include waste management, employees education, office and pantry supplies, IT equipment management, transportation and office operations.

MOVING FORWARD

We foresee that recovery from the COVID-19 crisis will take place over the coming year. While the pace of recovery is expected to be moderated by the efficacy of vaccine roll outs throughout the world, the oil and gas sector is already beginning to show some positive trends in terms of growth. As at December 2020, Brent crude oil prices have rebounded to reach the USD50 per barrel mark.

In line with recovering oil prices, we expect production liftings from existing clients to gradually stabilise to pre-COVID-19 levels by the end of 2021. Although we expect our business to improve on the back of this, we are mindful that oil price volatilities remain a risk. Therefore, our strategic priority is to strengthen our business fundamentals in order to become more competitive to support of MISC's growth agenda.

We have identified several key areas of focus to drive our business growth in the year ahead. We will enhance our employees capability and capacity to ensure high quality service delivery to our clients, and sustain our income stream through operational excellence. To create growth, we will seek out new business with our existing major client and parent company, PETRONAS, whilst concurrently exploring opportunities to bring on board external clients such as provision of engineering maintenance services for SPM to potential clients.

This approach, along with our intention to pursue new business models that will deliver our long-term business sustainability, will enable us to accelerate our regional and international footprint. Another key area of focus for the year ahead is to expand our digitalisation efforts. The thrust of our digital innovation efforts is focused on improving key processes for better cost optimisation and service efficiency in our port operations and maintenance and marine assurance.

In 2020, we kick started our plan to establish our own in-house marine engineering and maintenance services to strengthen our competitive position as a maintenance service provider. We plan to continue with our efforts in the year ahead and drive our business growth both within Malaysia and the region. Concurrently, we will be exploring options to acquire new assets that will help us grow our revenue base. While we are mindful of challenges that may persist in the year ahead, we remain open to any opportunity to grow our business, including potential entry into new markets.

BUSINESS REVIEW

MARITIME EDUCATION & TRAINING

Akademi Laut Malaysia (ALAM) is one of the leading maritime education and training (MET) institutions in the region, offering a diverse range of maritime courses including its flagship nautical and marine engineering diploma programmes, maritime and offshore safety courses, simulator-based courses, and maritime professional programmes, amongst others. In addition, ALAM also has the in-house expertise to provide research and consultancy services to cater to the demand for customised maritime-related solutions from the maritime industry players. ALAM is operated by Malaysian Maritime Academy Sdn. Bhd. (MMASB), wholly-owned subsidiary of MISC.

ALAM continues to play an important role in producing qualified and competent seafarers for the local and international maritime industry. To date, more than 13,700 ALAM graduates have pursued their careers as maritime professionals across the globe and are contributing to the growth of the merchant marine sector in Malaysia, both at sea and shore. ALAM's academic achievements support UNSDG 4 to ensure equitable quality education and are aligned with the Malaysian Shipping Master Plan 2017-2020.

Further details on Maritime Education & Training
https://www.misc.com.my/solutions/maritime-education-training

KEY HIGHLIGHTS

Offers over **160 courses** including customised courses

Enrolment of **216** cadets in the 2020 **cadetship programme**

Developed **5 new modular courses** in 2020

Rolled out **2 advanced diploma programmes** in 2020

Rafiq Khan Akbar Khan
Managing Director/CEO,
Malaysian Maritime Academy
Sdn. Bhd. (MMASB)

MARITIME EDUCATION & TRAINING

MANAGING DIRECTOR/ CEO'S REMARKS

The maritime education segment has always been one of the key focus areas for MISC, as a platform for the Group to create value for the community and give back to society. We have put in considerable efforts towards continuing our value creation journey in 2020.

2020 has been an extremely challenging year for the education sector as the COVID-19 pandemic impacted educational institutions at all levels. The maritime education segment in Malaysia was not spared as the Ministry of Higher Education (MOHE) ordered the closure of higher learning institutions during the lockdown period to ensure students' safety.

Despite all the challenges, ALAM remains as one of the leading maritime education and training (MET) institutions in the country and is in fact the only institute that produces graduates with a Certificate of Competency 1 (COC1). While it was a difficult year, the resilience of both our lecturers and students had enabled us to swiftly pivot into providing online learning options thereby continuing a less interrupted process of education and learning for our students. While providing remote learning options, we continued with limited onsite education, especially for courses that require practical or face-to-face training which were allowed and delivered in full compliance and adherence to guidelines issued by the MOHE and the Malaysia Marine Department (Jabatan Laut Malaysia or JLM).

Through concerted and collaborative engagements with both MOHE and JLM, we were able to obtain the necessary approvals to provide e-learning modules for our students. We utilised our existing online Learning Management System (LMS) to provide our students access to a database of online textbooks. The LMS is also one of the tools employed to facilitate the teaching and learning process virtually. The move into the virtual space was necessary for ALAM to adapt to the new normal and it has augmented our institutional capabilities to deliver quality education via the online platform. Within the maritime education sector many of our peers have also been operating in difficult environment. However, our institutional and people resilience has enabled us to successfully navigate challenges.

During the year, we continued to educate our youths with a passion for the maritime world through our two flagship programmes, namely the Diploma Programme and the Ratings Programme. The Ratings programme which is a Technical and Vocational Education and Training (TVET) programme, sets ALAM apart as one of the premier private institutions of higher learning in Malaysia. In fact, ALAM is the only maritime academy in the country to combine the Standards of Training, Certification and Watchkeeping for Seafarers (STCW) courses with certifications from the Department of Skills Development (Jabatan Pembangunan Kemahiran or JPK) and the Malaysian Skills Certificate (Sijil Kemahiran Malaysia or SKM). Our first and second cohort of students from this programme will be graduating soon.

Recognising the challenges that arose, we proactively came up with solutions that would help overcome any personal difficulties and keep everyone safe. We concentrated our efforts on student engagements in keeping them motivated, so they could focus their best efforts towards continuing with their education.

As at end December 2020, we had received RM15.5 million in sponsorship from Eaglestar for Diploma, Post-sea and Modular Programmes making them the single largest student sponsorships partner to sponsor our students to study in the academy.

We continued to maintain a high graduate employability rate in 2020, with candidates securing employment at various shipping companies locally and regionally. Our graduates are well regarded by prospective employers, as our course content is among the most competitive in the maritime industry and delivered by our cohort of highly qualified and experienced teaching staff.

We expect that 2021 will continue to be a challenging year, as the national level examinations of SPM and STPM have been postponed due to the pandemic. This will have a knock-on effect on our student intakes for the academic year. However, we believe the situation should even out by 2022, and some normalcy should return by then.

Based on this muted outlook, our immediate priority is to put in place the building blocks that we need in order to transform the education arm of MISC. We are looking inwardly in improving our internal processes, policies and procedures to ensure efficient delivery of our product offerings. In addition, we are also looking at strengthening our leadership bench while improving the capability of our human capital. This is in line with our vision of rebuilding the institution towards becoming the preferred learning institution locally and internationally.

Leveraging on our strengths, our long-term focus is on elevating ALAM from the maritime academy it is today, to a university college. This is in line with ALAM being awarded a 30-year concession by the Ministry of Transport (MOT) at the beginning of 2020, which requires the academy to transform into a university college. The transformation will require a firmly focused strategic push on our part to leapfrog ourselves in the education sector in Malaysia by increasing our student capacity from about 1,000 students to double that number in the future. At the same time, we will also need to expand the diversity of our lecturer pool, and ensure a greater proportion of lecturers with PhD, Masters and COC1 qualifications under their belt.

A key push for the coming year is to further accelerate our digitalisation initiatives to expand and strengthen our provision of online maritime education, as we see online education continues to be an important area for the future. The move to an online education platform means we can now expand our educational reach to students across borders, without the need for them to be physically present at the ALAM campus.

We also plan to expand our portfolio of courses, with four more courses to be launched in 2021 in addition to the two new advanced diploma courses that we started offering in 2020. While enrolment figures dropped in 2020, we are optimistic that once the global community has recovered from the effects of the pandemic, ALAM will be well placed to drive our future growth in this new niche. As we step into the year ahead, we reaffirm our commitment to continue delivering the best quality maritime education locally and internationally.

Rafiq Khan Akbar Khan
Managing Director/CEO, MMASB

MARKET REVIEW

The COVID-19 pandemic is unprecedented and had severely impacted the education sector, causing many private academic institutions struggling to cope with the effects of the pandemic. Institutions' resilience were heavily tested and those that were able to pivot swiftly to digital platforms in providing education throughout the crisis, have sustained their business. The most notable trend in 2020 was the acceleration of digital learning platforms across all education sectors, including MET.

The transition from physical or face-to-face classes to online digital classes requires significant investments to integrate IT and digital systems that brings together both academic and non-academic activities seamlessly. This has stretched the financial limits of many learning institutions and those with sufficient financial resources are taking the advantage of moving ahead from its competitors. As online platforms, working from home and e-learning is fast becoming the new norm, complying with requirements from regulators and authorities remains a challenge for the education industry. A key factor that will determine the sustainability of the education sector as the pandemic persists is the readiness of regulators and authorities to facilitate the transition to digital ways of learning and training.

KEY DEVELOPMENTS

ALAM continued with its steadfast efforts to build the foundations for our long-term and sustainable growth by developing new courses and rolling out new programmes amidst the backdrop of a challenging operating environment. In 2020, we developed five new modular courses to complement our 160 existing programmes. We also rolled out two advanced diploma programmes, which has expanded our education offerings portfolio.

We carried out a quick transition to roll out an e-learning ecosystem using cloud technology for our students to continue with their studies in the safety of their own homes by obtaining the requisite approval from the authorities. Furthermore, the usage of our LMS has increased significantly from 40% prior to the Movement Control Order (MCO) period, to 100% during and after the MCO.

Nevertheless, the pandemic had an adverse impact on our enrolment numbers across all categories of students. For example, due to the border closure imposed during the MCO, 110 potential foreign students who had obtained their Letter of Eligibility (LOE) were not able to join for the post-sea programmes. Therefore, we only had a total of 164 students taking post-sea courses, of which 135 were Malaysian and 29 were foreigners. We also had a total of 216 cadets enrolled at the academy, along with 100 students for the Malaysian Indian Transformation Unit (MITRA) ratings programme, all of whom are Malaysian, a much reduced enrolment number compared to previous years.

Despite the overall economic downturn and soft job market, our cadet's employability remained at a very high rate in 2020. A total of 61 eligible candidates who had graduated from ALAM secured employment with 12 shipping companies locally and regionally.

Eaglestar contributed a total of RM11.6 million towards the diploma programmes and RM3.9 million in post-sea and modular programmes making them the single largest sponsorship partner in student sponsorship across the board. We also secured 19 new customers for all programmes while maintaining 72 existing customers in 2020.

We also obtained BeSS ('Bersih, Selamat dan Sihat' or 'Clean, Safe and Healthy') Certification for the ALAM Café from the Melaka State Health Department (Jabatan Kesihatan Negeri Melaka), with a validity period of three years commencing from 28 September 2020. Additionally, we maintained our own BeSS certificate, which we had obtained in 2018.

As a result of our high commitment levels on HSSE at our campus, we won the Malaysian Society for Occupational Safety and Health (MSOSH) Gold 2 Award in November 2020 in the educational sector category denoting our good safety and health performance in 2019.

MARITIME EDUCATION & TRAINING

SUSTAINABILITY

Our sustainability initiatives at ALAM were as follows:

Sustainability Pillar	Initiatives and outcomes
Customers	The interactions ALAM has with our customers are with our students and their parents. When the MCO was announced and students had to return home as lockdowns were enforced, ALAM facilitated this by arranging for buses to transport them home. We allowed some students to remain on campus, due to poor internet connectivity at home as we pivoted lessons online. As part of our efforts to curb the spread of the pandemic, ALAM enforced compulsory pre-entrance tests. Several cases were detected during the COVID-19 testing process, and the affected individuals were transferred to MOH in line with guidelines. We also quarantined cadets for a period of 10 days when they returned to campus from their respective hometowns according to MOH quarantine requirements. Adapting to the new norms, we conducted an online induction programme for our new batch of students via Microsoft Teams. All announcements were made directly to the students, including those who continued classes via online platforms.
Governance and Business Ethics	During the year, ALAM's employees were active participants of the 'See. Speak. Support' programme and the Annual Compliance Culture Survey.
Employees	In light of the COVID-19 pandemic, ALAM established the COVID-19 Standard Operating Procedure (SOP) as soon as the MCO was announced to take steps to control the spread of the virus amongst employees and students. This ensured ALAM was able to continue providing maritime academic and training courses, as it continued operating safely. ALAM introduced and implemented the Pandemic Response Team (PRT), and took proactive steps and precautionary measures to prevent the transmission of the virus for all stakeholders. The PRT team was headed by the Ketua Eksekutif with members comprising representatives from various departments. Among the activities held were: • HSE Briefing on Safety and COVID-19 SOP for the main contractors such as housekeeping, cleaning and landscaping • COVID-19 SOP briefing for students • Established COVID-19 hotlines • Established ALAM's COVID-19 SOP post-MCO, which was endorsed by the Marine Department of Malaysia The MMASB townhall was held on 25 August 2020 as a key employee engagement during the year. We continued to develop our talents, through the following training programmes: • International Multidisciplinary Conference on Education, Social Science & Technology (IMCEST 2020) • Integrated Reporting (Practitioner level) • Preventive Conservation Training • Financial Modelling in Excel Training • Seminar On Anti-Bribery Management System • Oil Spill Training IMO Level 2 • COVID-19 Preparedness - Training for Frontliners • ISO 37001:2016 Introduction@Melaka • Workshop Development on Bribery Risk Assessment • Certificate in Anti-Corruption Compliance • Online Training on Security Management Systems; Basic Law; and Awareness on Fitness • AED and alcohol test training • Training of Trainers IMO 6.09 • General Operator Certificate Revalidation

Sustainability Pillar	Initiatives and Outcomes
Environment	In early 2020 before the onset of the pandemic, ALAM conducted a mini-campaign roadshow for the Biodiversity Conservation Programme at our campus in collaboration with Reef Check Malaysia. The awareness and sharing sessions created greater understanding of the importance of conservation amongst our student community. A total of 34 students participated in the event. In July 2020, we embarked on initiatives aimed at obtaining Green Seal Certification. This encompassed activities such as purchasing of recycling bins, use of environmentally friendly paper, and implementation of energy and water conservation measures. ALAM was certified as Green Seal Office Partner on 22 December 2020, valid for a period of two years. As part of our energy and water conservation efforts, ALAM participated in the Water and Energy Savings Campaign in late 2020. Approximately 170 posters and signages were distributed around the campus and several e-mails were sent to all our employees to create awareness on the objective of the campaign and to encourage them to contribute. We also maintained our efforts to replace all our lightings with energy saving LED lights. In November 2020, to enhance awareness on waste management amongst our contractors, we conducted an awareness briefing on solid waste management compliance. Attended by our contractors' representatives, the session shared information and raised awareness on matters relating to legal compliance of solid waste management.

MOVING FORWARD

We expect the year ahead to remain challenging and for competition to intensify amongst the education providers. The recovery process from the pandemic is expected to be a long-drawn affair, as it is highly dependent on the effectiveness and the efficiency for vaccines to be produced and disseminated to the masses. With the prolonged economic crisis brought on by the pandemic that subsequently resulted in tighter employment market, ALAM foresees a shortfall in demand due to many uncertainties. The expected drop in demand for seafarers' professional development from industry players will impact the students' enrolment numbers. To mitigate this, ALAM will leverage on other market segments such as the compulsory STCW courses including revalidation courses and continue with our ports and terminal simulation study and research projects.

As part of our long-term goal to sustain ALAM's status as a premier MET institution, we will look inwardly in building our capacities for future growth, by evolving our marketing strategies in line with the new normal. We will explore opportunities to expand our market presence, provided that the market environment is stable. We have identified a twin strategy of offering courses both at our campus and online and are ready to offer up to 70 STCW courses in line with this strategy. We also plan to offer more home-grown programmes which will set us apart from competitors.

To open up education opportunities for students and develop a pool of talent for the industry, we will explore external funding and sponsorship sources for our various programmes and courses. These include the Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN or the National Higher Education Corporation Fund) for the cadet programme, Perbadanan Tabung Pembangunan Kemahiran (PTPK or Skills Development Corporation Fund) for SKM rating programmes, as well as state and federal levels education funds for cadetship and rating programmes.

In addition, we will also consider approaching financial institutions and banks as a potential funding alternatives. A new area we will explore is playing a bridging role for students who would like to pursue employment opportunities within the cruise ship sector. We remain fully committed to providing the highest quality of education to our student community, and to provide them with the support they require to remain on course with their studies.

BUSINESS REVIEW

PEOPLE DEVELOPMENT

Further details on People Development
https://www.misc.com.my/solutions/sustainability

KEY HIGHLIGHTS

A diverse and inclusive workforce of **8,632 employees** from **43 nationalities**

RM47.7 million invested on capacity building of our employees

0 labour standard non-compliance issues in 2020

1st Runner Up
Graduates' Choice Award: Most Attractive Graduate Employers to Work for in 2020 for Logistics Company category

Governance / Leadership / Business Review / Financial Review / Sustainability ////

Puan Shariza binti Mohd Jaffar Sadiq Maricar is MISC's proud example of a home-grown talent and a true testament to the company's commitment of nurturing its people and sustainably developing the internal bench strength. She joined the company 13 years ago as a junior executive in Human Resource Division and throughout the years she rose from the ranks, assuming various roles in HR and management and gaining invaluable experience. Puan Shariza was officially appointed as the Vice President of Human Resource Management effective 1 March 2021.

Puan Shariza binti Mohd Jaffar Sadiq Maricar
Vice President, Human Resource Management

PEOPLE DEVELOPMENT

VICE PRESIDENT'S REMARKS

One of MISC's mission is to promote individual and team excellence of our employees. Staying true to the steer, our talent strategies have always aimed to nurture our employees with the resources and opportunities they require to harness their full potential. In 2020, we bore the fruits of our internal talent development programmes by promoting internal talents into 785 positions across the MISC Group, and six seafarers to shore positions.

The year saw us contending with the unprecedented challenges of the COVID-19 pandemic, testing the organisation's agility in adapting new ways of working. As MISC's businesses are classified as essential services, our main priority is to ensure our seafaring and shore employees remain connected, and are able to perform their duties safely. This involves setting up the right infrastructure as well as providing the support mechanisms for our employees' wellbeing.

A key reason the Group was able to swiftly shift towards digital ways of working was due to our sustained investments through the years in building our IT infrastructure. These include digital tools such as business communication platforms, and web and video conferencing applications that connect our global workforce. During the pandemic, these digital tools and platforms enabled our employees to work remotely from home.

In April 2020, at the onset of the pandemic, MISC launched the Employee Assistance Programme (EAP), a helpline that all employees can access to seek impartial advice on professional as well as personal matters, that has the broader aim of uplifting their wellbeing. In addition, we have conducted three virtual sessions of the Personal Resilience and Stress Management Workshop, towards helping employees feel less isolated in the new work-from-home norm, which has kept them away from the office environment and the company of their colleagues. In order to encourage them to remain physically fit, we have also conducted virtual fitness sessions.

Our people development agenda continues as a key area of focus, and in 2020 our employees completed a total of 120,000 hours of training, which translates to approximately 17 learning man-hours. Enabled by our Talent Management System (TMS) which had been launched in 2019 to cater to online learning and development modules, we were delighted to note an increase in the uptake of virtual training opportunities by our employees. Apart from the specific training modules they were tasked to complete, our employees also accessed customised eLearning modules, videos and audio books at their own convenience and according to their personal development aspirations. In 2020, we continued to progress with our HR digitalisation programme by launching Phase 2 of the TMS which encompasses Competency Management and Succession Planning modules. In line with our 'Tell Me' cultural belief, we also launched ECHO+, a mobile and web app that promotes and allows employees to seek and receive feedback.

As MISC embarks on our 2021-2025 Sustainability Strategy, we are committed to develop talent excellence in line with ensuring a strong pipeline of talent that will support our company's growth ambitions. Our emphasis has always been on promoting individual and team excellence to create positive outcomes for our business, as well as rewarding careers for our employees. One of the propositions that has enabled MISC Group towards these outcomes is our commitment to embrace the diversity of our employee base, as we provide equal opportunities on career advancement for our people. Drawing from my own career path, I believe MISC provides equal opportunities for all to succeed. Continuing with our journey, we will remain true to the principles of meritocracy and fairness, anchored on our cultural beliefs 'Nurture Trust, Tell Me and Shared Success' and our Shared Values on 'Cohesiveness' that aim to unite our diverse employees in the spirit of inclusivity. We are on track in chartering our diversity and inclusion aspirations to grow our diverse talent in an inclusive culture and work environment, as led by our 'Leader owned Diversity and Inclusion' programmes.

Recently MISC was awarded with the First Runner-up Graduates' Choice Award 2020 – Most Attractive Graduates' Employers to Work For in 2021 (for Logistics Company category). This award has motivated us to remain steadfast in our commitment to nurture young talents by giving them a head start in the career. Towards strengthening MISC's leadership and succession development agenda, we plan to roll out a Graduate Development Programme (GDP) in the near term future, which will solidify the talent pipeline for future MISC leaders.

As we continue into 2021, employee development remains at the forefront of MISC's Human Capital strategy. We will focus on building both our sea and shore employees' capabilities as we leverage on technology as an enabler towards best-in-class Operations Excellence. The Group will continue to roll out the functional competency framework throughout all business units and subsidiaries. Coupled with the established leadership competencies, we look forward to rolling out the structured leadership and functional curriculum; a more structured and focused development framework that will strengthen our talent bench strength and optimise our capability development spending.

I look forward to making my contributions on the human capital development front, as the MISC Family continues our path of building the strength of our international brand within our global footprint.

Puan Shariza binti Mohd Jaffar Sadiq Maricar
Vice President,
Human Resource Management

INTRODUCTION

At MISC, we believe that our employees are our most valuable assets, as the human capital that drives our business goals and delivers our value creation agenda. Our core belief is encapsulated in our theme 'People. Passion. Possibilities'.

Empowering our workforce is an important aspect of nurturing a high-performance culture, and we appreciate the importance of inspiring and allowing our people to become the best version of their authentic selves. Our people are our brand ambassadors, and the energy and enthusiasm they bring to every interaction with our stakeholders strengthens our brand reputation. Our approach to empowerment lies in creating an environment where, guided by our purpose and values, our people feel inspired and able to take action, to drive our business forward and create sustainable value for our stakeholders.

HUMAN CAPITAL INDUSTRY TRENDS

Human capital trends in 2020 were significantly influenced by the COVID-19 pandemic. Organisations throughout the world leveraged on digital technologies and platforms to adapt to movement restrictions and social distancing to safeguard public health, as they continued to maintain operations.

The key trends observed are as follows:

- **Demand in specialist technology skill sets**

Acceleration of digitalisation globally led to greater demand for technology specialist skill sets such as data analytics, automation, cyber security and compliance. Engineering remains to be in demand, especially for talents with engineering, procurement, construction, installation, commissioning, operations and maintenance, decommissioning, and demobilisation (EPCICODD). Demand for the said talents will be further exacerbated as candidates would be more conservative in switching employers during the current pandemic situation.

- **Focus on employee experience**

Organisations have embedded deeper cultural shifts and adopted a more holistic approach in managing the workforce. For example, flexible working arrangements help working parents who had to juggle work with at-home schooling, or employees who need to take care of sick family members. This way, organisations help to create a more equitable and responsive workplace, hence a better employee experience.

Employee wellbeing has also become a significant focus, to prevent employee burnout and to keep people motivated. There is a shift towards the need for a leadership that demonstrate compassion, empathy and inclusivity, and identifying leaders who are transparent, courageous, agile and able to create a psychologically safe workplace.

In addition, employee engagements, seen now to be more relevant than ever, were conducted through virtual townhall sessions.

- **Remote work arrangements**

Technology is playing a key role in facilitating and enabling the workforce to stay connected as they work remotely to remain safe during the pandemic. Tools such as business communication platform, web conferencing and video conferencing applications help connect workforce to get things done.

This new norm will see organisations proactively incorporating remote work into their future strategies.

- **Employee development**

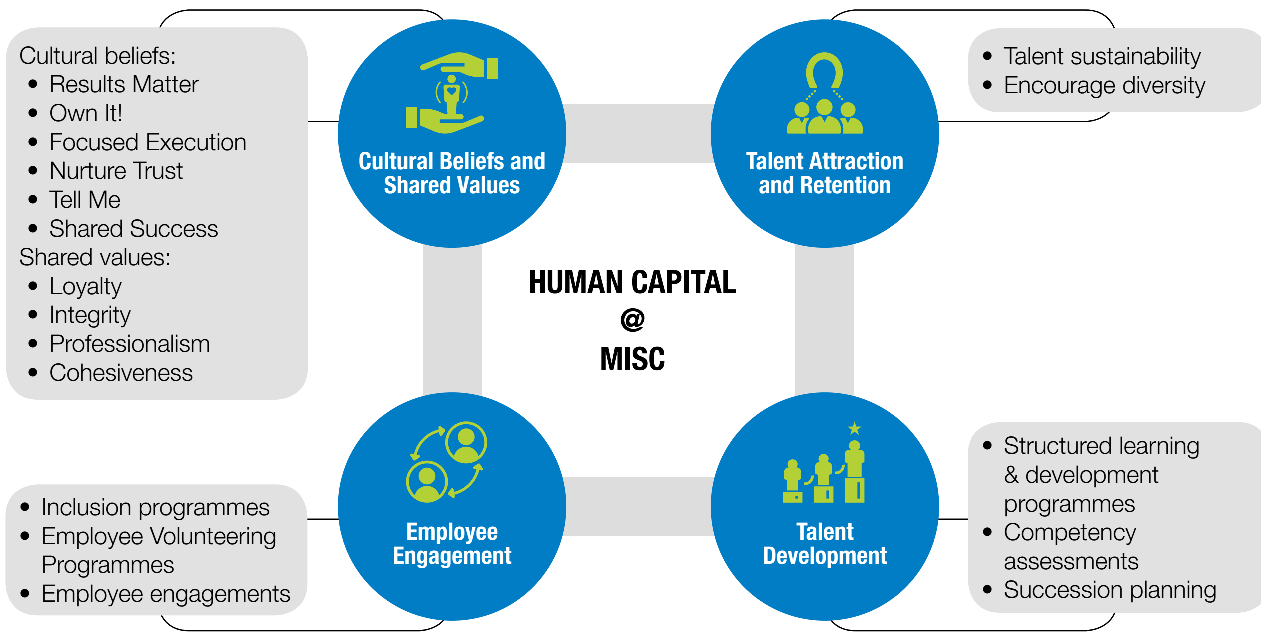
With physical instructor-led training programmes put on hold, online learning has been the medium of choice. The presence of online learning platform also promotes self-driven learning, where employees take personal responsibility for their skills development.

PEOPLE DEVELOPMENT

HUMAN CAPITAL VALUE CREATION

We believe that our employees are the driving force behind our success, leaving lasting impressions through the connections they make. We therefore strive, at all times, to ensure that our people are engaged and aligned with our people-centric brand promise and are deeply connected through our values. In this way, we deliver on our mission to create a sustainable value for all our stakeholders.

The following presents our approach towards creating value for our human capital.



Human Capital Masterplan

Our human capital five-year masterplan was developed based on the objective of promoting individual and team excellence of MISC's workforce. The strategy aims to drive superior performance and enhance productivity while providing opportunities for growth within our organisation and ultimately unlocking the maximum value of the company through our employees.

We believe that a sustainable talent pipeline across all job levels is the key for business, ensuring the growth and development of all employees in line with our organisational ambitions and aspirations.

In parallel with this, employee competency development plan focuses on addressing gaps in skills through structured and mandatory training programmes. Additionally, we will be introducing a career management framework for employees to plan their career progression within the Group.

Towards achieving the five-year masterplan targets, we have driven the succession planning process and employee competency development programmes to ensure involvement, alignment and relevancy across the Group.

CULTURAL BELIEFS AND SHARED VALUES

At MISC, we make a meaningful difference in the way we manage our human capital through our cultural beliefs and shared values which drives our individual and team behaviours in sustaining a strong and committed workforce.

Our cultural beliefs are centred on achieving the best outcomes, as *Results Matter* to us. We are deeply committed to *Own It!* and being Focused on execution. We *Nurture Trust* by seeking, encouraging and acting positively on feedback - *Tell Me* - as a mean to achieve our goal of *Shared Success*. We embrace shared values of loyalty, integrity, professionalism and cohesiveness.

CULTURAL BELIEFS

Results Matter
I stretch my limits to deliver superior results

Own It!
I own the results and don't blame others

Focused Execution
I plan, commit and deliver with discipline

Nurture Trust
I always keep my promise and build mutual trust

Tell Me
I seek, give and act positively on feedback

Shared Success
I collaborate for the greater good of MISC Group

SHARED VALUES

Loyalty
Loyal to corporation

Integrity
Honest and upright

Professionalism
Strive for excellence

Cohesiveness
United, trust and excellence

Our cultural beliefs are aligned and mapped directly against our majority shareholder PETRONAS' cultural beliefs, and aim to create a single, unified PETRONAS identity throughout the Group.

COVID-19 : How our Cultural Beliefs and Shared Values Kept Us Moving

In 2020, our cultural beliefs and shared values were clearly demonstrated during the COVID-19 pandemic. This was evident through the dedication exhibited by our people from all levels of the organisation as follows:

- Our seafarers who had to undergo strict standard operating procedures (SOPs) such as additional health checks and COVID-19 swab tests, long quarantine periods both before and after an assignment, and the mental stress of dealing with the fear of exposure to COVID-19 as well as being away for an extended period of time as crew onboard vessels (Cultural Belief: Own It!, Shared Value: Loyalty);
- Our ship management team who worked tirelessly to manage crew change challenges, whilst adhering to various countries' SOPs in order for our global team to continue operating seamlessly (Cultural Belief: Focused Execution; Shared Value: Cohesiveness);
- Our IT support team who had to deal with the influx of support requests pertaining to the use of online and digital applications as a result of the Work From Home (WFH) arrangements (Cultural Belief: Own It!; Shared Value: Professionalism);
- Our HSSE and facilities team who kept abreast of the government lockdown rulings globally and ensured that all SOPs were strictly implemented to ensure the safety of employees at work and at home (Cultural Belief: Focused Execution; Shared Value: Cohesiveness);
- Our Management Team who met regularly to review the situation and make precautionary decisions on measures that effectively and proactively managed dynamic circumstances at both sea and shore (Cultural Belief: Nurture Trust; Shared Value: Cohesiveness);
- Our business representatives who ensured our customers were briefed on the situation and precautionary measures were taken way above and beyond mandatory SOPs to ensure that both people and cargo arrived safely at their global destinations (Cultural Belief: Results Matter; Shared Value: Integrity);
- Our shore support team that pivoted to using online and digital platforms to continue supporting our people in their respective roles (Cultural Belief: Focused Execution; Shared Value: Loyalty);
- Last but not least, our Leaders who conducted numerous online townhall meetings, to seek feedback and share messages in order to reassure and motivate our employees at sea and shore to remain strong and vigilant in surviving the pandemic (Cultural Belief: Nurture Trust, Tell Me; Shared Value: Cohesiveness).

We have not just remained strong, but have enhanced our resilience in certain aspects, as we continue to embrace our culture beliefs and shared values to face the future.

SPECIAL FEATURE – PETRONAS ORGANISATIONAL CULTURAL SURVEY 2020

The PETRONAS Organisational Cultural Survey 2020 (POCS 2020) was conducted to understand what really matters to our people, what drives them, and what we can do better to create an even stronger workplace culture for our business growth. POCS is designed to assess the culture of our organisation and focuses on aspects that have a direct link to business performance. During the survey period, we have achieved an impressive response rate of 94%. MISC looks forward to the result once it is available to help support its overall strategy and goals.

Key topics in POCS 2020

- Cultural traits
- Safety
- Leadership effectiveness
- Diversity and inclusion

PEOPLE DEVELOPMENT

INVESTING IN OUR PEOPLE

Talent Retention & Attraction

A key strategic priority for the Group is retaining and attracting the right talent in order to sustain the business and engender future growth. In 2020, Graduates' Choice Award awarded MISC the First Runner-Up for the Most Attractive Graduate Employers to Work For in 2021 for Logistics Company category.

As it is critical for the Group to retain high performing talent, we will sustain efforts to provide our talents with a challenging role, competitive remuneration and structured development in both functional and leadership areas. In 2020, the retention rate of high performing talents was at 97%.

In the ever-present Volatile, Uncertain, Complex, Ambiguous (VUCA) environment, MISC continues to equip talent with skills in creativity, agility and adaptability. This is further supported by the competency management, career management framework and the online learning platform.

MISC's measures to promote talent sustainability include:

- **Implementation of the Talent Management System (TMS) to manage employee career development**

With the successful launch of TMS Phase 1, MISC was able to realise the potential of digitalisation of its first two modules; Learning & Development, and Recruitment. As the system was developed with the Group in mind, the project has also achieved an indirect benefit of standardising some of the HR processes across the Group. Boosted by the current pandemic situation, the learning platform boasts online learning capability that empowers MISC employees to take charge of their development anytime, any where and on various devices.

TMS Phase 2 further refined the platform by introducing Succession Planning and Competency Management modules. This greatly accentuates MISC's succession planning and leadership agenda with centralised succession data repository and linkage to the potential successor's development.

- **Launching ECHO+ as Cultural Beliefs tool**

The new MISC feedback platform encourages and promotes a culture of feedback exchange to further strengthen the institutionalisation of MISC's cultural beliefs among employees. Real-time and instantaneous feedback via web and mobile apps provides the opportunity for managers to have meaningful and forward-looking conversations on professional development with the individual employee, resulting in better engagement and improved productivity.

- **Facilitating 'Sea to Shore' career advancements**

Understanding the family and career needs of our seafarers, we continuously offer shore roles to individuals to continue their career progression in management roles on shore. In 2020, a total of six job transfers from sea to shore were successfully implemented.

- **Conducting employee wellbeing initiatives**

We also provide measures and programmes that seek to improve employee wellbeing. In 2020, MISC focused on an employee wellbeing plan that offers its people psychological, emotional and mental health support. As part of the wellbeing plan in 2020, we implemented the Employee Assistance Programme, to reach out to our people and support them through the difficulties of the pandemic. More details on this initiative can be found in the Operating Safely and Sustainably section on page 213 of this Integrated Annual Report.

Human Capital Development

The development of a high-performance culture is a key performance imperative for all MISC employees. In line with the diverse operations that the Group's main business segments are composed of, we have in place a wide range of programmes that aim to upgrade employee skills based on identified gaps and needs.

Throughout the year, MISC continued to implement our succession planning and talent management journey to ensure key employees in critical positions are earmarked. Competency management remains our focus in ensuring successors' readiness to assume the next roles.

At MISC, competency requirements for each role are comprehensively mapped out and assessments are conducted with the incumbent of the job. The outcome of the competency assessment is translated into learning and development programmes to fulfil the needs of current and future succession roles.

We strongly believe in supporting our employees' career progression. In 2020, a total of 50% of vacancies were filled up by internal candidates demonstrating the success and agility of our competency and career progression programmes.

Learning and Development Programmes

As the pandemic had resulted in restrictions in organising face-to-face classroom training session, MISC's learning and development programmes were focused on online training programmes and the development of e-learning modules on our Learning Management System which forms part of our TMS, and will eventually be linked to our career management programme. Throughout the Group, wherever possible, all face-to-face trainings were converted face-to-face training to virtual sessions.

PEOPLE DEVELOPMENT

Key Talent Development Programmes

The following comprise the key talent development programmes MISC conducted in 2020:

Types of training	Training programmes title	Key content / description
Functional and technical skills development	• Working in a Global Environment • Professional Presentation Skills for Technical Employees • Business English for Technical Employees	• Addressed specific needs of groups of employees, for example providing training for engineering employees to support the Group's business expansion into the global market
High performing talents' development career programme	• Development Career Programme	• High performing talents conduct 18-month assignments with MDs/CEOs and VPs across the Group • Employees given opportunities to learn and develop on-the-job management skills including the considerations that need to be taken into account when making key decisions within the company • Upon completion, employees are offered opportunities in key roles based on their competency ratings • Job rotations between corporate and business units/subsidiary roles further enhance the employee's competency and on-job knowledge
Leadership programmes	• Online Leadership Programmes	• Collaborated with external learning partners to convert the content of our leadership programmes to be delivered on virtual platforms • Conducted multiple pilot sessions to gauge the effectiveness of the programme prior to the rollout • Majority of the leadership and functional training programmes were duly executed and employees were able to complete their training programmes
	• Self-learning and e-learning content such as Harvard ManageMentor (HMM) and Skillsoft, to keep MISC employees getting sufficient development and support in achieving their objectives in this challenging time.	• A notable uptake on employees who enrolled for the online HMM programme, a prestigious programme offered by Harvard Business Publishing's Corporate Learning Centre that focuses on building leadership capabilities for global organisations.
	• Introduced new programmes such as Executive Mindset, Creativity and Innovation Workshop, Critical Thinking and Decision Making, Analytical and Problem-Solving Skills, Crucial Conversation and Managing Conflicts, Leading and Influencing Change, Negotiating and Influencing Skills and Impactful Presentation Skills	• Addressed mindset change, creative problem-solving and communication gaps
	• Eaglestar's Leadership Programmes	• To develop the next generation of leaders for the organisation through a structured employees succession planning programme that supports workers by identifying gaps in their skillsets and conducting planned interventions to enhance their capabilities.

59 Leadership Programmes*	**1,429** Participants **2,094** Training man-days
353 Functional Training Programmes*	**6,691** Participants **9,784** Training man-days
Platform Series	**3** Sessions
Total Training Costs	**RM47.7** million
Average Training Hour/Employee	**17** hours

*For shore employees only

Employee Engagements

Various employee engagement events were organised throughout 2020 to create an informal environment for employees to interact. These events served as a platform for the Group to communicate on latest messages and to provide networking opportunities amongst our employees across the various functions and businesses.

- **PGCEO Townhall**

MISC's 2020 theme, "One Heart. One Mind. One Dream" was unveiled by our President/Group CEO, Mr Yee Yang Chien at the MISC President/Group CEO's Townhall at KL Convention Centre in front of a live audience of more than 700 attendees across the MISC Family, as well as our sea colleagues from a range of vessels. More details can be found in the Anchoring Sustainability @ MISC section on page 110 of this Integrated Annual Report.

- **Virtual Engagement with Sea Staff**

As physical meet-ups reduced off the back of social distancing requirements, employee engagements shifted to virtual platforms. Engagements with employees, both at sea and shore continued throughout the pandemic. Managing Director / CEO of Eaglestar, initiated a virtual meet-up for seafarers who were on shore leave to keep them motivated in adapting to the new norms of business operations. A total of 385 seafarers located in 17 countries joined the inaugural virtual meet held on 5 June 2020 which was broadcasted live from Kuala Lumpur. The session provided valuable reassurance to our seafarers on how management has been taking the necessary steps in helping employees across the globe to adapt to the new normal without compromising on their safety and health.

Another engagement session was held for seafarers on board vessels on 17 July 2020. A total of 29 vessels sailing on oceans throughout the world dialled in for the first time to engage with Eaglestar's leadership team. It was a valuable session as the leadership team took the opportunity to recognise the dedication of our seafarers who have ensured undisrupted operations of the vessels in these uncertain times.

PEOPLE DEVELOPMENT

- **'The Platform' Talk Series**

In addition to conducting training programmes, our Human Resource Learning and Development Team continued with a series of inspirational talks throughout the year known as 'The Platform Series'. The platform aims to inculcate social learning by inviting distinguished speakers to share their personal stories related to our cultural beliefs and leadership competencies to inspire and impact others positively.

Extract of topics covered in 2020 included the following:

- Making an Impact and Rising Up to the Challenge.
- Tell Me – How to accept feedbacks
- Unconscious Biasness

Key Developments For Seafarers

As one of the leading global providers of international energy related maritime solutions and services, with a modern and diversified fleet of vessels, a significant portion of our human capital comprise seafarers who execute our business strategies on the high seas. Our pool of seafaring employees is managed by our integrated marine services subsidiary, Eaglestar.

In order to ensure a sustainable pool of seafarers with the right skills sets and knowledge to perform their jobs well, Eaglestar has in place a comprehensive human resource management programme specifically for seafarers. Among the initiatives in place are employees training and re-training programmes, and talent development and succession planning initiatives that seek to enhance employees competency levels, as well as improve and expand their proficiency and capabilities across various aspects of the business and operations.

In 2020, Eaglestar invested a total of RM41 million in training and development programmes for seafarers. Through our career development programme, we enabled career development pathways for seafarers especially female cadets to prepare them to take up leadership roles. We employed a multiskilling approach in our talent development strategy to focus on development programmes that built and expanded our crew capabilities to ensure that they are equipped with the right set of skills to operate more than one type of vessels i.e. very large ethane carriers (VLECs), LNG bunkering vessel (LBV), LNG carriers (LNGCs), LNG dual-fuel and eco-friendly petroleum tankers and dynamic positioning shuttle tankers (DPSTs), LNG floating storage units (FSUs) and modular capture vessels (MCVs). Over the years, many of our Navigating Officers and Engineer Officers onboard our managed vessels progressed from cadets to officers.

We provide opportunities for our seafarers to transition on to a shore-based career. Our seafarers are exposed to shore development training whereby they go through a six month to a year based training in office-based tasks in order to understand the requirements of shore management of vessels and other related functions. This training effectively prepares them for transition from sea to shore careers. To ensure high retention rates, we have in place unified Term and Conditions across our fleet, covering compensation packages that properly remunerate our people.

In order to develop a sustainable pool of future seafaring talent, Eaglestar and ALAM are collaborating to develop a pool of dedicated and specialised crew. In 2020, Eaglestar in collaboration with shipowners, provided cadet sponsorship for 139 students at ALAM.

The following presents key highlights of our seafarer development programmes in 2020.

- **First virtual Junior Officers' Focus Seminar (JOFS)**

In conjunction with the Day of the Seafarer, Eaglestar kicked off our very first virtual Junior Officers' Focus Seminar (JOFS) which was broadcast live from two locations simultaneously, namely Kuala Lumpur and Singapore. More than 80 junior officers on shore joined virtually from various part of the world to participate live in this forum.

Captain Raja Sager, Managing Director/CEO of Eaglestar took the opportunity to share about Eaglestar's business outlook for 2020. The seminar also covered current industry trends and challenges which was delivered by several Eaglestar colleagues. Before the conclusion of the Seminar, a light celebration was held to pay tribute to all Seafarers in conjunction with the Day of the Seafarer. The virtual JOFS certainly provided a new and refreshing experience in this new normal.

- **Continuing with our talent development programme**

We designed and rolled out our seafarer development programmes as planned. These included structured multiskilling training programme for deck and engine officers to acquire skills and certification for operating multiple types of vessels.

In response to restrictions in conducting physical and face-to-face activities, we provided webinars and online trainings to ensure that our workforce remained technically and functionally ready to meet the emerging technologies and non-conventional shipping environment. Similarly, we utilised virtual interviews to recruit and promote our seafarers, both locally and globally.

Through structured programmes that emphasize on operational excellence, fleet performance has maintained vessel availability for trading more than 99% as reflected on the operational scorecard with lesser downtime. The dual-skilling and multiskilling programmes also enabled Eaglestar to successfully deliver four DPSTs, one LBV and one VLEC vessels in 2020.

The engineering and technical teams who were on assignment to shipbuilding sites in China and Korea were able to enhance their knowledge of new technologies during their assignment. This is a significant factor in Eaglestar's ability to better manage and positively contribute towards design and technological efficiencies in our newbuilds.

- **Obtaining mandatory certificates**

Despite the challenges faced during the pandemic situation, we were able to obtain the required certification for our vessels and crew. This was achieved as institutions slowly resumed their operations and converted their classroom courses to virtual online courses wherever practical. With proper certification and licenses in place, we were able to promote cross-functional and interfleet mobility among seafarers in order to broaden their functionality and leadership skills.

- **Supporting seafarers mental wellbeing during the pandemic**

To help our people, a seafarer survey was conducted to gauge their mental health as a result of the pressure they were under due to the difficulties of the pandemic. We went out of our way to identify personnel who exhibited signs of depression or anxiety, and provided them the support, assistance and, where necessary, any intervention they required.

As a result of the pandemic, the global maritime sector is undergoing a crew change crisis, where a huge number of seafarers are stranded working onboard vessels beyond the period of their initial contracts. Along with over 300 other companies and organisations in the maritime supply chain, MISC has signed the Neptune Declaration on Seafarer Wellbeing and Crew Change, to bring a resolution to this crisis. More details can be found in our Special Feature: Our Response to COVID-19 on page 82 of this Integrated Annual Report.

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PEOPLE DEVELOPMENT

DIVERSITY AND INCLUSION

At MISC, we are committed to creating and maintaining a diverse and inclusive work environment that attracts, retains and develops the best talent for our core and enabling businesses. Our emphasis on promoting diversity and inclusion has resulted in a committed and engaged workforce who are resilient, driving innovation and continuously improving business performance, all of which are critical in building a sustainable talented organisation.

Our Diversity and Inclusion Aspirations are as follows:

- Our global employer brand is synonymous with diverse and inclusive work environments
- We promote female gender representation on our Boards and senior leadership teams
- Our employees' diverse nationalities reflect the markets we operate in and the clients we do business with
- Our workforce is demographically and cognitively diverse with equity in opportunities and meritocratic human resource policies and processes
- We are recognised as a leader in our sector and accredited for efforts on advancing diversity and inclusion
- The communities we operate in and the partnerships we engage in benefit from our passion and commitment to creating opportunities for all
- Inclusion is embedded as a way of life in the MISC Group

To meet our Diversity and Inclusion Aspirations, we have developed the following strategic priorities:

- Grow Our Diverse Talent: Our talent management system includes a focused hiring and recruitment strategy that is aligned with our business goals and growth plans.
- Inclusive Culture and Work Environment: In line with our Shared Value of 'Cohesiveness', we aim to create an environment that reflects equal opportunities for our diverse workforce. We believe in respect for diversity and equal opportunities, and the prevention of all forms of discrimination. We employ a zero-tolerance approach towards any form of discrimination based on ethnicity, gender, religion, nationality, age, political affiliation, physical or mental disability, or any other personal characteristics or conditions.
- Leadership Accountability: In line with our cultural belief of 'Own It!', we are embracing the spirit of diversity and inclusion by embarking on a 'Leader owned Diversity and Inclusion' programme where our understanding of diversity and inclusion is closely linked to our business strategy.

We value all diversity pillars which are supported through our inclusion efforts. Our efforts towards growing our diversity and representation are focused on the following three key areas:

- Gender – We support the principles of diversity and practise equality of opportunity among all our employees and have adopted a broad diversity policy to ensure that, over time, we promote gender diversity among senior management.
- Nationality – We leverage on our diverse talent pool of multiple nationalities from around the world, to harness perceptions, ideas, insights and innovative thinking from plural perspectives.
- Multi-generation – We believe that intergenerational diversity is key to a sustainable work environment that promotes healthy discourse and rich dialogues from different vantage points, which ultimately benefits the business.

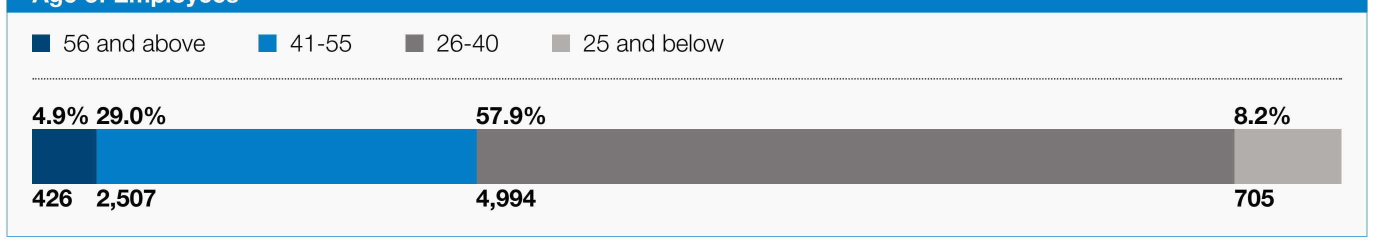
Leveraging the Strength of Diversity

We recognise the strength of our people's diverse knowledge and skills which fosters creativity and enhances our organisational resilience and responsiveness to enable the Group to rise to current challenges and engender a sustainable future.

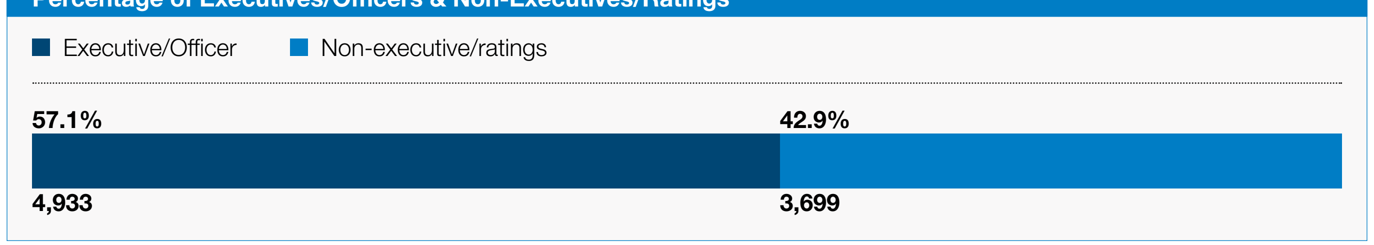
To date, MISC has a total of 8,632 employees from 43 nationalities. MISC Group has 25% female employees while MISC Berhad and AET recorded 40% and 44% (shore employees only) female employees, respectively, which are above the recommended industry average of 30%.

On the shipping side, we have 59 female seafarers and the highest female ranking seafarer is a Senior Officer. By 2022, we expect at least four more women to take up leadership roles of Master and Chief Engineer at Eaglestar.

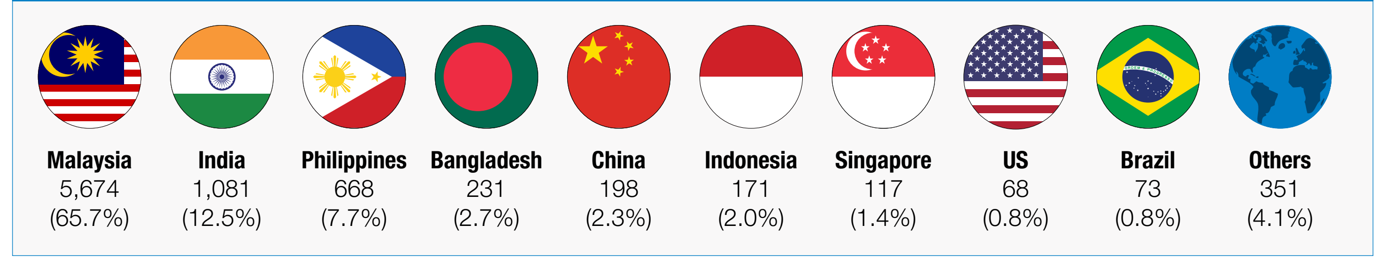
Age of Employees



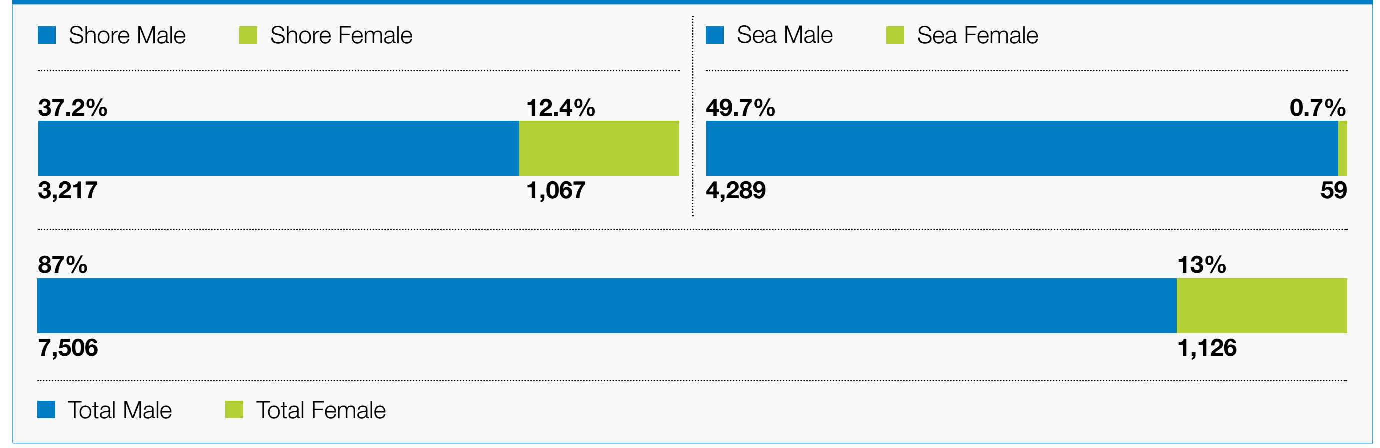
Percentage of Executives/Officers & Non-Executives/Ratings



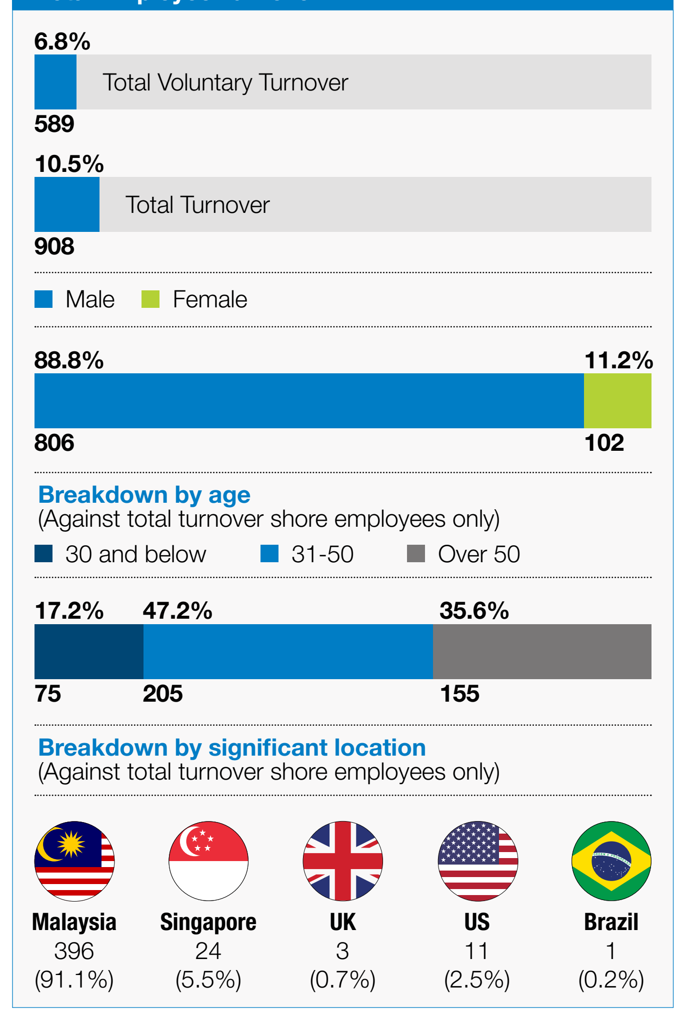
Nationality of Workforce



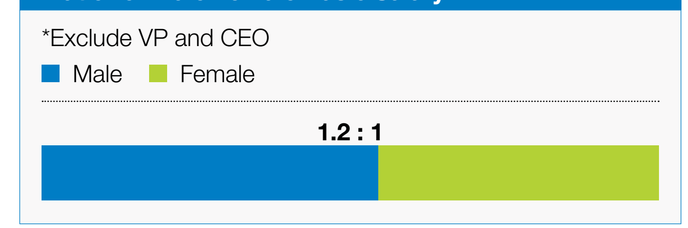
Percentage of Shore and Sea Employees by Gender



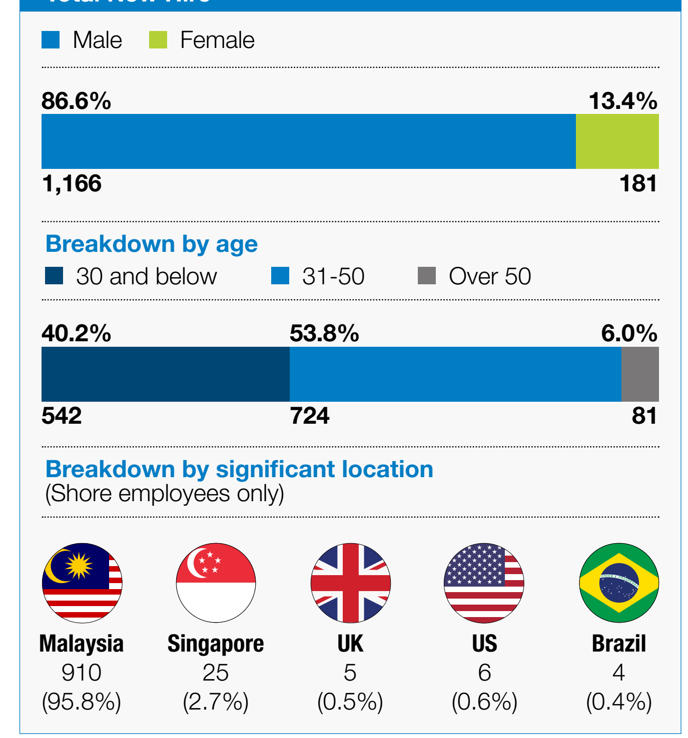
Total Employee Turnover



Ratio* of Male:Female Basic Salary



Total New Hire



PEOPLE DEVELOPMENT

MAINTAINING SOUND LABOUR RELATIONS

MISC supports the workers' rights to exercise freedom of association or collective bargaining. In 2020, MISC had a total of 1,326 unionised employees.

We apply the principles of the Basic Conditions of Employment Act, International Labour Organisation (ILO) and the Maritime Labour Convention (MLC). These are reflected in our Human Rights and Modern Slavery Policies, as well as our Whistleblowing Policy and grievance procedure mechanism that is available to all employees on our company website.

Our employees are also compensated fairly based on the remuneration structures which are also in compliance with the Minimum Wage Order 2016, as set by the government. To ensure the Group's competitiveness in attracting external talents, whilst at the same time retaining internal talents, a benchmarking study on the Group's remuneration package is conducted on an annual basis.

In 2020, a total of 23 MLC audits were performed onboard vessels and there were no non-compliance observed on our vessels. We also recorded zero labour standard non-compliance issues.

MOVING FORWARD

Our strategic priority will hone in on achieving talent excellence through talent development and retention, and building a performance-driven workforce in an engaging and inclusive work environment, which is in line with UNSDG and MISC Sustainability Agenda.

Training and development remain at the forefront of MISC's human capital strategy for the year ahead. The Group will continue to roll out the functional competency framework throughout all business units and subsidiaries. A more focused and structured leadership and functional curriculum will be developed to support the development needs of our talent pipeline.

Towards strengthening MISC's leadership and succession development agenda, a Graduate Development Programme (GDP) will be rolled out in the coming years. The objective of the GDP is to solidify the talent pipeline for future MISC leaders through a young talent acceleration programme. The 24-month programme is targeted towards young graduates to provide them an immersive and holistic career journey supported by comprehensive developmental programme, learning visits and ship boarding throughout job rotations. It covers both functional and leadership capability building facilitated by an effective support system. Talents who undergo the programme may then be channeled into the Group talent pipeline, to be developed and groomed for future leadership positions.

In addition, focus will also be on managing the impact of the pandemic on the performance of our vessels. Moving forward, in line with the advancement of technologies, we will focus on building both our sea and shore employees' capability to leverage on technology as an enabler towards best in class in Operations Excellence.

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BUSINESS REVIEW

OPERATING SAFELY AND SUSTAINABLY

Further details on Operating Safely and Sustainably
https://www.misc.com.my/sustainability

KEY HIGHLIGHTS

Received
Notable Achievement in Environmental Performance
of the Prime Minister's Hibiscus Award 2019/2020

60% and **31%**
annual reduction on LTIF and TRCF respectively

0
major spills since 2013

~100%
hazardous waste generated from shore operations
recycled, reused or recovered

GHG
12%
reduction on total GHG emissions from 2016

CAPTAIN SACHITHANANTHAN ATMALINGAM
Head of Group Health, Safety, Security & Environment (GHSSE)

OPERATING SAFELY AND SUSTAINABLY

HEAD OF GHSSE'S REMARKS

As a global maritime player, MISC's excellent HSSE performance has been a critical building block in our brand reputation to inspire customers and stakeholders' confidence. In 2020, the Group demonstrated our organisational resilience in transitioning our HSSE policies, systems and practices to one that is more resilient and sustainable to ensure employees, operations, suppliers and customers are safe at all times. This is further strengthened by the Group's drive towards a generative HSSE culture, in which the emphasis is on each and every employee taking ownership of their personal safety by adhering strictly to the standard operating procedures (SOPs) that had been implemented. As a result, the entire Group was able to deliver performance to the satisfaction of the Board and our efforts were recognised by the Malaysian Society for Occupational Safety and Health (MSOSH) which presented us with five awards within various segments of our business.

Although operating in different business segments, MISCs operations were mostly designated as essential services (including transportation, energy, oil and gas, ports and terminals) and when lockdowns were announced, we continued with our operation across each of our business segments, and within all geographic regions worldwide. As a global integrated oil and gas marine related service provider, MISC gained advantage by swiftly incorporating COVID-19 mitigation measures into our pre-existing Pandemic Action and Response Plan. Our well-defined HSSE structure, compliance culture and the best practices embedded in our business operations allowed for the rapid rollout of the new SOPs.

Pandemic Response Teams (PRT) were established at Group level, as well as within each of our subsidiaries. Inputs from the PETRONAS Pandemic Response Team (PPRT) augmented our own teams' actions ensuring comprehensive and robust response to the pandemic. We shared data within the fraternity, while PETRONAS shared its analytics at the regular management meetings held. This forum has proven to be a strong management safety net, as it enabled us to collaboratively identify the best solutions for all types of issues related to the pandemic.

The members of our HSSE Council, which is chaired by the President/ Group CEO, is represented by the Vice Presidents and MD/CEOs of all our business segments including heads from Group Corporate Communications (GCC), Group Internal Audit (GIA) and Group HSSE (GHSSE) along with their HSSE managers. We stepped up the pandemic review by our PRT to regular basis, to ensure we maintained continuous and comprehensive oversight on all pandemic-related impacts. We established end-to-end SOPs across all our operating segments, which adopted guidelines and recommendations by not only the Malaysian authorities, but also from all the jurisdictions that the Group operates in.

The COVID-19 related SOPs, advisories and guidelines, covered all operational aspects, and each office, dock, yard, ship and floating unit had been developed taking into consideration the unique circumstances of that particular operation. We developed specific Incident Management Plans adapted from our existing incident plans, which detailed our response should a COVID-19 incident occur.

As a global business, a large portion of our employees such as ship crew, workers on offshore floating units, and those at docks and shipyards, were required to continue travel arrangements to workplaces. To ensure their safety, we rolled out a comprehensive Journey Management Plan, which covered all aspects of how our employees should manage their journey from one location to another, as well as provided them the support they required. These included mental health support, to help our employees through a difficult and challenging time.

Whilst COVID-19 is our current main health and safety concern, we continue to focus on the safety aspects of our operations. Despite our focus on safety, an unfortunate accident, which has deeply saddened us, was a fatality case we recorded during the year, which occurred during a vessel unmooring operations. We extend our deepest and most heartfelt condolences to the family. To mourn our employee's loss, we had a HSSE Stand Down on 23 September 2020 throughout all our operations worldwide.

A thorough investigation was conducted to identify the fatal incident's root causes. As a result of the findings, several focused recommendations were made which have since been fully implemented. These include re-emphasising the empowerment of the crew to 'Stop Work' and intervene in cases where danger is imminent and improving management of 'line-of-sight' through more effective supervision of work areas. We also conducted Focus Lesson Learnt workshops to gain insights on other similar activity across the Group that can help us ensure that incidents such as these are never repeated.

In 2020, we continued our journey in establishing a Maritime Centre of Excellence that will work with internal stakeholders, industry experts, academia and regulators, to leverage on the plural vantage points and perspectives MISC Group has to propagate and improve best practices in the areas of HSSE. In line with social distancing guidelines, our Focused Lesson Learnt workshops were held through the virtual platform. It was well received among the MISC group subject matter experts, with many breakaway discussions, information, knowledge sharing and expertise emanating from the exercise and this was the seed and catalyst that kick started the further refinement of the Maritime Community of Practice.

We transitioned our learning and development programmes to online platforms. In addition, Work From Home (WFH) arrangements also utilised digital and mobile technologies to enable new ways of working. As we accelerated group-wide digitalisation, cybersecurity risks naturally heightened during the year. However, we were able to ensure a robust cybersecurity infrastructure due to enhancements conducted in line with our risk management approach of sustainably managing cybersecurity risks as low as reasonably practicable (ALARP).

A significant milestone in May 2020 was bringing on board a new Chief Information Security Officer (CISO), and Information Security Manager to oversee this function group-wide. As a matter of priority, the CISO, working with ICT team, has incorporated an enhanced Five-Year Cybersecurity Strategy, which will be rolled out from 2021 onwards. By using the National Institute of Standards and Technology (NIST) Cybersecurity Framework, we have further improved our cybersecurity posture across the areas of 'identify, protect, detect, respond and recover'. This includes introducing several enhancements such as Multi Factor Authentication (MFA) and our password protocols, as well as limiting access to external storage devices. There were regular phishing email drills conducted throughout the year as way of educating the employees about one of the most vulnerable gateway for potential cyberattacks.

As one of the leading global shipping conglomerates, MISC has always maintained our environmental stewardship efforts to protect marine biodiversity. In 2020, we rolled out the MISC Biodiversity Conservation Flagship Programme in Mersing islands, Johor. The Programme aims at improving ocean health through supporting coral reef conservation and taking positive actions to prevent and reduce plastic litter in our oceans. The programme is a partnership between MISC and Reef Check Malaysia, a non-governmental organisation specialising in marine conservation. Under the programme, various activities to support sustainable reef management of the Mersing islands were carried out in addition to baseline assessment on waste management. Due to the pandemic, we were not able to get our employees physically involved in the programme as we had originally intended. This aspect of the programme has been put on hold, and we hope to resume it in 2021.

A momentous award MISC Group received during the year was the Notable Achievement in Environmental Performance at the Malaysian Prime Minister's Hibiscus Award. Additionally, we have been certified as Green Seal® Green Office Partners for our offices – MISC Berhad (KL), Eaglestar (KL), AET (KL), MHB (KL), ALAM, as well as MMS (KL, Sg. Udang Port, Kimanis and Miri). This brings the total number of MISC Group offices certified as Green Seal Green Office Partners to 10 offices, with four AET offices having been certified earlier. Under the programme, various improvements were implemented covering aspects of waste segregation, employees education, energy savings on IT equipment and switching to the usage of paper certified as harvested from sustainable forests.

Our priority for 2021 is to embed the MISC Sustainability Strategy 2021–2025 into HSSE touch points such as cybersecurity, health and safety, decarbonisation, promoting the circular economy and biodiversity conservation. Managing the ongoing COVID-19 pandemic along with strengthening our HSSE culture remains our utmost priority in our bid to keep our employees safe. As a Group which recorded more than 45 million man-hours this year serving major international energy providers, process safety remains a critical component of our HSSE agenda. Through our concerted efforts, we are confident of retaining our excellent HSSE reputation, as a highly reliable and credible partner for gold standard customers in the maritime industry.

CAPTAIN SACHITHANANTHAN ATMALINGAM
Head of Group Health, Safety, Security & Environment (GHSSE)

HSSE GOVERNANCE

MISC's HSSE culture is driven by the management's strong commitment and implemented by the various HSSE committees throughout the Group. The MISC Group HSSE Council is chaired by our President/Group CEO with members consisting of the respective VPs and MD/ CEOs of the various subsidiaries, Head of Group HSSE, Head of Group Internal Audit (GIA) and Head of Group Corporate Communications (GCC). The Council oversees all HSSE matters related to the Group and meets on a monthly basis to review HSSE performance as well as ongoing efforts to improve performance.

All operating units have similar committees or fixed agenda in their senior management committees that exhibits the strong leadership commitment towards HSSE which comprises MISC representatives from both the employer (i.e. MISC) and employees.

HSSE managers within the Group meet every quarter during the MISC HSSE Managers meeting where HSSE performance and pertinent HSSE matters were shared and discussed. This forum acts as another avenue for enhancing the professional knowledge of core HSSE practitioners, and enabling engagement and governance within the Group to ensure effective HSSE practice and implementation.

SAFETY

HEALTH, SAFETY AND ENVIRONMENT MANAGEMENT SYSTEMS (HSEMS)

The HSEMS is a system pursuant to the HSE policy instituted by MISC top management. Our management system is developed in reference to PETRONAS HSE Management System and other recognised international best practices. Eaglestar, MHB and the Offshore Business segment are certified with the ISO 45001:2018 Occupational Health and Safety Management System which recognises the pursuit for HSSE excellence.

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OPERATING SAFELY AND SUSTAINABLY

Health and Safety is one of the key deliverables of our sustainability framework and the risks associated with these are managed through strict adherence to prevailing regulatory and industry requirements. In 2020, we rolled out a group-wide MISC HSSE Non-Compliance Management Guideline for managing cases of non-compliance with MISC Safety Rules. System and procedures are in place to manage unsafe behaviour and HSSE non-compliance incidents, covering incident reporting, investigation, improvement actions and lessons learnt.

To drive excellence in our HSSE culture, we embarked on various health and safety programmes through behavioural Health, Safety, Security and Environment (b-HSSE) to engender a generative HSSE culture in MISC where the key fundamentals of health and safety are fully integrated into every aspect of our business, operations and processes.

Another key element in safety is the determination of causality in incidents and accidents through proper investigation procedures which identified the immediate and root causes through Causation Modeling techniques. The dominant factor in root causes for incidents continues to be issues related to risk management, inadequate hazard identification, application of risk controls and change management. In response to this, we further enhanced our Contractor Intervention Plan within the MISC Group.

EMPLOYEE HSSE PARTICIPATION, CONSULTATION, AND COMMUNICATION

Employees are represented on HSSE matters through the HSSE committees within the group. At the individual level, employees are also given the opportunity to participate in various 'b-HSSE' initiatives organised throughout the year such as the Road Safety campaign, HSSE Recognition Day, as well as through Unsafe Condition Unsafe Act (UCUA) reporting on HSSE matters.

In addition to the communication of HSSE matters at the respective Council and Committee levels, disclosure of HSSE matters and performance including HSSE Alerts and Lessons Learnt are also communicated regularly throughout the Group via various channels (i.e. Workplace, MISC intranet portal, e-mail blasts).

UNSAFE ACT UNSAFE CONDITION

We have always placed great emphasis on proactive interventions to prevent incidents. Thus, the Unsafe Condition Unsafe Act (UCUA) reporting and analytics have been enhanced in the form of a digital UCUA application. The digital application, which is available on mobile and web platform, allows for efficient reporting and the analysis to be performed quickly even on a daily basis. In 2020, a total of 81,500 UCUA reports were received from employees and contractors, and these reports have been resolved by the relevant onsite functions.

Findings from UCUA analysis are communicated through daily Toolbox Talks with the workforce and during HSSE campaigns.

UNSAFE CONDITION UNSAFE ACT REPORTING PROCESS

HSSE ASSURANCE IN 2020

HSSE Assurance is carried out with the objective to verify, evaluate and review the HSSE operational activities to ensure their integrity and reliability are always maintained, consistent with international regulations, HSSE controls and internal policies. Moreover, Group HSSE reviews the adequacy and effectiveness of HSSE controls, assessment on compliance with regulatory requirements and HSSE procedures.

In 2020, a total of 21 HSEMS Assurance assignments were completed comprising of a subsidiary company, seven floating assets and 13 contractors. Due to the pendemic, five out of the 21 assignments were carried out remotely or off-site. The Remote HSEMS Assurance is a new norm that the Internal HSSE team established to ensure continual HSEMS Assurance is in place throughout the year.

Unfortunately, the HSEMS Assurance on shipyards could not be carried out during this period due to the COVID-19 pandemic which resulted in extended travel restrictions throughout the year, thereby making site visits not feasible.

HSEMS Assurance Conducted for 2020

A total of 14 HSEMS Assurance were conducted in 2020 as depicted in the table below:

Description of Assurance Programme	2020 Initiatives
HSEMS Assurance on subsidiaries' contractors - *initiative towards improving HSE Performance within Subsidiaries' HSEMS implementation on contractors*	**6 MHB Contractors:** • 2 physical site visits prior to the enforcement of the Movement Control Order (MCO) • 4 physical site visits after the MCO was lifted when domestic travel was allowed with strict adherence to the SOP **3 ALAM Contractors:** • Physical site visits prior to the MCO **3 Eaglestar Contractors:** • Remote assurance conducted via virtual platform **1 MMS Contractor:** • Site visit after the MCO was lifted when domestic travel was allowed with strict adherence to the SOP
HSEMS Tier-2 - *part of MISC's effort to verify that the Subsidiaries' HSEMS is implemented effectively and to identify areas for improvement*	**1 ALAM HSEMS:** • Physical site visit conducted post-MCO when domestic travel was allowed with strict adherence to the SOP

STOP WORK AUTHORITY

Due to the high risk working conditions of our operations, the implementation of a strong safety culture is both necessary and emphasised. The Stop Work Authority is one of the several initiatives developed to further promote the practice of safe behaviour amongst all employees including seafarers on board vessels.

SAFETY TRAINING

MISC Group has a comprehensive HSSE training regime for all the frontliners throughout the year. Apart from statutory requirements as per the job requirement, additional training are conducted regularly.

Various trainings and events were conducted virtually during the year under review which include:

- Road Safety Reflection: What More Can We Do?
- HSSE Stand Down 2020
- HSSE Lesson Learnt Workshop
- HSSE Non-Compliance Management Employees Briefing

The virtual events received overwhelming participation from employees when compared to the physical events conducted in previous years.

SAFETY PERFORMANCE

In 2020 we recorded one fatality due to an unmooring accident onboard one of our petroleum vessel. One life lost is one too many. All accidents are deemed intolerable as we believe it is our collective responsibility to ensure the safety of our employees.

Following the incident, we immediately conducted an investigation to identify the root causes by using causation modelling technique. As a result of the investigation, several recommendations were made, which have since been implemented such as reinforcing crew empowerment for Stop Work and intervention. In addition, enhancement was made on the line of sight for more effective work areas supervision. We also conducted Focused Lesson Learnt Workshop to gain insights that can help us ensure that incidents such as these never gets repeated. The workshop, which consists of of 31 marine subject matter experts including 13 representatives from the non-HSE fraternity and 10 leadership representatives. Key takeaways from the lessons learnt were also shared with our customers.

OPERATING SAFELY AND SUSTAINABLY

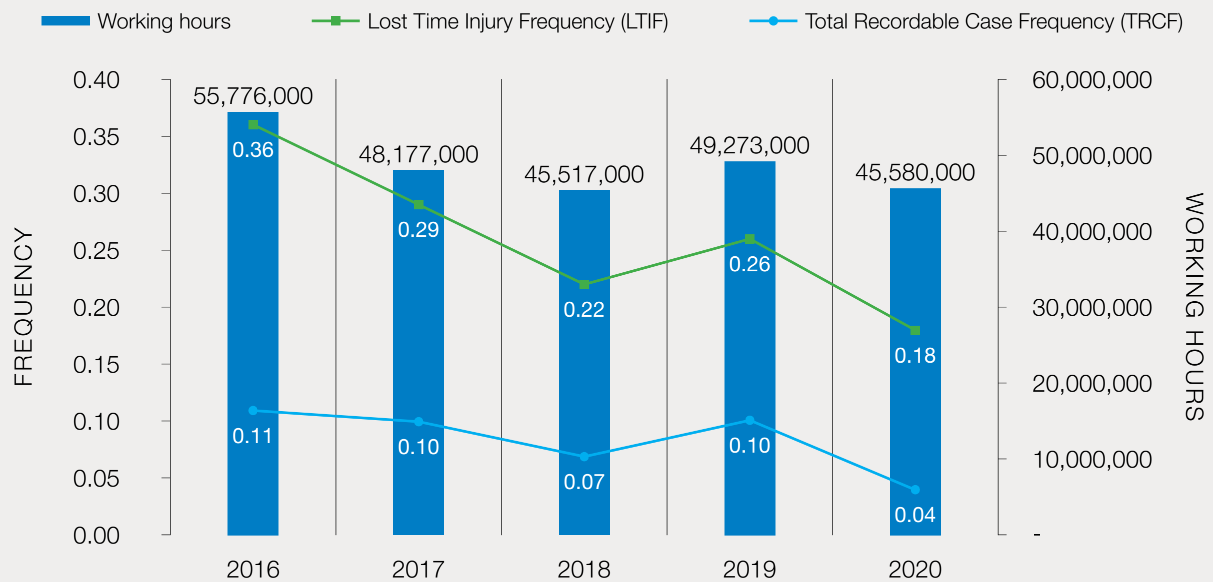
SPECIAL FEATURE – HSSE STAND DOWN

On 21 September 2020, colleagues from all over the world at sea and shore, gathered to participate in the MISC Group HSSE Stand Down to pay tribute to late able-bodied seaman. Reflective thoughts were shared by Mr Yee Yang Chien, President/ Group CEO, Captain Raja Sager, Managing Director/CEO of Eaglestar and Captain Rajalingam, President & CEO of AET. This incident served as a reflection for all of us to always stay vigilant, and to not take safety for granted.

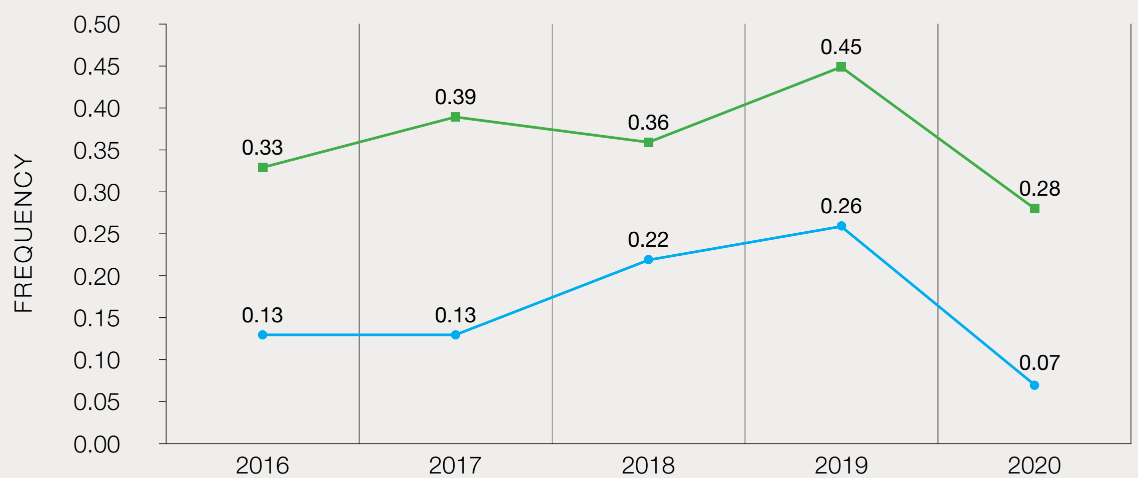
Loss Time Injury Frequency (LTIF) and Total Recordable Case Frequency (TRCF)

In 2020, our LTIF and TRCF, showed improvements of 60% and 31% respectively compared with 2019. The higher emphasis placed on safety culture by increasing HSE supervision at site and implementation of Non-Compliance Management had resulted in an encouraging decline in contractor LTIF and TRCF. Incidents are investigated to identify the underlying causes and Lessons Learnt are shared group wide. Reflective learnings are carried out in groups to instill deeper understanding of incidents and preventative measure.

MISC GROUP SAFETY PERFORMANCE



MISC GROUP CONTRACTORS SAFETY PERFORMANCE



SPECIAL FEATURE – MISC HSSE RECOGNITION DAY 2019

HSSE is our number one priority, and each year we run an annual MISC Group HSSE Recognition Day which aims to increase the commitment of employees towards upholding high quality HSSE at the workplace. It is also an avenue to share HSSE experiences and good practices across the Group, as well as acknowledging the HSSE heroes.

In 2020, we included a special programme, "#SayNotoPlastic", which was graced by our special guest by Y.A.M Tengku Zatashah Binti Sultan Sharifuddin, who is a strong advocate for zero plastics campaigns in Malaysia.

A total of 10 exhibitors from government bodies, non-governmental organisations (NGOs) and corporate companies showcased health, safety, environment, security and cyber security products and programmes.

The event saw the participation of about 300 employees from the Menara Dayabumi office and was also broadcasted live to colleagues in other offices.

SAFETY AWARDS

Malaysian Society for Occupational Safety and Health (MSOSH) Award

- *FPSO MaMPU 1* won the Gold Merit Award for Petroleum, Gas, Petrochemical and Allied Sectors while *FSO Orkid* has been awarded with Gold Class 1 Award
- MISC Maritime Services Sdn Bhd (MMS) Sungai Udang Port clinched the Gold Class 2 under the same category
- Malaysia Marine and Heavy Engineering Sdn Bhd won the Gold Class 1 Award for Construction & Engineering Construction Sectors.
- Akademi Laut Malaysia have garnered the Gold 2 Award for Educational Sectors.

A total of 54 ships and four workboats were awarded the Jones F. Devlin Awards by the Chamber of Shipping of America (CSA)

FSO Orkid was awarded the Repsol Marine Vessel Safety the Operational Excellence Award

Eaglestar's Site Manager Mr. Anwarussahil has been awarded with the Honorary Police Officer title by the Geoje City Police Station

HEALTH

MISC had introduced the b-HSSE campaign in 2018 to improve the general health and wellbeing of our employees. The campaign encourages them to be more physically active, improve their intake of healthy nutrition and develop a healthier mind. In 2019, the campaign was complemented by the Move, Mind, Munch (3Ms) programme to further focus on their health and wellbeing. Various activities were also conducted for employees that included group workouts, Muay Thai classes, group walking challenge, health talks, monthly health advisories and healthy food campaigns across the Group. In 2020, two health risk assessments (HRA) were completed at both floating storage units.

During the COVID-19 pandemic, MISC has taken various measures towards ensuring the health and safety of its employee which include:

i) Clear and prompt communication – MISC has been monitoring the pandemic situation closely both in Malaysia and internationally; and provide regular update / Health and Safety Advisory. This include employees working arrangement, visitors and contractors' management, business travel, etc.
ii) Case management – MISC through its network of health service providers around the globe ensure access towards prompt testing, quarantine and treatment of employees affected by COVID-19. This is in accordance with the local authorities' procedure.
iii) Sign-on and sign-off procedure for seafarers – due to the pandemic, many seafarers were on extended contract. MISC has been working closely with the authorities and enhanced its procedure to allow for our seafarers to sign-on and sign-off safely. In 2020, we have successfully conducted crew change for 7,767 seafarers. In addition, early this year, we signed the Neptune Declaration on Seafarer Wellbeing and Crew Change in a worldwide call to action to end the unprecedented crew change crisis caused by COVID-19.
iv) Ongoing b-HSSE programme – secondary issues due to COVID-19 such as anxiety and stress, are managed through ongoing b-HSSE activities e.g. health talks, mindfulness sessions, stress management and personal resilience online workshop.

As many of our employees worked from home during the year, we initiated the following health programmes virtually:

- Introduction to Mindfulness
- Mindfulness : Managing Anxiety
- Mindfulness: Gratitude
- Mindfulness: Mind-Heart Coherence
- Mindfulness: Better Sleep

OPERATING SAFELY AND SUSTAINABLY

PETRONAS Walk4trees Challenge

PETRONAS Walk4trees Challenge was commenced in November 2019 and aims at improving our employees' health whilst saving the environment. For every one million steps collected, one tree will be planted. Our goal is to collect 20 billion steps with 20,000 trees to be planted in various locations within Malaysia.

The virtual team-based walking challenge was held using the Bookdoc App. Participants used their fitness tracker and mobile phones to track the number of steps they walked. In 2020, the challenge encouraged our employees, especially those who were working from home due to the pandemic, to have a healthy active lifestyle. It also helps to strengthen teamwork, as they worked towards a common purpose of contributing to a better environment for the future.

Live Workout Sessions

During the year, we replaced our face-to-face workout sessions with virtual live workout sessions by qualified trainers. Employees could live stream these events from the fitness centre's social media channels.

Employee Assistance Programme

The new realities of working from home, home schooling of children, and lack of physical contact with other family members, friends and colleagues, take time to get used to. Adapting to lifestyle changes such as these and managing the fear of contracting the virus and worrying about people close to us who are particularly vulnerable, were challenging for all of us.

MISC understands the challenges faced by our employees and therefore during the year, we initiated the Employee Assistance Programme, a hotline which our people can call to speak to specialist consultants who provide them independent counselling. The programme not just provides help on pandemic-related health issues, but also other aspects such as legal matters, financial difficulties and family issues. The counselling service is provided by a third party service provider, and all communications that take place remain private and confidential.

ENVIRONMENT

ENVIRONMENT MANAGEMENT SYSTEMS

In support of the overarching governance approach and framework of environmental management and in compliance with national and international regulations that are mandatory such as the IMO MARPOL we manage the impact of our operations on the environment via a combination of internal and external management frameworks and systems. As part of our approach, our operations are subjected to comprehensive standards such as the PETRONAS Mandatory Control Framework (MCF) and fleet environmental management system. Eaglestar, MHB and the Offshore Business Unit have been certified with the ISO 14001 Environmental Management System, while LNG and petroleum fleets have been certified with ISO 50001 Energy Management System.

MISC Group Environmental Minimum Requirements

In 2020, we rolled out a new procedure known as the MISC Group Environmental Minimum Requirements with the objective of strengthening environmental governance and compliance with environmental legislation through prescriptive requirements. This procedure provides the base standard for the management of six focus areas of significant environmental risks associated with MISC's operations, namely:

1. Air Emission Management
2. Hazardous Waste Management
3. Wastewater Management
4. Soil and Groundwater Management
5. Environmental Management of Projects
6. Environmentally Hazardous Substances Management

Compliance of our operations to this corporate procedure are regularly assessed as part of MISC's internal verification and assurance.

GREENHOUSE GAS (GHG) EMISSIONS

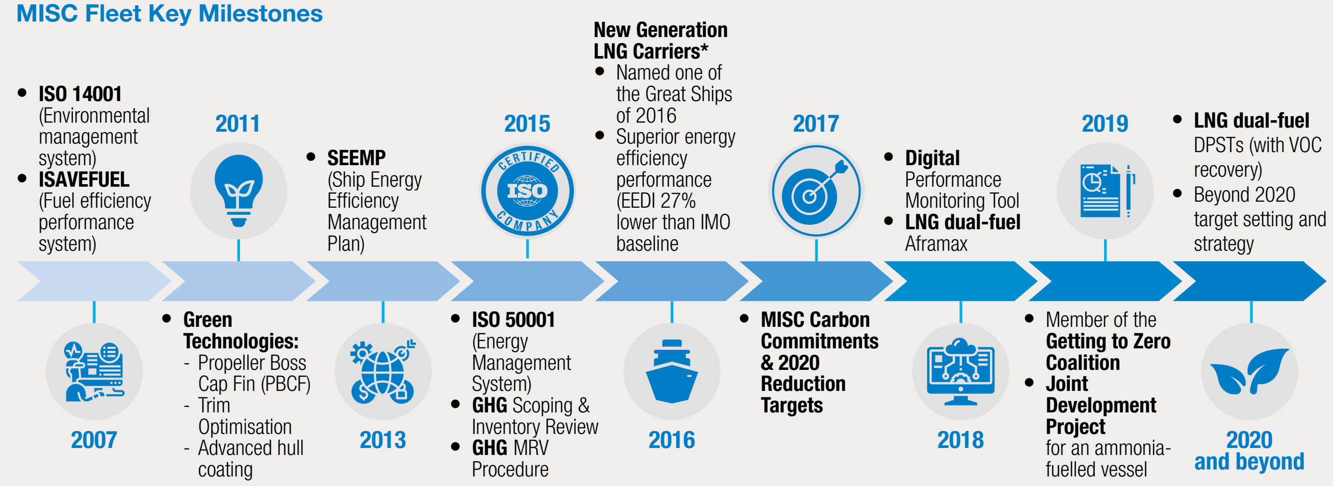
MISC embarked on our carbon and energy efficient journey in 2007 with the intention of minimising our operations' environmental footprint. Our journey began with obtaining the ISO 14001 Environmental Management System certification and the 'ISAVEFUEL' programme as a fuel efficiency and performance system for our LNG and chemical vessels. Since then, we have incorporated various green technologies and energy efficiency measures in our vessel management to progress with our journey.

These include incorporating green technologies such as Propellor Boss Cap Fin and advanced hull coating. We incepted the Ship Energy Efficiency Management Plan in 2013, and by 2015 had obtained certification for the ISO 50001 Energy Management System for the petroleum fleet. Since 2016 onwards, we have taken delivery of vessels such as the Seri C Moss Type LNG carrier and more recently LNG dual-fuel vessels which incorporate eco-friendly technologies, reinforcing our commitment to operate responsibly and care for the environment.

In 2017, we launched the MISC Carbon Commitments and set ourselves targets in relation to these. Since then, we have been focusing on delivering on these commitments. In 2019, MISC became a member of the Getting to Zero Coalition, a partnership between the Global Maritime Forum, the Friends of Ocean Action, and the World Economic Forum that is committed to developing commercially viable zero-emission vessels by 2030. In line with this, MISC embarked on a Joint Development Project (JDP) with our strategic partners, to develop an ammonia-fuelled vessel to support shipping's drive towards a decarbonised future. See page 120 for The Castor Initiative.

CARBON AND ENERGY EFFICIENY

MISC Fleet Key Milestones

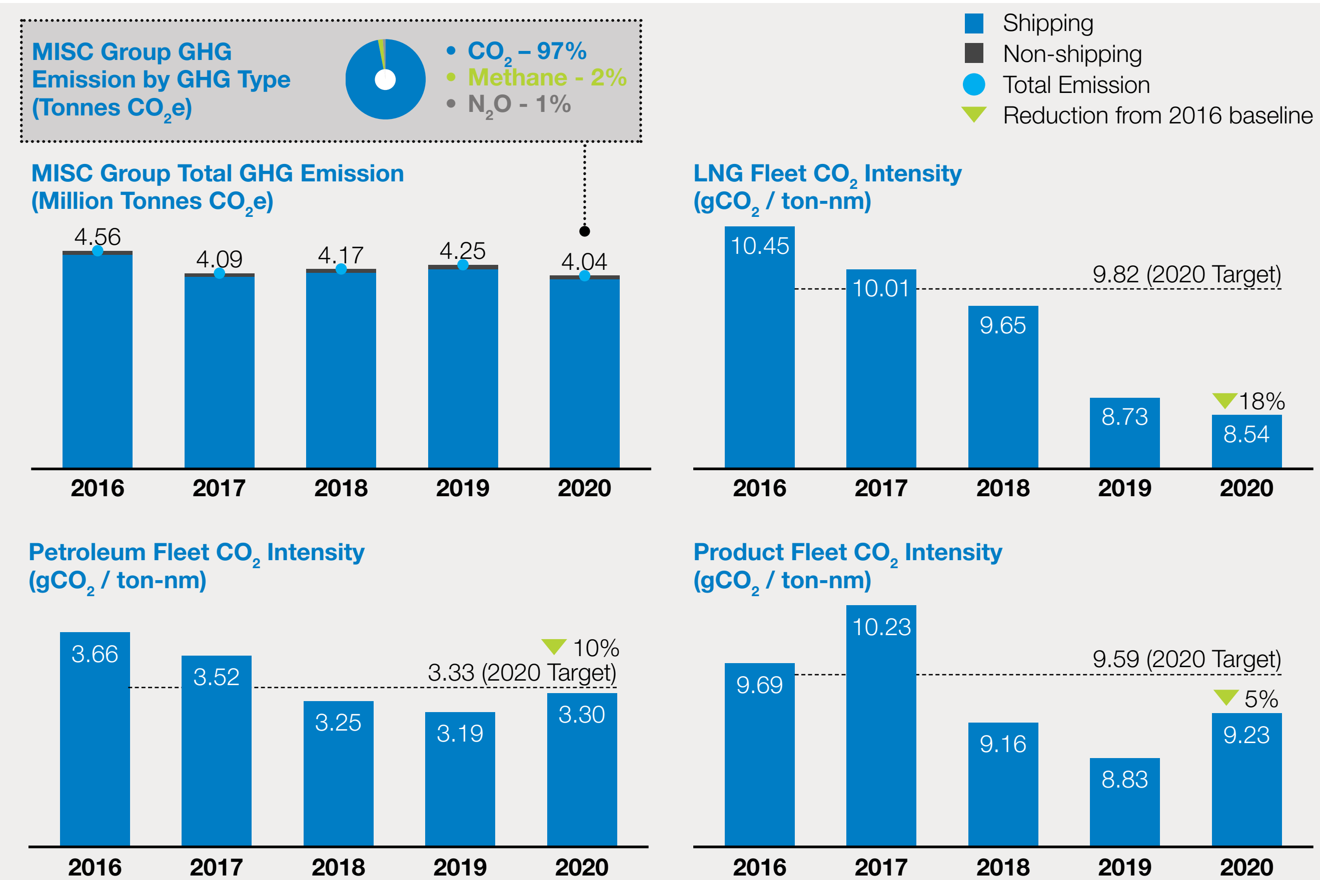


*Recognition by Maritime Reporter & Engineering News for Seri Camellia, i.e. the first LNGC in a series of five of its kind

Our greenhouse gas (GHG) emissions monitoring and reporting is guided by the following key standards and references: the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), Third IMO GHG Study 2014, and the American Petroleum Institute (API) Compendium of GHG Methodologies for the Oil and Gas Industry.

The Group's organisational boundary for GHG reporting is defined based on the operational control approach. Based on this approach, 100% of GHG emissions over the operations that are controlled by MISC are included in the MISC Group GHG accounting. Our GHG accounting includes Scope 1 (direct) and Scope 2 (indirect emissions from the generation of purchased energy) GHG emissions, while types of GHG included in the accounting for CO_2e are carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). The percentage of each gas contribution to the total CO2 equivalent is provided in MISC Group GHG Emissions by GHG Type diagram below.

In 2020, we invested approximately RM164 million for our environmental protection initiatives where RM3.8 million was spent in supporting the mitigation of climate change.



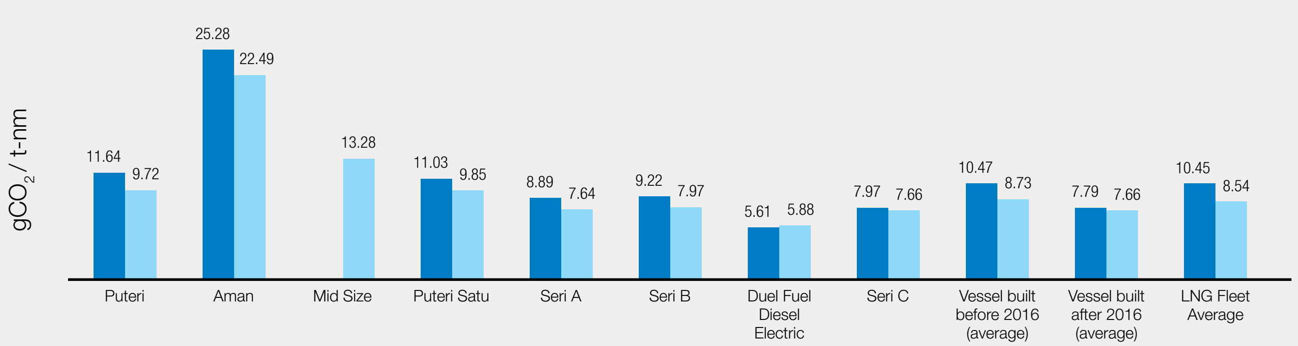
OPERATING SAFELY AND SUSTAINABLY

In 2020, we reduced our GHG emissions from all our operations by an overall 12%, compared to 2016, although transport work increased by 1% within the same period. Additionally, all three vessel segments achieved the CO_2 intensity targets of 9.82, 3.33 and 9.59 measured in unit of gCO_2/ton-nm, for LNG, petroleum and product fleet, respectively. The reduction was contributed by the addition of newbuild vessels with improved carbon efficiency as well as the overall energy efficiency improvement of the existing fleet through technical and operational measures.

MISC FLEET CARBON CO_2 INTENSITY PERFORMANCE

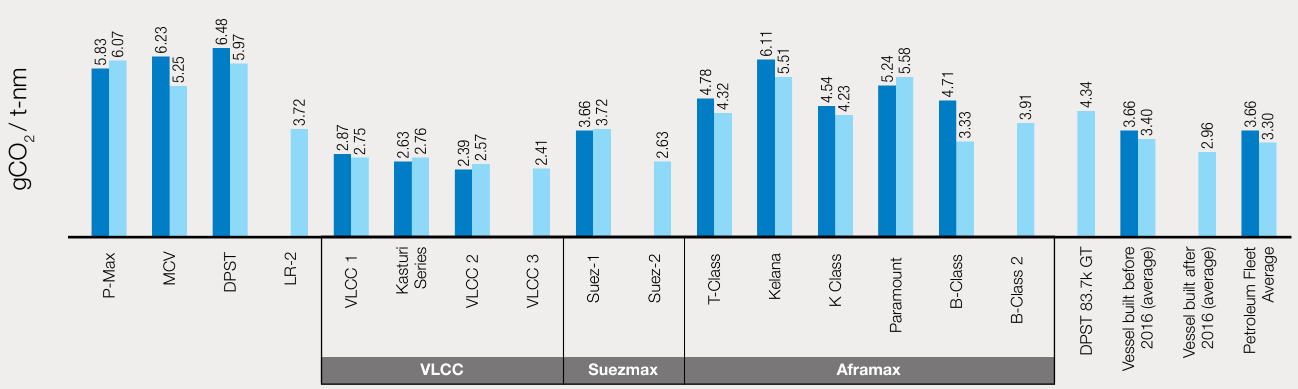
The following graphs present our five-year trend lines for our various fleets' CO_2 Intensity Performance. The performance is compared with our MISC2020 carbon emission targets, against a baseline year of 2016.

Carbon Emission Performance in 2020 — LNG Fleet



Generally, most of our LNG vessel classes showed a CO_2 intensity reduction in 2020 from 2016 with an average fleet reduction of 18%. LNG newbuilds built after 2016 have been, on average, 17% more carbon efficient than the older LNG fleet average, as a result of greener technologies that have been incorporated.

Carbon Emission Performance in 2020 — Petroleum Fleet



The Petroleum fleet has scored a 10% reduction in CO_2 intensity against a 2016 baseline. New vessels built since 2016 have been, on average, more carbon efficient than older vessels as follows:

- New Aframax vessels – 24% more carbon efficient
- New VLCC vessels – 10% more carbon efficient
- New DPST vessels – 27% more carbon efficient
- New Suezmax vessels – 29% more carbon efficient

Note : Third party assurance on our carbon emissions
Each of our vessel's fuel consumption and relevant activity data have been verified by a third party i.e. DNVGL confirming the data were collected and reported in accordance with the methodology and processes set out in the ship's Ship Energy Efficiency Management Plan (SEEMP) as required by Regulation 22A of Annex VI of MARPOL Convention.

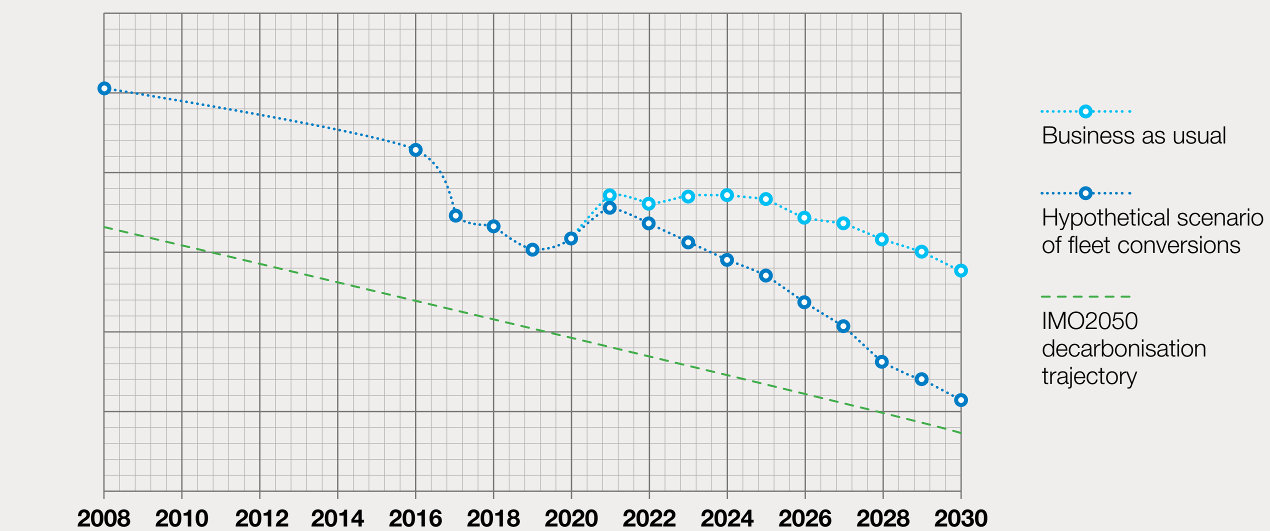
Moving Forward

Our journey ahead is focused on achieving the IMO 2050 aspiration. Going into 2021, we will be reviewing our organisational boundary, baseline year and setting new targets that are aligned with IMO 2030 and IMO 2050 aspirations.

In 2020 we carried out an analysis to calculate our fleet CO_2 emission projections up to 2030. The analysis also served to benchmark our current fleet emissions and emission projections with IMO's decarbonisation trajectory which represents IMO's ambition to reduce total GHG emissions by 50% in 2050 compared to 2008.

Several scenarios were assessed which considered MISC's prospective fleet expansion plan, possible introduction of IMO's regulation mandating operational GHG reduction, and vessel's existing engine upgraded to higher efficiency engines. Hypothetical scenarios on vessels' conversions were also included in the analysis to assess the potential CO_2 reduction possible with CAPEX-intensive solutions such as re-engine to convert steam vessels to diesel engine vessels.

MISC FLEET AVERAGE (LNG & PETROLEUM) CO_2 EMISSION PROJECTIONS (gCO_2 / ton-nm)



The chart above shows our fleet's average CO_2 emission projections to 2030, comprising of LNG and petroleum vessels (measured in gCO_2/ton-nm), providing two key scenarios of lowest and highest reduction. The 'Business as usual' line represents the smallest CO_2 reduction scenario, while the most effective reduction is represented by the line 'Hypothetical scenario of fleet conversions'.

A summary of the analysis of the projection chart is as follows:

- Between 2020 to 2030, we are narrowing the gap between our average fleet CO_2 intensity and IMO's 2050 trajectory.
- Even with the hypothetical scenario of fleet conversion, our average fleet emission in 2030 will still be above IMO's 2050 trajectory, at approximately 16% above the trajectory.

Additionally, our analysis also shows that several of our vessels existing in the fleet currently have CO_2 intensity below the IMO's 2050 trajectory. These include our two dual-fuel diesel electric (DFDE) propulsion system LNG carriers, our VLCCs delivered after year 2013 and our Suezmax vessels delivered in 2018.

Our Future Plan

Based on our projection analysis, while we are narrowing the gap with the IMO 2030 aspiration, we still need to do more to achieve the IMO 2050 target by making a progressive radical shift to move to zero-carbon emission vessels by 2030.

In light of this, MISC has embarked on a Joint Development Project (JDP) by collaborating with other key maritime players to develop an ammonia-fuelled vessel as a zero-carbon emitting vessel in order to achieve the shipping industry's goal of a decarbonised future by 2050. The JDP is a joint effort between MISC, Samsung Heavy Industries (SHI), Lloyd's Register (LR), MAN Energy Solutions, Yara International ASA and the Maritime and Port Authority of Singapore (MPA). Ammonia is just one of the various decarbonisation pathways that the shipping industry is exploring towards the industry's decarbonisation by 2050. More information on the JDP can be found in the Anchoring Sustainability @ MISC section page 120.

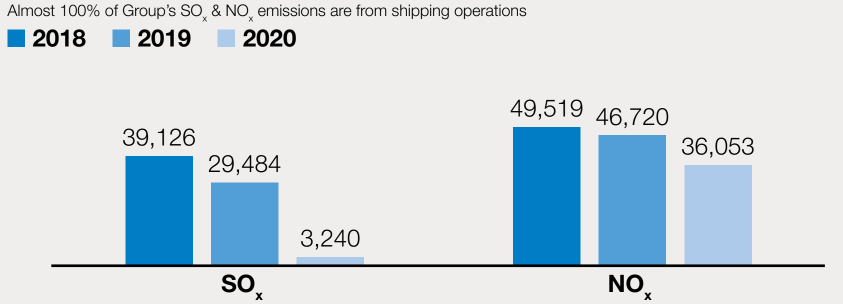
In 2020, methane emissions accounts for 2% of our total GHG emissions. However, we are cognisant of the issue of methane slip emitted from our LNG-fueled engines. We will continue to monitor our methane emissions and consider technologies which reduces methane levels in our future investment.

OPERATING SAFELY AND SUSTAINABLY

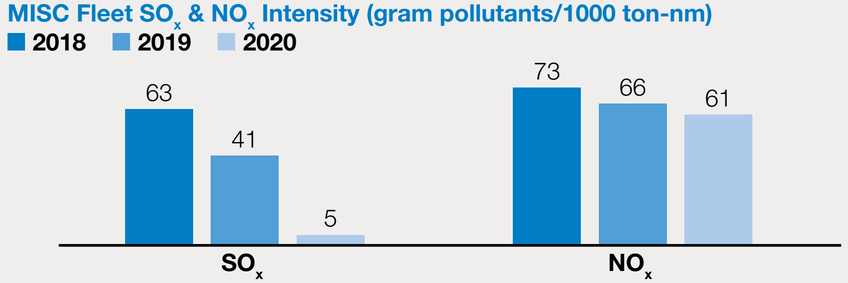
SOx and NOx EMISSIONS

MISC Group Total SO_x & NO_x Emissions (tonnes)

Almost 100% of Group's SO_x & NO_x emissions are from shipping operations



MISC Fleet SO_x & NO_x Intensity (gram pollutants/1000 ton-nm)



AIR EMISSIONS

Under the new global IMO 2020 Global Sulphur Cap limit which came into effect on 1 January 2020, ships will have to use fuel oil on board with a sulphur content of no more than 0.50% m/m, against the current limit of 3.50%. MISC is fully compliant with this by changing our fuel to low sulphur fuel and LNG, as well as having retrofitted a number of vessels with scrubbers. MISC has recorded a significant reduction in SO_x and NO_x intensity as a result of the various initiatives that we have implemented. We have a higher proportion of natural gas consumption in our energy mix. Another significant factor is since 2018, the newbuild vessels in our fleet have been fitted with lower NO_x emission engines.

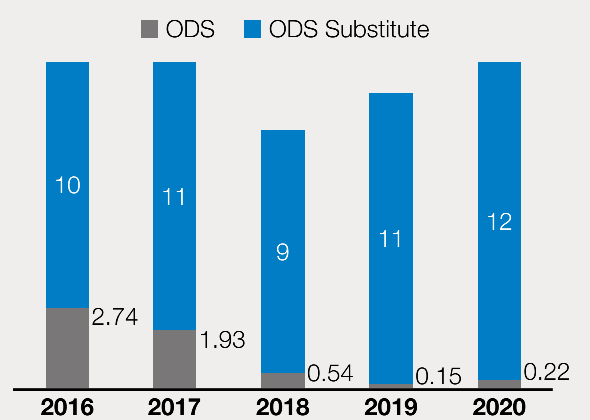
EMISSIONS — REFRIGERANT MANAGEMENT AND OZONE DEPLETING SUBSTANCES (ODS)

MISC has been implementing an Ozone Depleting Substances (ODS) Programme as follows:

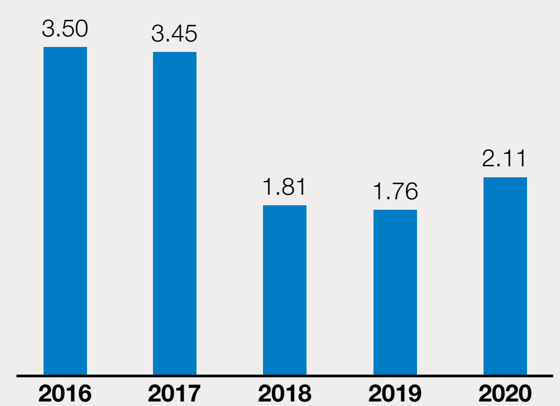
- Removal of ODS by switching to non-ODS refrigerants on vessels and offshore floating assets
- Implementing Refrigerant Management Procedures onboard vessels and offshore assets
- Tracking and regular monitoring of refrigerant consumption

During the year, there were no significant changes in shipping refrigerant consumption compared to the 2016 baseline. A total of 98% of refrigerants used on our vessels were of the non-ozone depleting type. As for ODS consumption, we recorded a 40% reduction by 2020, compared to the 2016 baseline.

MISC Fleet Total Refrigerant Consumption (tonnes)



MISC Group ODS Consumption (tonnes)



ENERGY EFFICIENCY

MISC recognises the importance of adopting energy efficient practices to reduce our dependency on natural resources and non-renewable energy. This approach will play a key role in the Group achieving our carbon emission reduction strategy.

We have in place an Energy Efficiency Reduction Programme for both the shipping and non-shipping aspects of our operations. In 2020, an additional two vessels were installed with the Propeller Boss Cap Fin energy saving device where the refinements in the vessel's fin shape and height enables enhanced propeller thrust and reduced torque, which should lead to fuel savings of between 2% and 5%.

We continue to maintain advanced low friction anti-fouling paint on selected vessels to reduce hull friction by weakening the capability of marine organisms to attach to the coated surface. This correlates to the projection of 4% to 6% reduction in the fleet's carbon emissions emissions.

In 2018, we had upgraded our vessel performance monitoring and analysis system by adopting DNVGL's Navigator and Eco Insight monitoring and reporting tool. This customised software has improved data accuracy through improved monitoring and enhanced performance analysis, enabling informed decisions to be made to improve vessel energy efficiency performance.

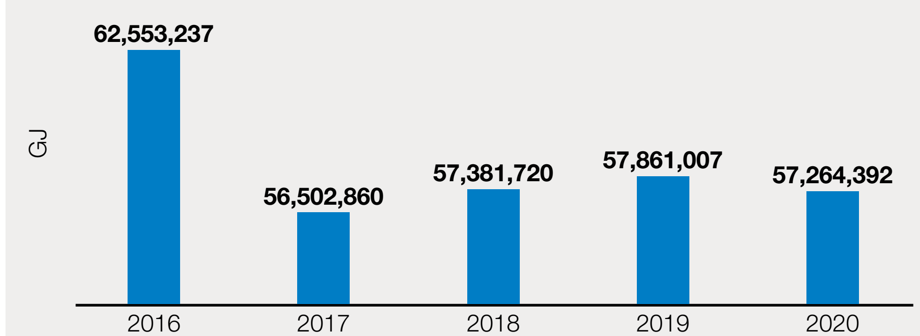
Continuous improvements to our vessels as a result of our Energy Efficiency programmes will also improve our performance in the years to come.

All of our vessels built in 2013 onwards have a better Energy Efficiency Design Index (EEDI) than mandatory requirements. For our newer vessels in 2020, the average EEDI is 3.77 gCO_2 per ton-nm.

With each ship having its individual Energy Efficient Management Plan, we are also well placed to continue with our upward trajectory on operational optimisation.

As for non-shipping operation, seven buildings at MHB's yard have been selected to be installed with total of 8 MWp solar power capacity to generate electricity. The installation is targeted to be completed in early 2021 with an estimated RM8.5 Million cost savings over a period of 21 years. To date, more than 126 LED lights have been installed in our maritime academy, ALAM's campus and will continue to replace the conventional light with energy savings lights.

MISC GROUP TOTAL ENERGY CONSUMPTION



MISC Group has significantly increased its energy efficiency (EE) since strengthening on EE initiatives in 2016. This is evident by the improvements in carbon emissions intensity of our fleet between 2016 to 2020 as shown in Greenhouse gas emission section. In 2020, our energy consumption had shown a reduction of 8.5% compared to 2016.

WASTE MANAGEMENT

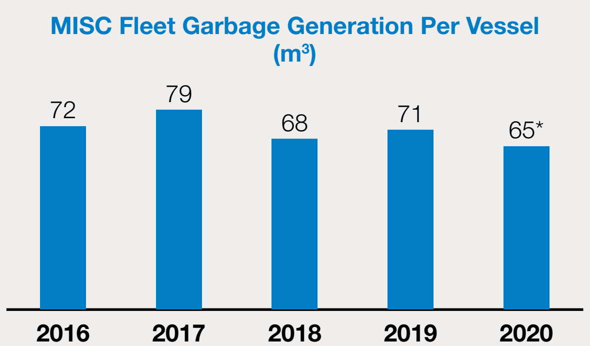
Waste from Vessels

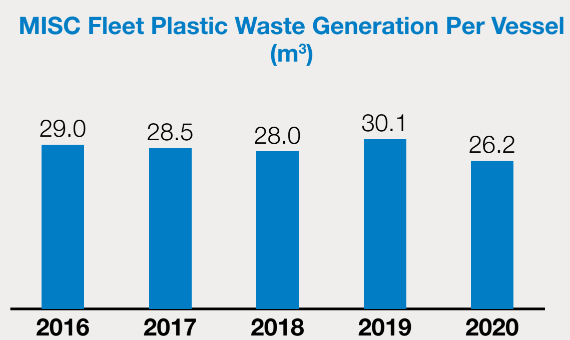
Reducing waste is a key part to lowering our environmental footprint. In this regard, we are proud to share that in 2020 almost 100% of the hazardous waste generated from our non-shipping operations are either recycled, reused or recovered.

Waste management for our shipping operations is governed by MARPOL as stipulated by the IMO. All of our vessels have a garbage management plan in place to ensure that the waste that was produced are managed in a responsible manner and in compliance with the requirements under MARPOL. Waste separation is carried out on board. Recyclables and all wastes collected are sent to shore reception facilities for onwards recycling, treatment, recovery or disposal, while waste which are permitted for on board incineration are disposed in the shipboard incinerator. The only waste that is allowed to be disposed at sea is food waste, and the disposal is carried out in compliance with the MARPOL requirements.

OPERATING SAFELY AND SUSTAINABLY

SHIPPING — GARBAGE GENERATION





*An amount of 1,500m³ of anchor chains and shackles were removed from one of our vessel and this data has been excluded from the total garbage generation

In 2020, our total garbage generation per vessels had reduced by 10% compared to 2016. Plastic waste generation per vessels also had reduced by 10% from 2016. These reductions were contributed through key initiatives carried out by the vessels such as reduction of single use plastics onboard all vessels and utilisation of drinking water filtration system instead of supplying drinking water bottles. In order to minimise the generation of packaging waste, we purchased consumable items in bulk where possible.

Reducing Single-Use Plastic in our Operations

Programme onboard our Vessels

Onboard our vessels, we have in place a programme that aims to reduce and ban the use of non-essential single-use plastics, by replacing them with reusable non-plastic alternatives or biodegradable options wherever possible. In 2020, the following measures were undertaken in conjunction with the programme:

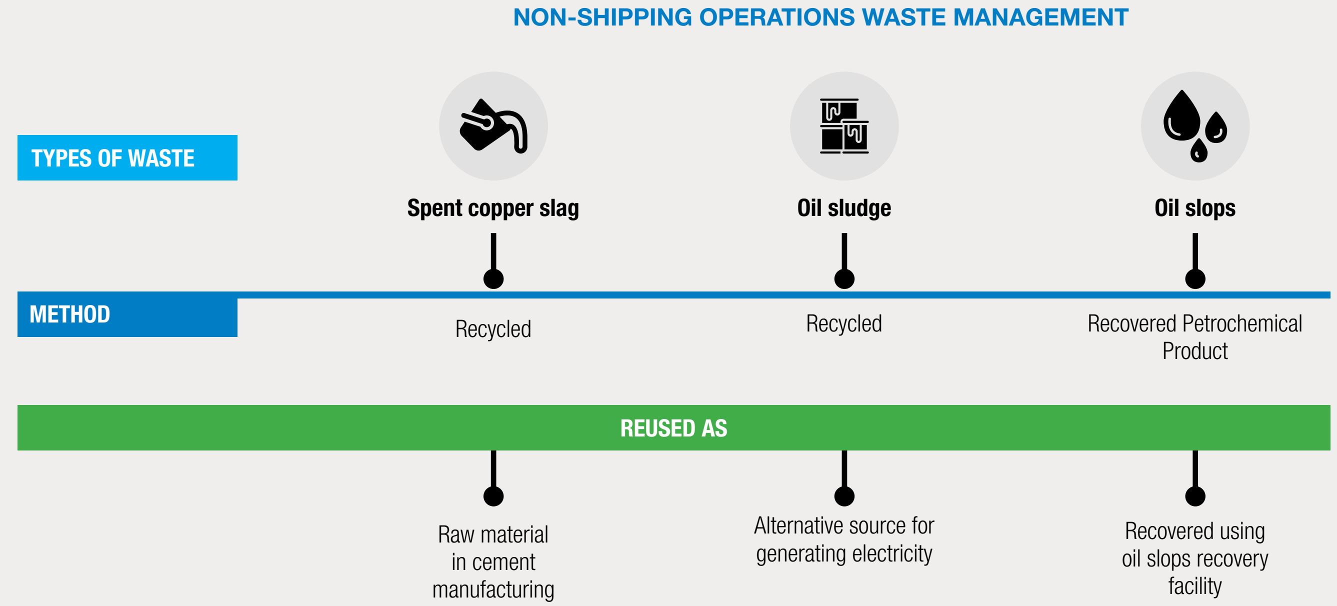
- A guide developed and issued to all ships in Jan 2020, providing guidance on the programme to discontinue the use of single use plastics.
- Each ship was required to prepare an inventory of single use plastics used onboard.

Each ship was required to prepare an execution plan to reduce single use plastics with quantified targets set and monitored based on the inventory where from October 2020 onwards, the target is to prohibit more than 90% of the inventory items.

Among the actions taken by crew members to meet the targets were:

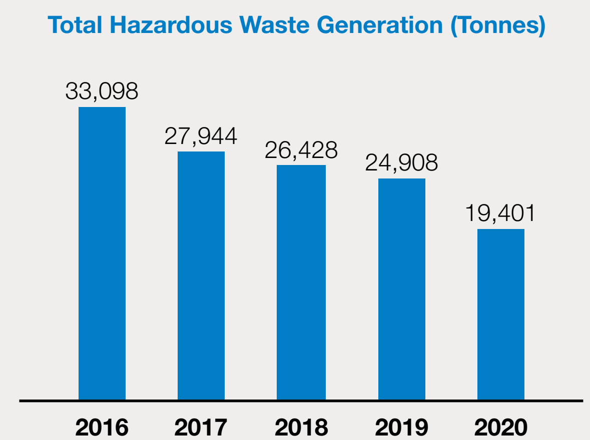
- Stopped the requisition of plastic garbage bags and replaced this with paper-based garbage bags / jumbo bag / gunny sacks.
- Reusable bags were brought along by crew members during shore leave.
- Use of supplies that come in bulk packaging.
- All plastic-based cutlery, plates and cups and small containers were replaced with reusables.
- Plastic food wrapping material were replaced with non-plastic materials like aluminium foil.

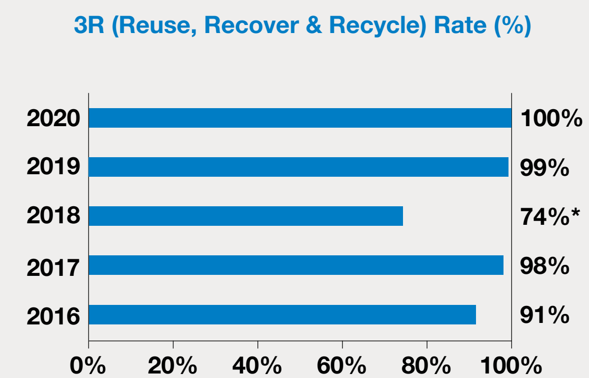
WASTE FROM MHB YARD



A significant amount of our hazardous waste generation comprises spent blasting materials generated from our shipyard operations in Pasir Gudang. Our spent copper slag waste is fully recycled into raw material for cement manufacturing. MHB continues to explore solutions to reduce wastes generated from blasting operations by looking at alternative blasting materials which allows increased usage before the material is considered wastes.

NON-SHIPPING — HAZARDOUS WASTE





*Low 3R rate is due to cleaning of sludge and slops for the decommissioning of Techno Indah Sdn Bhd

Since 2016, MISC has reduced the total hazardous waste generated from non-shipping operations by 41%. The majority of hazardous waste generated from shore operations emanate from offshore and marine projects at MHB's yard. The use of non-hazardous and high durability blasting materials on certain operations that allow for the repeated use of the material, has led to a significant reduction in hazardous waste produced from MHB's operations. As of end 2020, almost 100% of hazardous waste produced from our shore operations is recycled, reused or recovered.

OPERATING SAFELY AND SUSTAINABLY

Reducing Paper Consumption

With the aim of reducing paper consumption, MISC has been progressively implementing a digital signature programme for internal documents that require approval signatures. MISC partnered with DocuSign to allow its employees to conveniently obtain and deliver digital signatures and thus reduce the need for printing.

Since its introduction in October 2018, we have avoided the following:

6736 kg of wood

165 m³ of water

15,811 kg of carbon

1,094 kg of waste

Fabric Recycling Drive

A fabric recycling drive was initiated in partnership with Kloth Cares as part of the save our oceans campaign. We adopted our own fabric recycling bin which has been placed at our Headquarter Office in Dayabumi. The initiative was launched during the Group's HSSE Recognition Day held in February 2020. Unwanted fabric that is in good and wearable condition is donated to charitable organisations or exported to developing countries as second-hand fabrics, while fabric that cannot be worn any longer is upcycled as industrial wiping cloth, garments or is used as engineered fuel for cement kilns.

As part of the drive, awareness amongst the employees were also created through the circulation of posters to inform them of the pollution caused by fabric disposal at landfills and the benefits of the collection drives where the fabric will be diverted away from landfills and put into beneficial use through reuse and recycling.

A total of around 400 kg of unwanted fabric was collected in 2020, equivalent to 720 kg of CO_2 avoided and 6.4 million litres of water saved.

Toward A Zero-Waste Culture – 4R Programme

During the year, MMS conducted a Household Electronic Waste (e-Waste) Campaign in Conjunction with National Environment Day (HASN) 2020. The campaign was a joint effort between MMS (Sungai Udang Port), Malaysian Refining Company Sdn Bhd (MRCSB) and the Regasification Terminal in Sungai Udang (RGTSU) and aims to raise awareness among the employees on the proper management of household e-waste in accordance with the Environmental Quality Act 1974. Approximately 755kg of e-waste was collected.

MMS (East Coast Region) embarked on a programme to promote 4R within its operations through a month-long group competition that also involved its contractors. The programme involved the recycling of damaged lifebuoys into usable product. The contest required each group to submit and share their recycling initiative to promote the sustainability of their product. About eight broken lifebuoys were recycled into creative display signages.

CHSSE and the IT Department of AET have worked with a licensed vendor on electronic waste management to establish a collection point of e-waste bins in the Singapore office. Employees are encouraged to dispose e-waste generated both from their home and the office responsibly through the use of this bin instead of disposing it in the general waste. Similarly, for the Houston and UK offices, e-waste collection points have been established and made accessible to the employees.

In addition to that, our Offshore Business Unit has also embarked on the same programme to encourage their employees to collect and dispose their household e-waste responsibly. To date, a total of 16 kg of e-waste has been collected.

<u>AET</u>
In 2018, AET had begun its journey to minimise single use plastics by banning single-use plastic bottles from their offices. AET has continued with its efforts by strengthening communication to educate and improve awareness by displaying posters at strategic locations. These act as reminders to the employees on the importance of minimising single use plastics due to their impact on land, oceans and marine life. In addition, an awareness briefing on single use plastics are given to new joiners during their onboard induction.

<u>MHB</u>
The objective of MHB's 'Bring Your Own' campaign is to reduce the generation of plastic waste in the yard and promote the zero-waste lifestyle amongst its employees whilst increasing their awareness and knowledge on environmental matters.

Green Recycling of Offshore Assets and Vessels

Disposing of assets after it reaches the end of its service life leaves a huge amount of waste, posing a potential hazard to the environment. While shipbreaking has emerged as the most common method of ship disposal, dirty shipbreaking practices have resulted in the dumping of dangerous toxic materials such as asbestos and Polychlorinated Biphenyls (PCBs) on beaches and other open spaces. As a way of responsible ship recycling, since 2018 all of MISC's offshore floating assets which services have been terminated having reached end of their useful life were sold for recycling in accordance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships 2009 (Hong Kong Convention). In 2020, two assets i.e. *FSO Cendor and FSO Angsi* were sold for recycling in compliance with the Hong Kong Convention. For more details please refer to the Anchoring Sustainability @ MISC section on page 120 of this Integrated Annual Report.

<u>New Solid Waste Regulation</u>

An evaluation of compliance (EOC) assessment was conducted to assess MISC's operations compliance to the newly enforced regulation, namely the Solid Waste and Public Cleansing Management (Scheme for Commercial, Industrial and Institutional Solid waste) Regulations 2018. The regulation was enforced in 2020 in Kuala Lumpur, Putrajaya, Johor, Melaka, Negeri Sembilan, Pahang, Kedah and Perlis.

The evaluation involved the following elements:

1. Development of an evaluation of compliance register to identify applicable requirements and compliance actions required.
2. Development of a Compliance Action Plan for any non-conformity to the regulations as identified during the assessment.
3. Implementation of Compliance Action Plan.
4. A sharing session by the enforcement agency, Perbadanan Pengurusan Sisa Pepejal dan Pembersihan Awam (SW Corp), was organised for MISC employees to better understand the requirements in order to ensure full compliance with the regulation.

Green Seal® Green Office Partnership Certification

In 2020, we were certified as Green Seal® Green Office Partners for the following offices – MISC Berhad (KL), Eaglestar (KL), AET (KL), MHB (KL), ALAM, and MMS (KL, Sg Udang Port, Kimanis, and Miri). This brings the total of MISC Group offices with Green Seal certification to 10, in addition to four AET offices which had been certified previously.

The Green Seal Green Office Partnership is an internationally recognised certification that implement standards on office sustainability, with a focus on those areas within the direct control of office managers which include waste management, educating the employees, office and pantry supplies, IT equipment management, transportation and office operations.

WATER

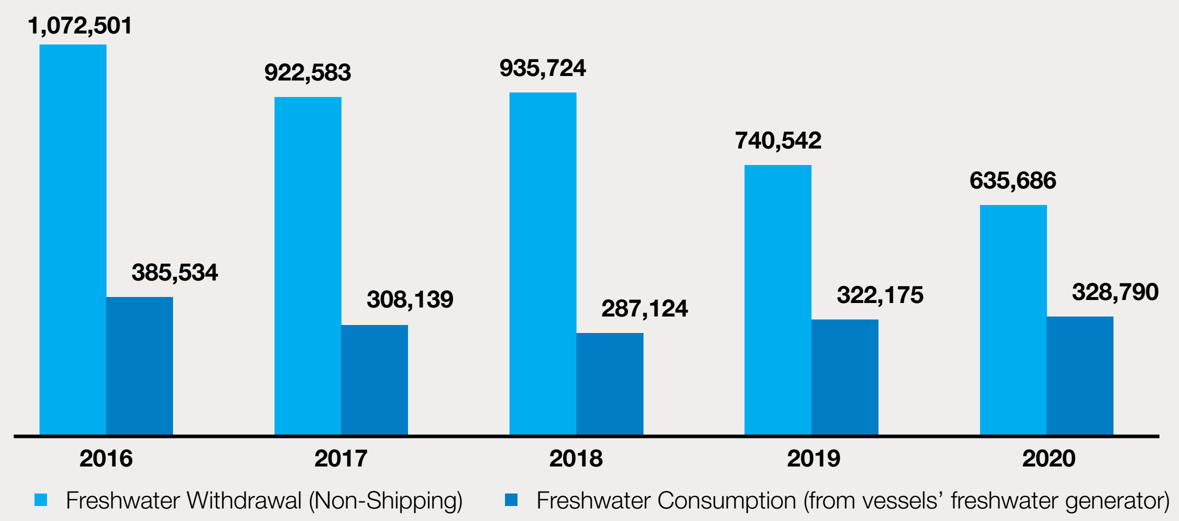
It is anticipated that water will be a critical resource in the future, especially with rising population growth and increasing levels of resource consumption due to the increasing global population. In recognition of this, at MISC, where water is used at both our shore and sea facilities, we remain cognisant of our commitment to ensure water resource efficiency.

Freshwater consumption by our vessels are produced onboard each vessel's freshwater generator, hence, the depletion of freshwater resources is not considered material for our sea operations. Nevertheless, we recognise that water usage on our vessels for domestic and the running of machineries are tied to energy use as energy consumption because a significant amount of energy is required to generate freshwater from these generators.

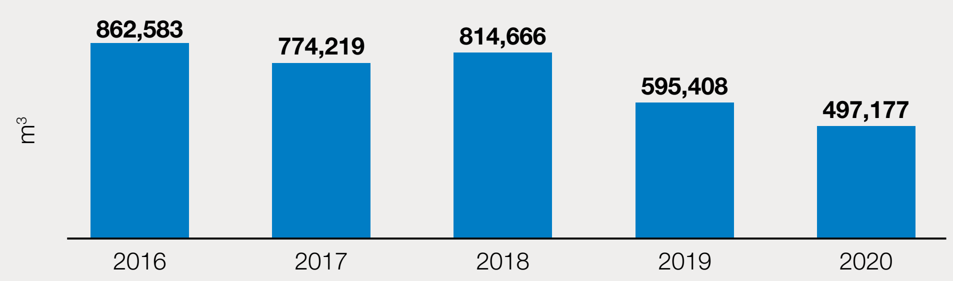
In 2020, the volume of Operational Effluent Discharge from Engine Room reduced by an average of 7% compared to 2019, which exceeded the target of 1.5% we had set ourselves. In order to achieve the objectives, we had tightened our programme for rectification of leakages to reduce water and oil accumulation in the engine room as well as tracking and analysing the effluent to identify and rectify anomalies. Overall, we had reduced our freshwater consumption by 41% from non-shipping operations against a baseline of 2016, and a 15% reduction in freshwater consumption from vessels in 2020 against the 2016 baseline. The reduction for non-shipping was contributed through 4R (Refused, Reduced, Reuse and Recycle) campaigns in addition to installation of water saving fittings in MHB.

OPERATING SAFELY AND SUSTAINABLY

MISC GROUP TOTAL FRESHWATER (M³)

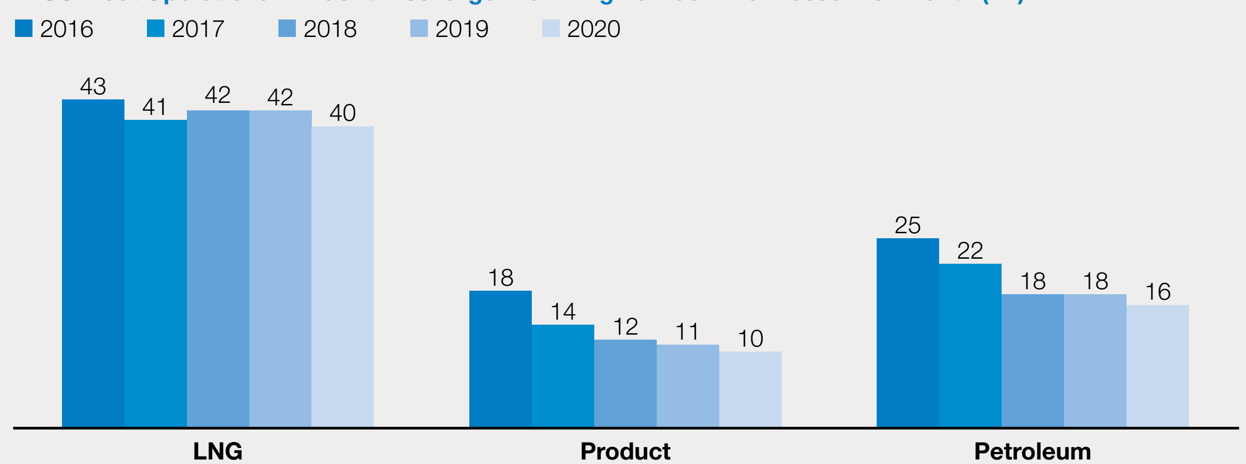


MHB FRESHWATER WITHDRAWAL



WASTEWATER / EFFLUENT DISCHARGE

MISC Fleet Operational Effluent Discharge From Engine Room Per Vessel Per Month (m³)



BIODIVERSITY

At MISC, we aim to reduce the impact of our shipping operations on marine biodiversity through proper management of ballast water and spill prevention. All our vessels are equipped with ballast water management plans and since 2016, all newbuilds are equipped with Ballast Water Treatment Systems (BWTS) and in 2020, an additional 13 vessels were retrofitted.

SPECIAL FOCUS: HEART OF THE OCEAN

heart OF THE OCEAN

In 2020, MISC Group launched the Heart of the Ocean campaign to improve ocean health by conserving the marine ecosystem and reducing the impact of human activities on the oceans. This is in line with our commitment to ensure the sustainable use of the ocean and the preservation of marine diversity as outlined in UNSDG 14 - Life Below Water.

The Heart of the Ocean icon was created to provide an identity for MISC's biodiversity conservation initiatives and embodies MISC's commitment, conviction and steadfast belief to continuously safeguarding the ocean and its marine biodiversity. It portrays an image of the hands protecting the sea and tells a story of passion and care where MISC is positioned as the guardians of the marine environment through the pair of hands forming a heart shape and filled with images of healthy marine life.

Two signature programmes have been rolled out under this campaign, namely the Marine Biodiversity Conservation Flagship Programme led by the MISC Group and the UMT-MMS Sea Turtle Conservation Programme led by MMS. These two marine biodiversity programmes are focused on the conservation of coral reefs and protection of sea turtles which are critical in maintaining the ocean's health.

Marine Biodiversity Conservation Flagship Programme

The Marine Biodiversity Conservation Flagship Programme in Mersing Islands is MISC's inaugural conservation programme under the Group's Heart of the Ocean campaign. The Programme is focused at improving oceans health through supporting conservation initiatives of coral reefs and taking positive actions to prevent and reduce plastic litter in our oceans. The programme is a collaboration between MISC and Reef Check Malaysia, a non-governmental organisation specialising in marine conservation. The programme kick started in January 2020 and throughout the year, various activities on coral reef conservation, surveys, baseline data collection, stakeholder's engagement, and management programmes on the Mersing Islands were implemented.

Turtle Conservation Programme

A 5-year marine biodiversity conservation programme starting 2020 through a strategic collaboration between UMT-SEATRU and MMS focusing on conserving and protecting the sea turtles.

We support the development of UMT-SEATRU Centre of Excellence on sea turtle conservation which focuses on these components:

i. Facilities Improvement Management to upgrade the facilities and management of the sea turtle sanctuary

ii. Outreach and Volunteer Programme with participation from MISC's employees and the public

MMS also conducted a Sea Turtle Contest aimed to create awareness amongst MISC employees on the importance of preserving our endangered species - sea turtles.

OPERATING SAFELY AND SUSTAINABLY

Eco Movie Screening

In conjunction with World Ocean's Day, a two-part virtual screening of the film "Chasing Corals" was held and the invitation was extended to all employees. The screening is aimed at raising awareness amongst our employees on the underlying issue that is threatening the coral's health, the film follows a team of divers, photographers and scientists out to photograph the elusive process of coral bleaching.

Environmental Fines And Penalties

As a result of our heightened commitment to ensuring full compliance to all the relevant environmental regulations, MISC has not been sanctioned with any fines and penalties with regards to environment in 2020.

SECURITY

During the year, MISC continued to implement MISC's Security Policy by adopting effective security management system across the Group despite facing a COVID-19 pandemic including conducting assurance and investigation processes remotely and providing regular security analysis and travel advisory for the Group to ensure the safety and security of our people, environment, asset and reputation.

In 2020, we focused on raising the security awareness among employees on related and latest security issues by holding the annual security awareness programme and for the first time, held it virtually. The programmes we held during the year are as follows:

- Federation of Malaysian Consumers Associations (FOMCA) - Online Shopping Scams: An ounce of prevention is worth a pound of cure
- International SOS - Consideration for Safe Travel in the New Normal

We also accelerated our engagements with our stakeholders, including the authorities such as local enforcement and government agencies. These engagements discussed and exchanged views on related security issues and concerns and succeeded in enhancing relations at the working level.

CYBERSECURITY

A key move during the year was the establishment of the MISC Cybersecurity team as led by the Chief Information Security Officer (CISO). An Enhanced Cybersecurity Strategy has been constructed based on the PETRONAS Cybersecurity Governance Framework and the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) which is the global standard in cybersecurity. The CSF is currently being rolled out in phases, and will further strengthen MISC's cybersecurity, and concurrently meet the maritime cybersecurity requirements.

Cybersecurity standards, guidelines and technologies are being updated and fortified across the Group to ensure alignment to the strategy and the increasingly challenging cyber landscape. Further initiatives and awareness programmes will be conducted group-wide in early 2021, with assurance programmes held later in the year to gauge the level of compliance.

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

BUSINESS CONTINUITY PLANNING (BCP)

MISC's Business Continuity Management (BCM) aims to build the capability of the Group to recover and continue the operations of critical business functions in the event of any disruption. The Business Continuity Plan (BCP) was established through the BCM process to enhance MISC's preparedness to recover and restore businesses' critical functions within a reasonable period of time towards sustaining the Group's activities and minimising disruptions to stakeholders.

Simulation exercises of test scenarios validate the effectiveness of recovery strategies, as well as maintain a high level of competence and readiness as identified in the BCP. Different levels and scenarios of BCP simulations are conducted throughout a period of 1-3 years. Business Impact Analysis and recovery plan reviews are carried out on an annual basis.

The Group's persistence in exercising and maintaining BCP has paid off when business disruption was successfully avoided during the onset of the COVID-19 pandemic and the consequential enforcement of lockdowns imposed by governments globally.

BUSINESS REVIEW

OPERATING RESPONSIBLY

Further details on Operating Responsibly
https://www.misc.com.my/sustainability

KEY HIGHLIGHTS

Achieved
FULL SCORE
in FTSE4Good Bursa Malaysia
(Governance theme) for 2 consecutive years

Achieved
Robust Compliance and Ethics Maturity targets

Maintained
ISO 37001:2016
Anti-Bribery Management System

Completed
Social Risk (Human Rights) Assessment
on **2** business segments

AUSMAL KARDIN
Vice President, Legal, Corporate Secretarial and Compliance

OPERATING RESPONSIBLY

VICE PRESIDENT'S REMARKS

In 2020, our efforts were focused on fortifying our governance culture. We enhanced our people's capability and competency in terms of ethics and integrity through a variety of initiatives that sought to create a mature and robust compliance and ethics culture. With 2020 marking the final year of MISC's Compliance and Ethics Programme 2016–2020, we conducted a Compliance and Ethics benchmarking exercise to review and assess our outcomes.

We also conducted a Compliance Culture Survey to validate the results of the benchmarking exercise. I am happy to report that we have exceeded the 2020 targets we had set ourselves under the Compliance and Ethics Programme which was to achieve the robust maturity level by 2020. As denoted by the robust maturity level, ethics and integrity have now become a part of all MISC's business conducts and transactions. Another achievement on our governance front is obtaining the rating of 5/5 for the governance element in the FTSE4Good Index for the second consecutive year. Bearing in mind our future focus on expanding our presence into new jurisdictions worldwide, the strengthening of our ethics and integrity culture places us on firm foundations to continue with our global journey of growth in an ethical, transparent and accountable manner.

We were well prepared for the new section 17A of the Malaysian Anti-Corruption Commission (MACC) Act which came into effect on June 2020. Section 17A stipulates corporate liability for a commercial organisation in the event its employees or associates commit corrupt acts or practices for the benefit of the organisation. We conducted a number of anti-bribery and corruption (ABC) training programmes for our employees as well as members of the Board of Directors (Board) to enhance Group-wide awareness, as well as to propagate a strong tone from the top.

We have embedded the principle of due diligence to ensure a viable potential defence to section 17A through a series of assessments, guidelines and processes implemented in alignment with MACC's Guidelines on Adequate Procedure "T.R.U.S.T" principles, as well as foreign legislation such as the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act. This included the ISO 37001:2016 Anti-Bribery Management System (ABMS) certification, which is now held by MISC Bhd., Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) and AET Tanker Holdings Sdn. Bhd. (AET).

Following MISC's adoption of our Human Rights Commitment and Modern Slavery Policy and Statement in 2019, in 2020 we made further inroads in this area. We have implemented Group-wide policies that address international laws such as the UK Modern Slavery Act 2015 in addition to ensuring compliance with relevant Malaysian laws. Additionally, in 2020 we updated our Modern Slavery Statement, and have committed to continuously update this statement on an annual basis in line with any legislative changes within both international and local jurisdictions. Having conducted a Materiality Assessment to identify MISC's businesses that may be exposed to human rights issues and risks, we have now decided to conduct continuous Social Risk Assessments (SRA) to ensure that an adequate mitigation plan is in place to reduce and address human rights risks.

2020 has been a seminal year for MISC Group, as we addressed crucial global socio-economic and environmental issues, as well as current and emerging risks that our business faces. Having identified the key issues which are most important to our long-term business sustainability, we then incorporated our mitigating actions and forward-thinking solutions into our 2021–2025 Sustainability Strategic Priorities plan (Sustainability Strategy) which has been endorsed by the Board in November 2020.

Our future focused Sustainability Strategy represents the Group's commitment to entrench our strategic priorities in the environmental, social and governance (ESG) spheres within all aspects of our business. The Strategy is a clear demonstration of our organisational ethos on Operating Responsibly, bearing in mind our role as a leading company in the global maritime industry. It addresses the rising importance of ESG factors in the maritime sector, as stakeholders increase their expectations for greater transparency of a business' non-financial performance. We believe that the outcomes of our strategic approach will further augment our business resiliency and preparedness in a rapidly shifting post-pandemic world.

MISC's Sustainability Strategy will be a needle mover for the Group, marking a huge shift in our approach towards embedding ESG principles within our businesses. It aims to effect a proactive, rather than a reactive approach Group-wide, where the focus is not on merely ensuring regulatory compliance, but taking it further to create meaningful sustainable value for our entire ecosystem of stakeholders through an ethical, accountable and transparent business culture.

To enable this proactive approach and internalise the shift, each business unit will now be expected to take ownership and spearhead their respective sustainability programmes, with the Corporate Sustainability team maintaining its oversight role. Governance and ethics will be part of the overall sustainability programme, as part of our move towards internalising ESG. The Board approved the setting-up of a Board Governance and Risk Committee (BGRC) effective 1 January 2021 to oversee the progress of MISC's sustainability agenda.

Moving into 2021, our focus is on effecting the internalisation of the execution of our Sustainability Strategy. For the next five years, our compliance activities will focus on implementing Monitoring and Assurance Programmes as a critical component of our governance and ethics business pillar. Our emphasis is on the development and utilisation of robust and systemised monitoring and assurance platforms. Among other initiatives, we will implement a compliance scorecard that will capture compliance levels from both the Management's and employees' perspectives.

We plan to roll out more employee awareness and engagement programmes throughout the Group. Through these programmes, we will be able to disseminate pertinent information and build up our people's knowledge with regards to our expectations of their conduct in their daily business and work functions. We realise that it will take time for our people's mindset to shift from a reactive stance towards compliance and ethics, to the proactive one we aspire to. Nevertheless, we are deeply committed to effecting this change, and to raise the bar on MISC's culture of ethics and integrity even further in the years to come.

Ausmal Kardin
Vice President, Legal, Corporate Secretarial and Compliance

COMPLIANCE GOVERNANCE STRUCTURE

MISC's **Compliance, Legal, Corporate Secretarial and Compliance (LCSC)** department provides oversight, coordination, consultation and validation of MISC's state of compliance. The Compliance function assists the Board of MISC (Board), the Board Audit and Risk Committee (BARC) and Management in coordinating compliance risk management activities (i.e. programmes or activities to identify, mitigate, and educate employees about the compliance risk and compliance obligations).

The following outlines the main roles and responsibilities in the compliance function:

Compliance, LCSC

- To implement a Compliance Management Framework to ensure that compliance risks are identified and adequately mitigated against.
- To continuously embed a culture of strong corporate governance and business ethics and conduct within the organisation. Compliance Champions are appointed within the respective business units, service units and subsidiaries to ensure compliance initiatives are implemented and embedded in the respective operations.

Management

- To ensure that the Compliance Management Framework is effective and fully implemented and to foster strong governance and business ethics culture.

Board Audit and Risk Committee (BARC)

- BARC to ensure that Management have a clear and adequate strategy to cultivate and promote a compliance culture within MISC's business activities and obtain assurance from Management that compliance processes are embedded within the day-to-day business activities.
- BARC also to ensure that compliance risks are identified and adequately mitigated.

MISC COMPLIANCE AND ETHICS PROGRAMME 2020

The programme was developed and approved in June 2016 (also formed part of the Sustainability Strategy 2020 under the Governance and Business Ethics Pillar)

The programme is a five-year strategic plan consisting of a set of action plans and deliverables to ultimately create a mature compliance and ethics culture within MISC. The aim is to achieve level 4 or 'robust' maturity level by year 2020, where ethics & integrity become a part of all business conducts and transactions.

MISC has exceeded in meeting the FY2020 target of level 4 maturity level with all 14 benchmarking categories (100%) meeting and exceeding level 4.

COMPLIANCE AND ETHICS CULTURE SURVEY

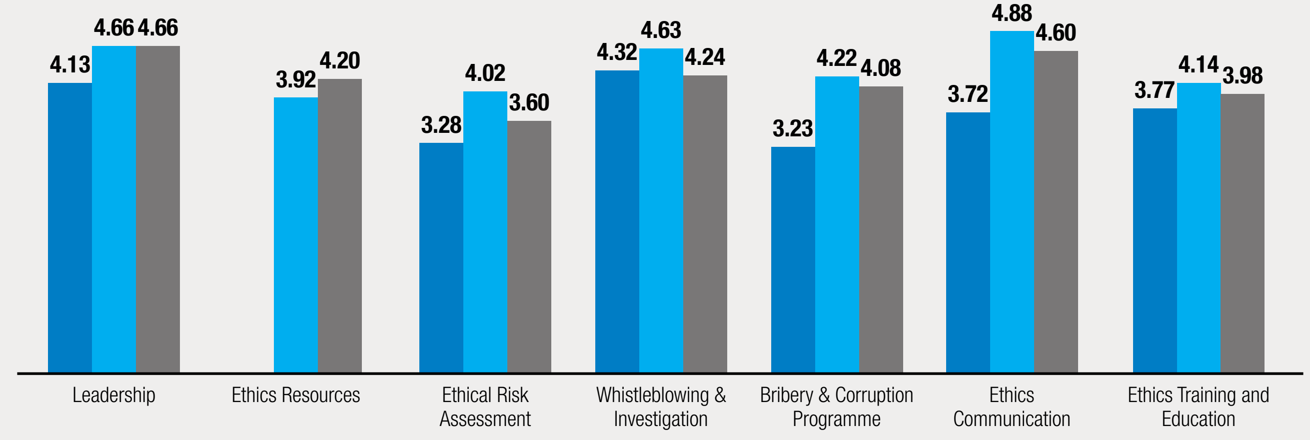
The main aim of the survey was to gauge effectiveness of the Compliance and Ethics programme/initiatives as perceived by targeted employees. It also assessed the employees' depth of understanding and assimilation of the MISC's Code of Conduct and Business Ethics (CoBE) since its adoption and roll-out in August 2012.

In 2020, employees with employment period of more than six months across MISC Group participated in the survey. A total of 2,185 employees out of targeted 3,106 employees (70%) from MISC Group of Companies participated in the survey this year.

OPERATING RESPONSIBLY

SURVEY ANALYSIS - COMPLIANCE AND ETHICS SURVEY 2020

Comparison Study: Survey Conducted in 2015, 2018 & 2020



The Survey Results

The 2020 results indicate overall improvements from the first survey in 2015. MISC Group employees are confident that the management is demonstrating positive strong tone from the top by supporting the effective implementation of ethics and integrity intiatives within respective business units and subsidiaries.

COMPLIANCE AND ETHICS PROGRAMME – ACTIVITIES IN 2020

ANTI-BRIBERY AND CORRUPTION

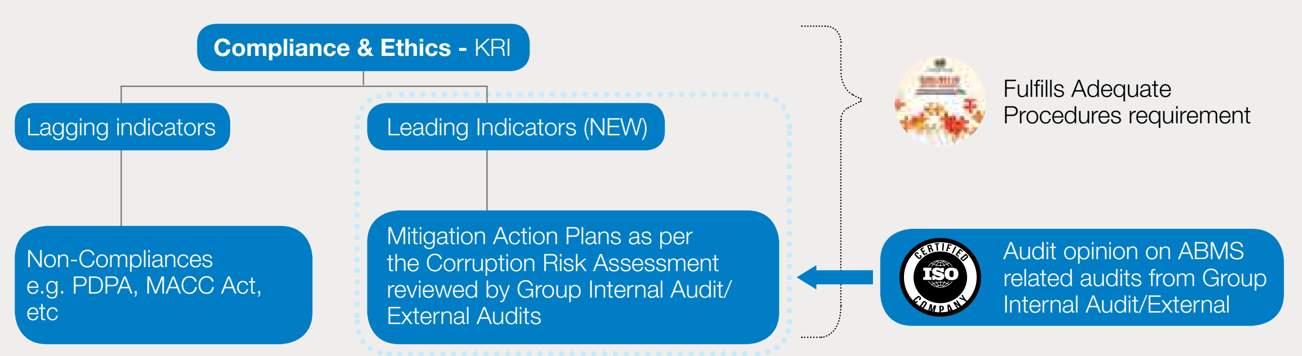
Bribery and Corruption Risk Management

The first bribery and corruption risk assessment was conducted in 2017. In October 2019, MISC Berhad commenced its first review and update of more comprehensive bribery and corruption assessment for each business units' and service units' key activity/ process.

A total of 56 bribery and corruption risks identified with 36 risks documented based on business units' and service units' key activities/processes.

MONITORING OF BRIBERY/CORRUPTION RISK MITIGATION CONTROLS

MISC RISK REGISTER 2021



In 2020, the Risk Management Committee (RMC) agreed for the bribery and corruption risk to be linked to the Enterprise Risk Management (ERM) in 2021 where the key risk indicator will now include a new leading indicator in MISC Berhad's risk register which will capture the Anti-Bribery Management System (ABMS) audit outcomes.

ISO 37001:2016 Anti-Bribery Management System (ABMS) Journey for MISC Group

We have zero calls at ports in 20 countries that have the lowest rankings in Transparency International's Corruption Perception Index.

Since 2019, MISC, MHB and AET have received certification for ISO 37001:2016 ABMS. Moving forward, MISC Group targets to complete the ISO 37001:2016 ABMS certification for Eaglestar, MMS and ALAM by the end of 2021.

REGULATORY AND LEGISLATION (R&L) REGISTER

As a diversified multinational, the Group's businesses are subject to laws and regulations of all the countries in which we operate. MISC has put in place measures to ensure that our employees and partners adhere to all applicable policies, procedures, laws and regulations of the countries in which we operate and consistently upholds the highest standards of integrity and accountability.

We have developed an R&L Register that contains the list of relevant laws and regulations to MISC Berhad's operations based on legal operating entities and by functions within MISC Berhad. This will eventually cover the whole of MISC Group – including foreign legislations.

SEE. SPEAK. SUPPORT. PROGRAMMES

MISC had launched the "See, Speak and Support" Campaign back in October 2017, with the objectives of highlighting, and creating awareness, on MISC's principal elements of the CoBE. There are three main themes:

SEE - If you see something or hear something that makes you feel uncomfortable, do not ignore it.

SPEAK - It takes courage to speak up. Talk with your supervisor, Human Resource division or the Compliance division.

SUPPORT - Do not underestimate the power of support. It can help a colleague to stand up and take action.

In 2020, the awareness sessions were conducted via online platforms on a quarterly basis and was conducted by distinguished external speakers and actively participated by an average of 250 employees per session.

Quarter	Topic
Quarter 1	**Conflict of interest** The insightful talk touched on the duty as an employee to declare any conflict of interest, the implications of being involved in a conflict of interest situation and shared on potential conflict of interest situations.
Quarter 2	**T.R.U.S.T (Compliance towards corporate liability)** The talk focused on Section 17A Corporate Liability Provision of the Malaysian Anti-Corruption Commission (MACC) Act 2009 and Guidelines on Adequate Procedures, in light of the enforcement of the Corporate Liability Provision on 1 June 2020.
Quarter 3	**Confidentiality obligations** Touched on the definition of upholding confidentiality in law and as stated in the MISC CoBE, duty of care that is imposed on employees whilst being employed in MISC as well as post-employment obligations and lastly case studies related to confidentiality breach.
Quarter 4	**Conducive workplace - Free of discrimination and harassment** The topic covered the meaning of creating a conducive workplace environment, types of discriminations and harassments that could take place in an organisation as well as sharing of case studies.

OPERATING RESPONSIBLY

TRAINING – EMPLOYEES, THIRD PARTIES AND DIRECTORS

E-learning Refresher Compliance Training Programmes

i) The Annual CoBE e-Learning refresher courses are mandated for employees and the Board. The refresher course includes guidelines on dealing with improper solicitation, bribery and other corrupt activities as well as issues that may arise in the course of doing business on behalf of MISC.
ii) There are six compliance-related modules that have been rolled out to employees in phases namely Human Rights Management, Personal Data Protection and Privacy Compliance, Third-Party Risk Management (TPRM), Sanctions, Anti-Bribery and Corruption Manual and Competition Law.
iii) The Compliance unit has attended trainings and online webinars as part of the Compliance resources' capacity building initiative. The trainings are related to sanctions, anti-bribery management, identifying risk ratings, sanctions on shipping industry, among others. For more information and details on the trainings, please visit www.misc.com.my/compliance.

Third party briefing on CoBE and Sustainability

CoBE training for third-party service providers has been conducted annually since 2018. This year's session registered 70 participants from 47 third parties of MISC Group. The training forms part of MISC's initiative on enhancing MISC Group's Supply Chain Management to ensure that our third parties are aware of our CoBE and other requirements and expectations from them and shall comply to similar standards as per our CoBE.

Annual Conflict of Interest (COI) Declaration to employees and Board members

Objective: The intent of the annual COI disclosure is to identify any actual, perceived, or potential COIs amongst employees and Directors of MISC. This is important to ensure that appropriate measures are being taken so that it poses no risks to MISC, Directors and its employees. A total of 100% of MISC Berhad and Eaglestar employees' have completed the Annual COI Disclosure for 2020.	
Employees	On 18 May 2020, the Annual COI Declaration for the Year 2020 was rolled out as part of the assurance exercise in relation to Avoidance of Conflict of Interest under Part IIA of the MISC CoBE. A similar exercise will be conducted independently by the rest of the subsidiaries.
Board of Directors	Board of Directors declaration currently managed by Group Secretarial Services (GSS) and the outcome will be reflected in Corporate Governance Overview Statement on page 260.

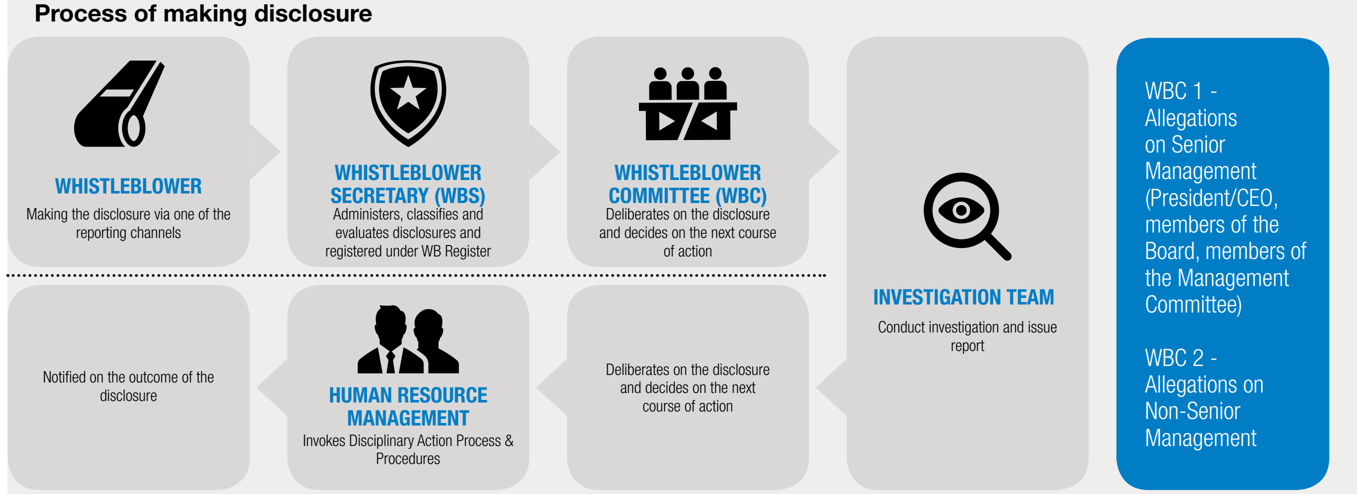
WHISTLEBLOWING

The Whistleblowing Policy provides an avenue for all employees to disclose and report any suspected unethical and/or unlawful conduct or non-compliance with the CoBE involving MISC and/or any of our employees. In line with the highest standards of integrity expected of the Company and its employees and the Malaysian Code on Corporate Governance 2017, the BARC shall also review whistleblowing reports submitted to it.

BARC as the governing body shall also be updated in respect of compliance and ethics related matters as good governance and to ensure the objectives of the Compliance and Ethics Programme 2020 is effectively implemented.

WHISTLEBLOWING PROCESS - MISC BERHAD

Process of making disclosure



In 2020, there were four cases raised through the whistleblowing channels. All cases were investigated and deliberated by the WBC2, with three cases closed with no delinquency. However, one case is still under investigation as it was reported in December 2020.

POLICY REVIEWS AND IMPLEMENTATIONS

Corporate Privacy Policy

Following the adoption of the Corporate Privacy Policy and its Master Guidelines in 2019, MISC has rolled out new Personal Data and Information Notice to MISC Berhad employees, directors, vendors, clients, business partners and visitors. A new Privacy Notice for MISC's corporate website was also developed to provide information regarding the processing of personal data of visitors that's collected from MISC website, social media pages or email messages.

Ongoing gap analysis is being conducted with business units and service units to ensure compliance with data privacy laws and regulations prioritising on Human Resource and Group Health, Safety, Security and Environment (GHSSE) divisions as these two divisions handle the most personal data within MISC.

Competition Protocols

MISC has Competition Law Guidelines in place which outline the main competition laws applicable in most jurisdictions around the world as well as providing guidelines in ensuring that MISC strictly complies with these rules in its day-to-day business. MISC has subsequently adopted two Competition Law Compliance Protocols in 2020 to support the Competition Law Guidelines as below:

i) MISC's Competition Law Compliance Protocol on Meetings and Information Sharing
ii) MISC's Competition Law Compliance Protocol on Merger and Acquisition Transactions

Third Party Compliance Due Diligence Operational Guidelines (TPCDDOG)

MISC's TPCDDOG sets out the basic guidelines and procedures relating to Compliance Due Diligence to be conducted across all business units within MISC (including subsidiaries). It is good practice to assess the third parties to ensure that the business relationship with MISC does not pose significant Associated Compliance Risk, which refers to corruption and bribery risk, risk of COI, economic sanctions and export control risk, Anti-competition, credit risk (for clients), human rights and modern slavery risk and other relevant compliance and regulatory risk.

Business units and subsidiaries are required to ensure that the Compliance Due Diligence are performed on third parties by the completion of the Know Your Counterparty (KYC) Questionnaire, internal screening of third parties via KYC online checks, and to assess the potential Associated Compliance Risk using the Due Diligence Risk Assessment Checklist. In instances where the level of Associated Compliance Risk is indicated as medium or high, an Enhanced Compliance Due Diligence (ECDD) shall be undertaken. The ECDD shall nevertheless be undertaken for all proposed transactions involving mergers and acquisitions and business joint-ventures. Where 'red flags' are identified, the appropriate mitigation plans are then initiated and executed.

HUMAN RIGHTS COMMITMENT AND MODERN SLAVERY POLICY AND STATEMENT

In 2018, MISC established a cross-functional Human Rights Working Group (HRWG) to consider the way MISC implements its human rights commitments across the business and determine any adjustments or enhancement opportunities to improve our human rights performance. The HRWG is tasked, amongst others, to develop policies and procedures which included the adoption of a Modern Slavery Policy, to conduct risk assessments and due diligence and propose improvement actions to mitigate risks identified. The HRWG consists of representatives from all business units and subsidiaries and chaired by the Vice President (VP) of Legal, Corporate Secretarial and Compliance (LCSC).

MISC Group's Human Rights management is guided by the United Nations Guiding Principles on Business and Human Rights. In 2019, MISC Group established its Human Rights commitment and Modern Slavery policy and statement.

Since then, MISC Group has conducted Social Risk Assessment (SRA) for two of our business segments. The assessment was done according to PETRONAS SRA Guideline PTG 19.90.05.

The SRA focuses on the assessment of social risk variables under the Human Rights elements in accordance to MISC Group's Human Rights commitment:

Labour and working condition

- Forced labour
- Child labour and young workers
- Non-discrimination
- Freedom of association
- Workplace / accommodation health and safety
- Conditions of employment and work

Responsible security

- Conduct of third-party security
- Human rights training
- Mechanism to report on security personnel

Community well-being

- Land management (right of way, compensation, access to natural resources)
- Indigenous peoples
- Cultural heritage
- Community health and safety
- In-migration
- Grievance mechanism

Supply chain management

- Contractor/Supplier performance related to labour and working conditions, responsible security and community well-being
- Corruption and bribery

OPERATING RESPONSIBLY

IN 2019 AND 2020:

No. of Human Rights assessment conducted:
2

Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments:
42%

Total number of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening:
9
(Human Rights requirement is a standard clause in all agreements and contracts)

No. of Human Rights physical training session conducted:
3

No. of employees trained on Human Rights:
100%
(Human Rights training compulsory for MISC Berhad executives and above)

Additionally, as part of the Sustainability Strategy 2021-2025, Governance and Business Ethics Pillar's strategic priorities for values, assurance, business ethics, each business units and subsidiaries shall be re-assessed upon significant operational changes or maximum every three years.

In general, the outcomes of the SRAs showed that human rights practices for employees is in accordance with the International Labour Organisation (ILO) and Maritime Labour Convention. The main gaps that are identified are related to the lack of human rights assessment for supply chain related activities. Following this, MISC's 2021-2025 Sustainability Strategy will be addressing this gap under its Responsible Supply Chain programme. Please refer to the Anchoring Sustainability @ MISC section on page 122 of this Integrated Annual Report for more information.

PUBLIC POLICY POSITIONS/POLITICAL CONTRIBUTIONS

MISC does not allow for any political contributions, or the use of MISC's facilities, resources and equipment for any political related activities, campaigns or functions so as not to compromise its interest, nor do we receive any form of financial assistance from the government. Employees are also prohibited from using their position in MISC to influence political contributions and support, as stated in our Employee Handbook.

2021-2025 SUSTAINABILITY STRATEGY – GOVERNANCE PILLAR

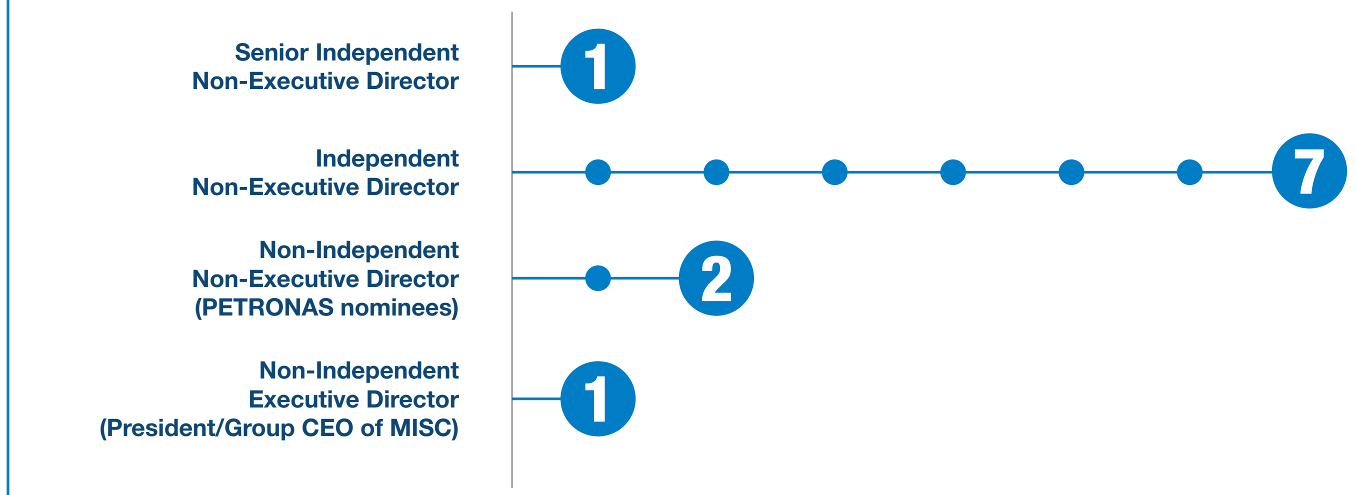
As part of the 2021-2025 Sustainability Strategy, the Governance Pillar's strategic priorities of values, assurance and business ethics aim is to continuously embed a culture of strong corporate governance and business ethics and conduct within the organisation. Please refer to the Anchoring Sustainability @ MISC section on page 104 of this Integrated Annual Report for more information.

SECTION 8

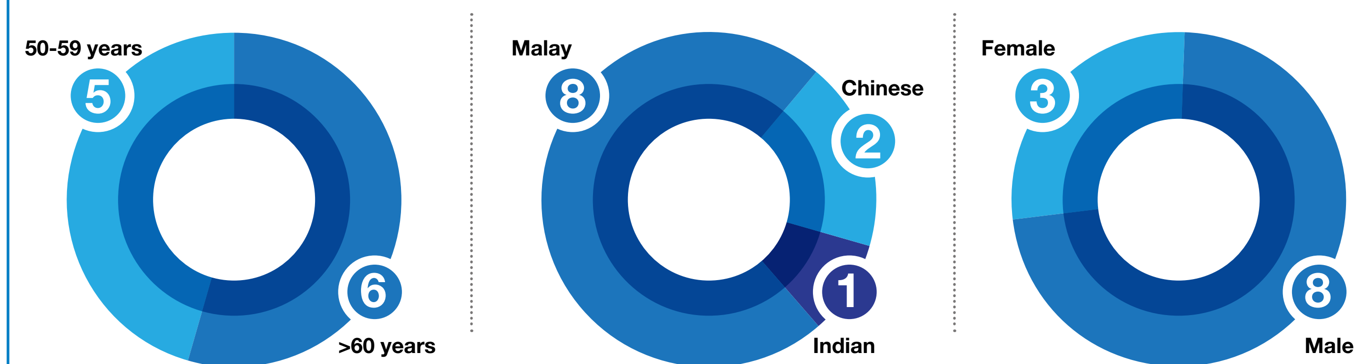
LEADERSHIP

OUR BOARD AT A GLANCE

COMPOSITION



AGE | ETHNICITY | GENDER



BOARD SKILLS AND EXPERIENCE MATRIX

PROFILES OF THE BOARD OF DIRECTORS

DATUK ABU HURAIRA ABU YAZID

CHAIRMAN
INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 67 | Male

DATE OF APPOINTMENT
- 9 October 2020 as Independent Non-Executive Director
- 1 January 2021 as Chairman, Independent Non-Executive Director

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
4 months

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
4/4

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Economics (Business Management), University of Malaya

SKILLS AND EXPERIENCE
- Economics
- Risk Management
- Corporate Planning & Development
- Corporate Governance
- Banking & Finance

PRESENT DIRECTORSHIPS

LISTED ISSUER:
- MISC Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Chairman, MISC Berhad
- Chairman, Pusat Rehab PERKESO Sdn. Bhd.

PAST EXPERIENCE
- Independent Non-Executive Director, United Overseas Bank (M) Bhd (UOB Bank)
- Chairman, Board Risk Management Committee, UOB Bank
- Chairman, Board Remuneration Committee, UOB Bank
- Member, Board Audit Committee, UOB Bank
- Member, Board Nomination Committee, UOB Bank
- Chairman, Social Security Organisation (SOCSO)
- Chairman, Investment Panel, SOCSO
- Chairman, Board Committees, SOCSO
- Executive Director, Pos Malaysia Berhad
- Chief Executive Officer, National Savings Bank
- General Manager, Public Bank Berhad
- Vice-President, Citibank Berhad
- Vice-President, Chase Manhattan (now known as JP Morgan Chase)
- Head of Maybank card business, Maybank

PROFILES OF THE BOARD OF DIRECTORS

YEE YANG CHIEN

PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER
NON-INDEPENDENT EXECUTIVE DIRECTOR
Malaysian | Age: 53 | Male

DATE OF APPOINTMENT
1 January 2015

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
6 years and 1 month

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
14/14

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Double-degree in Financial Accounting/Management and Economics, University of Sheffield, UK

SKILLS AND EXPERIENCE
- Finance & Audit
- Economics
- Commercial & Marketing
- Operations
- Corporate Planning & Development
- Shipping
- Human Resource
- Risk Management

PRESENT DIRECTORSHIPS

LISTED ISSUERS:
- MISC Berhad
- Malaysia Marine and Heavy Engineering Holdings Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Chairman and Board Member of various companies in MISC Group
- Director of the Members' Committee, The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UK P&I Club)
- Member of the Advisory Council, Global Maritime Forum
- Member of the Advisory Board, Lloyd's Register
- Member of the International Advisory Panel for Decarbonisation, Singapore Maritime Foundation

PAST EXPERIENCE
- Chief Operating Officer, MISC Berhad
- Vice President, Corporate Planning, MISC Berhad
- Group Vice President, Corporate Planning, AET Group
- Senior Manager, Research and Evaluation, Corporate Planning and Development Unit, MISC Berhad
- Auditor, undertaking both external and internal audit assignments, and progressed on to equity research and investment banking work with various local and international financial institutions

DATO' SEKHAR KRISHNAN

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 65 | Male

DATE OF APPOINTMENT
- 15 January 2015 as Independent Non-Executive Director
- 8 August 2017 as Senior Independent Non-Executive Director

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
6 years and 1 month

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
14/14

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

SKILLS AND EXPERIENCE
- Finance & Audit
- Risk Management
- Corporate Planning & Development
- Corporate Governance
- Legal & Regulatory

PRESENT DIRECTORSHIPS

LISTED ISSUER:
- MISC Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Chairman, Board Audit Committee, MISC Berhad
- Member, Board Governance and Risk Committee, MISC Berhad

PAST EXPERIENCE
- Executive Vice President, Corporate Services, Sime Darby Berhad
- Group Chief Financial Officer, Sime Darby Berhad
- Finance Director, Tractors Malaysia Holdings Berhad
- Finance Director, Sime UEP Properties Berhad
- Peat Marwick Mitchell & Co. (now known as KPMG)

Financial Review / Business Review / Leadership / Governance / Financial Statements

PROFILES OF THE BOARD OF DIRECTORS

DATUK NASARUDIN MD IDRIS

INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 65 | Male

DATE OF APPOINTMENT
- 11 October 2004 as Non-Independent Non-Executive Director
- 15 June 2010 as President/CEO
- 1 January 2015 re-designated as Non-Independent Non-Executive Director
- 23 February 2017 re-designated as Independent Non-Executive Director

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
4 years (as Independent Non-Executive Director)

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
14/14

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Masters Degree in Business Administration, Henley – The Management College (Brunel University), UK
- Bachelor of Arts (Honours) Degree, University of Malaya, Malaysia
- Stanford Executive Programme, Stanford University, USA

SKILLS AND EXPERIENCE
- Corporate Planning & Development
- Operations
- Shipping
- Human Resource
- Finance & Audit
- Risk Management
- Corporate Governance
- Commercial & Marketing

PRESENT DIRECTORSHIPS

LISTED ISSUERS:
- MISC Berhad
- Malaysia Marine and Heavy Engineering Holdings Berhad
- Bintulu Port Holdings Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Chairman, Nomination and Remuneration Committee, MISC Berhad
- Member, Board Audit Committee, MISC Berhad
- Chairman, Malaysia Marine and Heavy Engineering Holdings Berhad
- Chairman, Finance & Investment Committee, Bintulu Port Holdings Berhad
- Chairman, Samalaju Industrial Port Sdn. Bhd.

PAST EXPERIENCE
- Board Member, PETRONAS
- Vice President, Corporate Planning and Development, PETRONAS
- Group Chief Executive Officer, KLCC Holdings Berhad
- Senior General Manager, Corporate Planning and Development Division, PETRONAS
- Executive Assistant to the President, PETRONAS
- General Manager, Marketing, PETRONAS Dagangan Berhad
- General Manager, Corporate Development, PETRONAS
- General Manager, Group Strategic Planning, PETRONAS

DATIN NORAZAH MOHAMED RAZALI

INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 50 | Female

DATE OF APPOINTMENT
- 9 October 2020

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
4 months

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
4/4

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Master of Business Administration, Imperial College Business School, University of London, UK
- Diploma in Management, Imperial College, University of London, UK
- Bachelor of Laws (Honours) (Syariah and Common Law), International Islamic University Malaysia

SKILLS AND EXPERIENCE
- Corporate Planning & Development
- Corporate Governance
- Risk Management
- Human Resource

PRESENT DIRECTORSHIPS

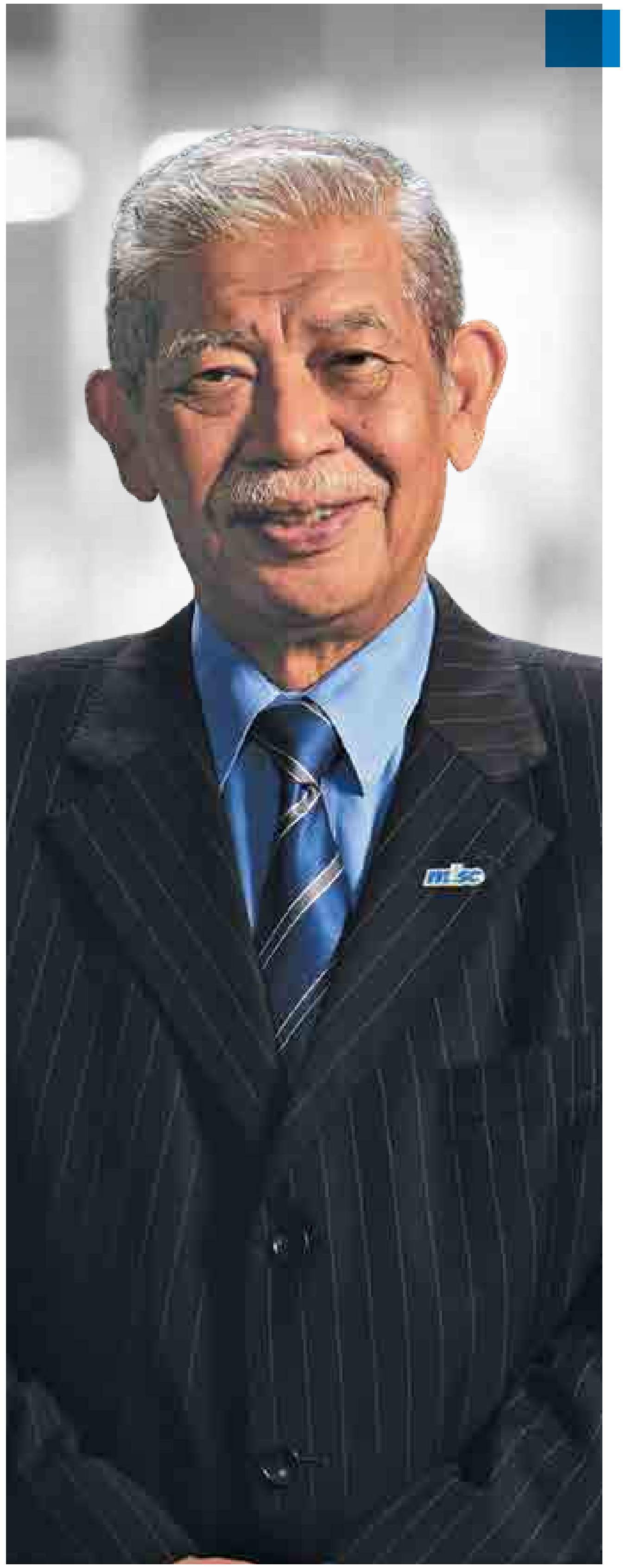
LISTED ISSUERS:
- MISC Berhad
- Sime Darby Property Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Chairperson, Board Governance and Risk Committee, MISC Berhad
- Independent Non-Executive Director, Sime Darby Property Berhad
- Chairman, Nomination and Remuneration Committee, Sime Darby Property Berhad
- Member, Audit Committee, Sime Darby Property Berhad
- Independent Non-Executive Director, Cradle Fund Sdn. Bhd.
- Chairman, Nomination and Remuneration Committee, Cradle Fund Sdn. Bhd.
- Member, Investment Panel, Penjana Kapital Sdn. Bhd.
- Senior Advisor, The Boston Consulting Group

PAST EXPERIENCE
- Partner and Managing Director, Member of BCG SE Asia Executive Leadership, The Boston Consulting Group
- Head of BCG Malaysia, The Boston Consulting Group
- Principal, The Boston Consulting Group
- Consultant & Project Manager, The Boston Consulting Group
- Consultant, Booz, Allen & Hamilton, Singapore
- Solicitor, M/s Sidek, Teoh, Wong & Dennis, Advocates & Solicitors, Malaysia

PROFILES OF THE BOARD OF DIRECTORS



DATO' AB. HALIM MOHYIDDIN

INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 75 | Male

DATE OF APPOINTMENT
- 15 January 2015 as Chairman, Independent Non-Executive Director
- 1 June 2020 re-designated as Independent Non-Executive Director

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
6 years and 1 month

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
14/14

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Master of Business Administration, University of Alberta, Canada
- Bachelor of Economics in Accounting, University of Malaya, Malaysia
- Diploma in Accountancy, University of Malaya, Malaysia
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

SKILLS AND EXPERIENCE
- Finance & Audit
- Economics
- Risk Management
- Corporate Planning & Development
- Corporate Governance

PRESENT DIRECTORSHIPS

LISTED ISSUERS:
- MISC Berhad
- KNM Group Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Member, Board Governance and Risk Committee, MISC Berhad
- Chairman, KNM Group Berhad
- Member, Audit Committee, KNM Group Berhad
- Chairman, Nomination Committee, KNM Group Berhad
- Member, Remuneration Committee, KNM Group Berhad

PAST EXPERIENCE
- Chairman, MISC Berhad
- Chairman, Audit Committee, KNM Group Berhad
- Chairman, Nomination and Remuneration Committee, PETRONAS Gas Berhad
- Member, Board Audit Committee, PETRONAS Gas Berhad
- Chairman, Amway (Malaysia) Holdings Berhad
- Chairman, Board Audit Committee, Amway (Malaysia) Holdings Berhad
- Member, Nomination Committee, Amway (Malaysia) Holdings Berhad
- Member, Remuneration Committee, Amway (Malaysia) Holdings Berhad
- Partner, KPMG /KPMG Desa Megat & Co.
- Member, Education Committee International Federation of Accountants

LIM BENG CHOON

INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 61 | Male

DATE OF APPOINTMENT
16 August 2012

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
8 years and 6 months

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
14/14

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Science (Honours) in Mathematics and Computer Science, Australian National University, Canberra, Australia
- Accenture Management Training Programmes, including the IMD Leadership Programme in Switzerland

SKILLS AND EXPERIENCE
- Corporate Planning & Development
- Human Resource
- Operations
- Risk Management
- Information Technology
- Corporate Governance

PRESENT DIRECTORSHIPS

LISTED ISSUERS:
- MISC Berhad
- PETRONAS Dagangan Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Member, Board Audit Committee, MISC Berhad
- Member, Nomination and Remuneration Committee, MISC Berhad
- Chairman, Nomination and Remuneration Committee, PETRONAS Dagangan Berhad
- Member, Board Audit Committee, PETRONAS Dagangan Berhad
- Trustee, ECM Libra Foundation

PAST EXPERIENCE
- Board Member, Universiti Pendidikan Sultan Idris
- Board Member, PETRONAS Gas Berhad
- Board Member, Hong Leong Bank Berhad
- Country Managing Director, Accenture, the global consulting, technology and outsourcing company
- Managing Partner, Accenture's Resources Industry Group (Oil & Gas, Chemicals, Utilities and Natural Resources) in Southeast Asia, India and Korea

PROFILES OF THE BOARD OF DIRECTORS

DATO' ROZALILA ABDUL RAHMAN

INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 59 | Female

DATE OF APPOINTMENT
1 August 2018

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
2 years and 6 months

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
13/14

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Food Science & Technology, Universiti Pertanian Malaysia, Malaysia
- Certificate of Merit (JAL Summer Scholarship Programme), Sophia University, Tokyo, Japan
- Diploma in Science with Education (Math Major), Universiti Pertanian Malaysia, Malaysia

SKILLS AND EXPERIENCE
- Commercial & Marketing
- Corporate Planning & Development
- Corporate Governance
- Retail, manufacturing operations and quality assurance of fast-moving consumer goods
- Telco, e-Commerce, m-Commerce including TV home shopping experience

PRESENT DIRECTORSHIPS

LISTED ISSUERS:
- MISC Berhad
- Affin Bank Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Member, Nomination and Remuneration Committee, MISC Berhad
- Chairman, Group Board Risk Management Committee, Affin Bank Berhad
- Member, Group Board Audit Committee, Affin Bank Berhad
- Managing Director and owner of Lestari Prestasi Sdn. Bhd.
- Board Member, Awake Asia Distribution Sdn. Bhd.

PAST EXPERIENCE
- Chief Executive Officer, Astro GS Shop Sdn. Bhd.
- Chief Marketing Officer, TM Berhad
- General Manager, Maxis Berhad
- Sales & Marketing Director, Bank Simpanan Malaysia
- Marketing Manager, Reckitt Benckiser (M) Sdn. Bhd., Malaysia & Singapore
- Marketing Manager, Kellogg Asia Inc., Southeast Asia
- Various managerial positions in Technical and Marketing at Unilever (M) Holdings Sdn. Bhd., Malaysia & Singapore
- Cold Room Supervisor, Perwira Niaga Malaysia (PERNAMA)
- 33 years of working experience in the area of business and strategic marketing, consumer lifestyle and brand management, product lifecycle management including technical expertise in retail, telecommunications and fast-moving consumer goods industries.

MOHAMMAD SUHAIMI MOHD YASIN

INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 60 | Male

DATE OF APPOINTMENT
9 October 2020

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
4 months

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
4/4

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Master of Business Administration, Saint Louis University, USA
- Bachelor of Science (Accounting), Indiana State University, USA
- Diploma in Accountancy, Mara Institute of Technology, Malaysia

SKILLS AND EXPERIENCE
- Commercial & Marketing
- Risk Management
- Corporate Planning & Development
- Finance & Audit
- Oil & Gas
- Corporate Governance

PRESENT DIRECTORSHIPS

LISTED ISSUER:
- MISC Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Member, Board Governance and Risk Committee, MISC Berhad
- Advisor, SC Tubular Solutions Malaysia Sdn. Bhd.

PAST EXPERIENCE
- Independent Non-Executive Director, Alam Maritim Resources Berhad
- Chairman, Risk Management Committee, Alam Maritim Resources Berhad
- Member, Audit Committee, Alam Maritim Resources Berhad
- Member, Nomination and Remuneration Committee, Alam Maritim Resources Berhad
- Senior General Manager, Project Procurement Management Department, Technology & Engineering Division, PETRONAS
- Senior General Manager, Corporate Services, PETRONAS Carigali Sdn. Bhd.
- Senior General Manager, Group Supply Chain Management Department, PETRONAS
- Senior General Manager, Group Tenders & Contracts Division, PETRONAS
- General Manager, Commercial Division, Malaysia LNG Sdn. Bhd.
- Managing Director/CEO, MITCO Japan Sdn. Bhd. & PETRONAS Country Manager, Yokohama, Japan
- Executive Assistant to President, PETRONAS
- Deputy General Manager, Commercial, Malaysia LNG Tiga Sdn. Bhd.
- Manager, Finance & Services, Malaysia LNG Dua Sdn. Bhd.
- Section Head, Gas Accounting Section, Gas Processing Plant, PETRONAS Gas Sdn. Bhd.

PROFILES OF THE BOARD OF DIRECTORS

LIZA MUSTAPHA

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 50 | Female

DATE OF APPOINTMENT
1 July 2017

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
3 years and 7 months

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
12/14

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Science Degree in Economics, majoring in Accounting and Finance, The London School of Economics and Political Science, UK
- Fellow of the Association of Chartered Certified Accountants
- Advance Management Programme, The Harvard Business School, USA

SKILLS AND EXPERIENCE
- Finance & Audit
- Corporate Planning & Development
- Operations
- Risk Management
- Oil & Gas

PRESENT DIRECTORSHIPS

LISTED ISSUERS:
- MISC Berhad
- KLCC Property Holdings Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Member, Board Audit Committee, MISC Berhad
- Member, Audit Committee, KLCC Property Holdings Berhad
- Member, Nomination and Remuneration Committee, KLCC Property Holdings Berhad
- Senior Vice President & Group Chief Financial Officer, PETRONAS
- Board Member of various companies in PETRONAS

PAST EXPERIENCE
- Vice President, Group Procurement Project Delivery & Technology, PETRONAS
- Group Financial Controller, PETRONAS
- Chief Financial Officer, PETRONAS' Upstream Business
- Senior General Manager, PETRONAS Group Treasury
- Chief Financial Officer, PETRONAS Gas Berhad

MOHD YUSRI MOHAMED YUSOF

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Malaysian | Age: 54 | Male

DATE OF APPOINTMENT
7 December 2017

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
3 years and 2 months

NUMBER OF BOARD MEETINGS ATTENDED IN 2020
14/14

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Science Degree in Chemical Engineering, Oklahoma State University, USA
- Advanced Management Programme, The Wharton School, University of Pennsylvania, USA
- Registered Professional Engineer (PE), Board of Engineers Malaysia
- Fellow (FIChemE), Institution of Chemical Engineers, UK

SKILLS AND EXPERIENCE
- Engineering
- Economics
- Operations
- Commercial & Marketing
- Corporate Planning & Development
- Human Resource
- Risk Management
- Corporate Governance
- Oil & Gas

PRESENT DIRECTORSHIPS

LISTED ISSUER:
- MISC Berhad

OTHER PUBLIC COMPANY:
- NIL

PRESENT APPOINTMENTS
- Member, Nomination and Remuneration Committee, MISC Berhad
- Vice President, Refining and Trading, Downstream Business, PETRONAS
- Board Member of various companies in PETRONAS

PAST EXPERIENCE
- Head, Manufacturing, PETRONAS Chemicals Group
- MD/CEO, PETRONAS Chemicals Derivatives Sdn. Bhd.
- GM, Ethylene Malaysia Sdn. Bhd.

DECLARATION BY ALL DIRECTORS
- No family relationship with any Director/Major Shareholder of MISC Berhad
- No conflict of interest with MISC Berhad
- No conviction for any offences within the past 5 years other than traffic offences, if any
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2020

PROFILES OF THE MANAGEMENT COMMITTEE

YEE YANG CHIEN

PRESIDENT/GROUP CEO
Malaysian | Age: 53 | Male

DATE OF APPOINTMENT
1 January 2015

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
6 years and 1 month

RESPONSIBILITIES
- Implementation of policies, strategies and decisions as formulated by the Board and overseeing the day-to-day management and operations of MISC Group
- Ensuring that a sound management structure is in place

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Double-degree in Financial Accounting/ Management and Economics, University of Sheffield, UK

PRESENT APPOINTMENTS
- Board Member, MISC Berhad
- Chairman and Board Member, various subsidiaries within the MISC Group
- Board Member, Malaysia Marine and Heavy Engineering Holdings Berhad
- Director of the Members' Committee, The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UK P&I Club)
- Member of the Advisory Council, Global Maritime Forum
- Member of the Advisory Board, Lloyd's Register
- Member of the International Advisory Panel for Decarbonisation, Singapore Maritime Foundation

PAST EXPERIENCE
- Chief Operating Officer, MISC Berhad
- Vice President, Corporate Planning, MISC Berhad
- Group Vice President, Corporate Planning, AET Group
- Senior Manager, Research and Evaluation, Corporate Planning and Development Unit, MISC Berhad
- Auditor, undertaking both external and internal audit assignments, and progressed on to equity research and investment banking work with various local and international financial institutions

CAPTAIN RAJALINGAM SUBRAMANIAM

PRESIDENT & CEO, AET TANKER HOLDINGS SDN. BHD.
Malaysian | Age: 55 | Male

DATE OF APPOINTMENT
1 January 2016

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
5 years and 1 month

RESPONSIBILITIES
- Overall leadership and management of AET, the petroleum and product shipping arm of MISC
- Development of AET's sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Post Graduate Masters in Business Administration
- Master Certificate (Foreign Going), Malaysian Maritime Academy Sdn. Bhd. (ALAM)
- Executive Education in a Finance Program, INSEAD Fontainebleau

PRESENT APPOINTMENTS
- Board Member, various subsidiaries within the MISC Group
- Board Member, GARD P&I
- Chair, various class committees
- Honorary Commander, Royal Malaysian Navy Reservist Program

PAST EXPERIENCE
- Vice President, Fleet Management Services, MISC Berhad
- Group Vice President, AET Shipmanagement
- General Manager, AET
- Winner of the 2018 Tanker Shipping & Trade Industry Leader Award
- Awarded – National Seafarers Icon 2017 – Malaysia Marine Department

ZAHID OSMAN

VICE PRESIDENT, LNG BUSINESS
Malaysian | Age: 48 | Male

DATE OF APPOINTMENT
1 August 2017

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
3 years and 6 months

RESPONSIBILITIES
- Overall management and operations of the LNG Business arm of MISC
- Development of the LNG Business' sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Master in Business Administration, University of Chicago Booth School of Business, USA
- Degree in Industrial Economics, University of Nottingham, UK
- Management Program on Strategy Creation, Columbia Business School

PRESENT APPOINTMENTS
- Board Member, various subsidiaries and joint venture companies within the MISC Group
- Council Member and Chairman of Government & Regulatory Affairs Working Committee, Malaysian Gas Association
- Chairman of Advisory Panel at Malaysia Women in Energy (MyWiE)
- Committee Member, The London P&I Club

PAST EXPERIENCE
- Vice President of Venture Development, Shell Integrated Gas & New Energies
- Management positions in finance, Liquefied Natural Gas (LNG) marketing and trading, business development, commercial, Upstream production sharing contract (PSC), stakeholder management, Joint Venture (JV) governance, gas advocacy and project management in Upstream, Downstream, Integrated Gas and Trading businesses, Shell Group of Companies

SYED HASHIM SYED ABDULLAH

VICE PRESIDENT, OFFSHORE BUSINESS
Malaysian | Age: 64 | Male

DATE OF APPOINTMENT
5 May 2015

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
5 years and 9 months

RESPONSIBILITIES
- Overall management and operations of the Offshore Business arm of MISC
- Development of the Offshore Business' sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Diploma in Industrial Chemistry, Institute Technology MARA
- Senior Management Development Program, INSEAD

PRESENT APPOINTMENTS
- Board Member, various subsidiaries and joint venture companies within the MISC Group
- Board Member, Malaysia Marine and Heavy Engineering Holdings Berhad

PAST EXPERIENCE
- General Manager, Asset Management, Offshore Business, MISC Berhad
- General Manager, JV Operations, PETRONAS Carigali Sdn. Bhd.
- General Manager, Production Operations, PETRONAS Carigali Sdn. Bhd.

PROFILES OF THE MANAGEMENT COMMITTEE

PANDAI OTHMAN

MANAGING DIRECTOR & CEO, MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (MHB)
Malaysian | Age: 50 | Male

DATE OF APPOINTMENT
1 October 2020

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
4 months

RESPONSIBILITIES
- Overall management and operations of MHB, the marine and heavy engineering arm of MISC
- Development of MHB's sustainability and profitability through efficient and strategic business development and stakeholders management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Degree in Mechanical Engineering, University of Manchester Institute of Science and Technology (UMIST), Manchester, England

PRESENT APPOINTMENTS
- Board Member, MHB and various subsidiaries and jointly controlled entities within the MHB Group

PAST EXPERIENCE
- Senior General Manager, Integrated Hydrocarbon Management, Malaysia Petroleum Management, PETRONAS
- Senior General Manager, Plant Division, Malaysia LNG Sdn. Bhd.
- Project Director, PETRONAS LNG Train Project and Chief Executive Officer, PETRONAS LNG 9 Sdn. Bhd.
- Project Director Downstream, GLNG Project, Brisbane, Australia
- Shareholders' Representative, Dragon LNG Project, Wales, UK
- Executive Assistant to the President, President's Office, PETRONAS
- Project Director, PML MegaMethanol Project, PETRONAS Methanol (Labuan) Sdn. Bhd.
- Engineering Manager, Egyptian LNG Project, Egypt
- Senior Project Engineer, MLNG Tiga Plant Project
- Project Engineer, Centralized Utilities Facilities (CUF) Project, PETRONAS Gas Berhad (PGB)
- Project Engineer, MLNG Tiga Plant Project
- Project Engineer, LPG Facilities Project
- Engineer (Developmental), MLNG Dua Plant Project

CAPTAIN RAJA SAGER MUNIANDY

MANAGING DIRECTOR/CEO, EAGLESTAR MARINE HOLDINGS (L) PTE. LTD.
Malaysian | Age: 59 | Male

DATE OF APPOINTMENT
1 May 2017

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
3 years and 9 months

RESPONSIBILITIES
- Overall management and operations of Eaglestar, an Integrated Marine Services company, in the MISC Group
- Development of Eaglestar's sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Master in Business Administration, University Utara Malaysia
- Master's Foreign Going Certificate of Competency, Ministry of Transport, New Zealand

PRESENT APPOINTMENTS
- Board Member, various subsidiaries within the MISC Group
- Director, Society of International Gas Tanker and Terminal Operators Ltd (SIGTTO)

PAST EXPERIENCE
- Head of Fleet Management Services, MISC Berhad
- Senior General Manager, Fleet Operations & Maintenance, MISC Berhad
- Fleet Director, AET Ship Management Pte. Ltd.
- General Manager, AET Ship Management (M) Sdn. Bhd.
- Master on Chemical Tankers

HAZRIN HASAN

MANAGING DIRECTOR & CEO, MISC MARITIME SERVICES SDN. BHD. (MMS)
Malaysian | Age: 54 | Male

DATE OF APPOINTMENT
1 April 2018

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
2 years and 10 months

RESPONSIBILITIES
- Overall management and operations of MMS, the port management and maritime services arm of MISC
- Development of MMS' and Sungai Udang Port's sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Certified Chief Engineer, Maritime and Coastguard Agency (MCA), UK
- Marine Engineering, South Tyneside College, UK
- Senior Management Development Program, INSEAD

PRESENT APPOINTMENTS
- Board Member, MMS Group
- Vice Chairman of Malaysia Shipowners' Association (MASA)

PAST EXPERIENCE
- Head, Ship Operations and Contract Management, LNG Business, MISC Berhad
- General Manager, Project Management Ship, Group Technical Services
- Managerial roles in Fleet Management Services (FMS) and the Human Resource function in FMS
- Joined MISC as an Engine Cadet and had sailed on MISC LNG vessels, finishing his sea career as Chief Engineer

RAJA AZLAN SHAH RAJA AZWA

VICE PRESIDENT, FINANCE
Malaysian | Age: 50 | Male

DATE OF APPOINTMENT
8 April 2019

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
1 year and 10 months

RESPONSIBILITIES
- Overall management and coordination of financial reporting, financial planning, debt financing, treasury and budget management functions of the MISC Group
- Ensuring that the accounting procedures and reporting of the MISC Group complies with the relevant accounting principles, standards and regulations
- Ensuring procurement activities of the MISC Group complies with the procurement policies, procedures and governance requirements
- Provides tax advisory for the Group and tax planning for new ventures
- Ensuring ICT services and infrastructure systems supports the business needs and demands through secured platforms

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Degree in Accounting and Financial Management, University of Sheffield, UK
- Certified Public Accountant (CPA), Malaysian Institute of Certified Public Accountants

PRESENT APPOINTMENTS
- Board Member, various subsidiaries and joint venture companies within the MISC Group
- Board Member, Labuan Reinsurance (L) Ltd.
- Chairman, Audit Committee, Labuan Reinsurance (L) Ltd.

PAST EXPERIENCE
- Independent Non-Executive Director, IJN Holdings Sdn. Bhd.
- Chairman, Audit and Risk Management Committee, IJN Holdings Sdn. Bhd.
- Independent Non-Executive Director, D.B.E. Gurney Resources Berhad
- Chairman, Audit and Risk Management Committee, D.B.E. Gurney Resources Berhad
- Group Chief Executive Officer, Percon Corporation Sdn. Bhd.
- Executive Director, River of Life Hospital Sdn. Bhd.
- Head, Strategy and Innovation, Sime Darby Property
- Group Chief Executive Officer, Ramsay Sime Darby Health Care Group
- Managing Director, Sime Darby Healthcare Group
- Chief of Staff, Sime Darby Berhad
- Group Head, Strategy, Sime Darby Berhad
- Group Head, Corporate Finance and Corporate Planning, Sime Darby Berhad
- Group Head, Corporate Finance, Sime Darby Berhad
- Senior Manager, Corporate Finance, CIMB Investment Bank
- Auditor, Arthur Andersen and Co.

PROFILES OF THE MANAGEMENT COMMITTEE

EMRAN OTHMAN

VICE PRESIDENT, CORPORATE PLANNING
Malaysian | Age: 53 | Male

DATE OF APPOINTMENT
1 October 2018

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
2 years and 4 months

RESPONSIBILITIES
- Overall management and implementation of MISC Group corporate strategies and plans
- Manage and monitor risk management and internal controls for MISC Group

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Degree in Electrical Engineering, University of Texas El Paso

PRESENT APPOINTMENTS
- Board Member, various subsidiaries within the MISC Group
- Board Member, Malaysia Marine and Heavy Engineering Holdings Berhad
- Board Member, Gas District Cooling (KLIA) Sdn. Bhd.

PAST EXPERIENCE
- Board Member, various subsidiaries within the PETRONAS Group
- Head of Merger & Acquisition, PETRONAS
- General Manager, Business Development Unit, PETRONAS
- Manager, Planning & Performance, Group Strategic Planning, PETRONAS
- Business Planner, Strategic Planning Department, PETRONAS Carigali Sdn. Bhd. (PCSB)
- Electrical Engineer, PCSB

AUSMAL KARDIN

VICE PRESIDENT, LEGAL, CORPORATE SECRETARIAL AND COMPLIANCE
Malaysian | Age: 50 | Male

DATE OF APPOINTMENT
1 January 2020

LENGTH OF SERVICE (AS AT 24 FEBRUARY 2021)
1 year and 1 month

RESPONSIBILITIES
- Responsible for the management of all legal affairs, company secretarial services, compliance and insurance matters of the Group

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor's Degree in Law from the University of Wales, Aberystwyth, United Kingdom
- Licensed Company Secretary

PRESENT APPOINTMENTS
- Company Secretary of MISC Berhad
- Board Member, various subsidiaries within the MISC Group
- Company Secretary, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) and various subsidiaries and joint venture companies within the MHB Group
- Board Member, joint venture company within the MHB Group

PAST EXPERIENCE
- Senior General Manager, Legal, Corporate Secretarial & Human Resource, MHB
- Senior General Manager, Legal & Corporate Secretarial Affairs, MHB
- General Manager, Legal, Corporate Secretarial and Administration, MHB Group
- General Manager, Legal & Administration, MHB
- Vice President, Legal & Secretarial, Bumi Armada Berhad

SHARIZA MOHD JAFFAR SADIQ MARICAR

VICE PRESIDENT, HUMAN RESOURCE MANAGEMENT
Malaysian | Age: 45 | Female

DATE OF APPOINTMENT
1 March 2021

RESPONSIBILITIES
- Formulate people strategies and human resource agenda for MISC Group to identify and develop capable leaders for the Group through succession planning, competency profiling and learning and development
- Ensure the availability and constant supply of competent and able resources to support the Group's goals and aspirations for present and future

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Science in Business Administration majoring in Human Resource, Drexel University, USA

PRESENT APPOINTMENTS
- Nil

PAST EXPERIENCE
- Head, Human Resource Operations, MISC Berhad (MISC)
- Head, Recruitment, MISC
- Senior Manager, President/CEO Office, MISC
- Manager, President/CEO Office, MISC
- Manager, Project & Change Management, MISC

DECLARATION BY ALL MANAGEMENT COMMITTEE MEMBERS
- No family relationship with any Director/Major Shareholder of MISC Berhad
- No conflict of interest with MISC Berhad
- No conviction for any offences within the past 5 years other than traffic offences, if any
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2020

SECTION 9

GOVERNANCE

CORPORATE GOVERNANCE OVERVIEW STATEMENT

MISC's commitment to upholding shareholders' interests and the solid embodiment of corporate governance (CG) across the MISC Group continues to garner recognition, as MISC clinched the top spot as 2020's winner for 'Most Organised Investor Relations' and 'Most Consistent Dividend Policy' at the Alpha Southeast Asia's 10th Annual Institutional Investor Corporate Awards 2020. MISC also retained its position as second runner-up in the 'Strongest Adherence to Corporate Governance' category. In the FTSE4Good Bursa Malaysia Index of 2020, MISC maintained the full marks in Governance for a second consecutive year and was ranked in the top 25% by Environmental, Social and Governance (ESG) Ratings amongst public listed companies in Malaysia that were assessed.

MISC firmly believes that sound CG practices are fundamental towards winning investors' confidence and are pre-requisites to achieving the Company's ultimate objectives of enhancing long-term shareholder value and protecting stakeholders' interests. CG forms one of the pillars which uphold MISC's sustainability strategy. Hence, the Board strives to ensure that MISC's CG practices conform to the best practice recommendations of the Malaysian Code on Corporate Governance 2017 (MCCG 2017) and comply with the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities). MISC has subscribed to all 12 Intended Outcomes with some deviations from the MCCG 2017 Practices.

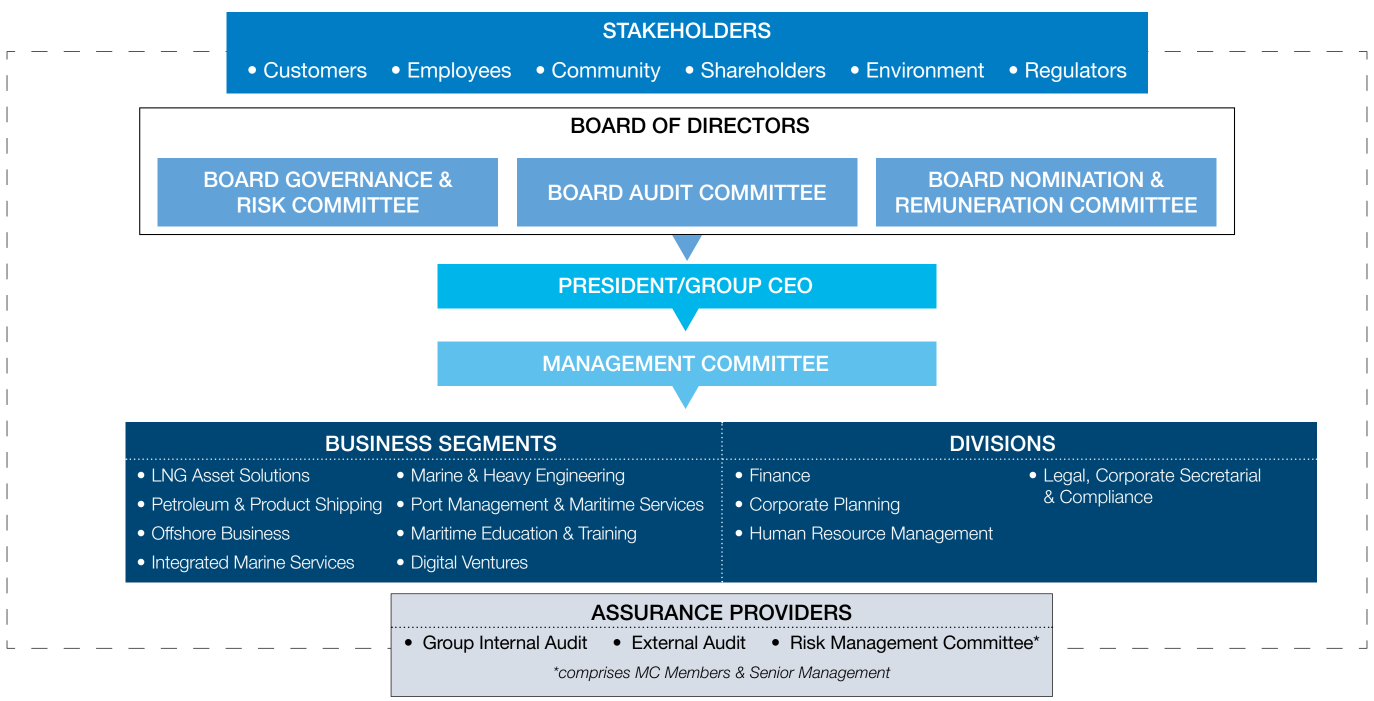
This CG Overview Statement seeks to provide investors and stakeholders with insights into the CG practices of MISC, specifically the following three key CG Principles as prescribed in the MCCG 2017:

Principle A	Principle B	Principle C
Board Leadership and Effectiveness	Effective Audit and Risk Management	Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This CG Overview Statement should be read together with the Company's CG Report 2020 which is available on our website at www.misc.com.my.

OUR CORPORATE GOVERNANCE FRAMEWORK

The CG framework of MISC, as depicted below, is reflective of the way strategic and operational activities are managed. The compositions of the Board Committees and Management are designed based on the respective areas of knowledge and expertise.



The CG framework is supplemented by the Board Charter, Terms of Reference of the respective Board Committees and the MISC Limits of Authority (LOA). MISC's Marine & Heavy Engineering business resides in a separate listed entity within the Group with its own CG framework which is modelled based on MISC's CG framework.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Purpose

The Board has the overall responsibility for providing oversight and stewardship to MISC in executing the Company's objectives. The Board understands its responsibility to exercise good governance and is guided by the principles and best practices as stated in the MCCG 2017.

Board Charter

In discharging the Board's duties and responsibilities effectively, the Board is guided by the MISC Board Charter, which provides the framework for the performance of the Board's function and duties vis-à-vis Management and the Company. The MISC Board Charter outlines amongst others the Board's and the individual Directors' roles and responsibilities, processes, functions and development, in order to attain efficiency in Board performance. The MISC Board Charter is consistent with the practices set out in the MCCG 2017.

For more information on the MISC Board Charter, please visit www.misc.com.my.

Board Roles and Responsibilities

In discharging its fiduciary and leadership functions, the main roles and responsibilities of the Board are as follows:

- Establishing a strategic plan and setting of targets for the Company in line with the Company's vision, mission and business objectives which supports long-term value creation and includes a sustainability agenda;
- Overseeing the conduct and performance of the Company and of the President/Group CEO against set goals and objectives;
- Upholding, together with Senior Management, good CG culture and business conduct within the Company and its employees, which reinforces ethical, prudent and professional behaviour;
- Identifying and understanding the principal risks of the Company and setting the Company's risk appetite and ensuring the implementation of appropriate systems to evaluate, monitor and manage these risks;
- Establishing an effective risk management and internal control framework, including regular review of the adequacy and the effectiveness of the framework;
- Reviewing the Company's strategic, capital or funding transactions and monitoring execution of these transactions;
- Ensuring the integrity and adequacy of the Company's financial and non-financial reporting and disclosure;
- Ensuring sound succession plan and continuous development of human capital, particularly the Senior Management, and ensuring there are measures in place for the orderly succession of the Board and Senior Management; and
- Developing and implementing an investor relations programme and putting in place procedures to enable effective communications with the stakeholders of the Company.

Matters reserved for the Board are clearly defined in the MISC LOA, which provides a clear demarcation between the responsibilities of the Board and Management. Board-reserved matters are generally divided into three (3) categories:

1. Statutory decisions for MISC based on regulatory and statutory requirements;
2. Strategic decisions for MISC Group; and
3. Operational decisions for MISC Group that are of high importance and value.

To facilitate an effective and efficient discharge of the Board's duties and responsibilities, the Board is complemented by three Board Committees, namely the Board Audit Committee (BAC), the Nomination and Remuneration Committee (NRC) and the recently formed Board Governance and Risk Committee (BGRC). All three Board Committees operate under their respective Terms of Reference. Nevertheless, the Board is ultimately accountable and responsible for the affairs and business of MISC.

The BAC provides oversight on the financial reporting process and internal control framework and policies as well as MISC's Whistleblowing Policy, whistleblowing management process and actions thereon.

The NRC provides oversight on Board performance, Board composition and diversity, Directors' skills and experience, Directors' induction and continuous training programmes, remuneration of Directors, Senior Management and employees, and succession planning for the Board and Senior Management.

As per our announcement to Bursa Securities on 10 December 2020, the Board had approved the establishment of the BGRC with effect from 1 January 2021, pursuant to Step Up Practice 9.3 of the MCCG 2017. The BGRC provides oversight on the risk management framework, policies and process as well as the sustainability strategy, whilst also monitoring governance practices and ensuring effectiveness of the compliance and ethics strategy.

For more information on the Board Committees, please refer to their respective reports on pages 282 to 289 (for the BAC), pages 275 to 281 (for the NRC) and pages 290 to 293 (for the BGRC) of this Integrated Annual Report.

Business Review / Leadership / Governance / Financial Statements / Additional Information /

MISC Berhad / Integrated Annual Report 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Composition and Diversity

The MISC Board comprises a majority of Independent Directors, in line with the MMLR and the MCCG 2017. The Board composition promotes diversity and enables various perspectives to be considered, which facilitates the making of informed decisions and the stewardship of the Company. The Board recognises the need for it to strategically evolve as a dynamic Board in accordance with the strategic direction of the Company. Hence, the Board actively reviews its composition to ensure it has the right balance of independence and diversity to effectively discharge its collective responsibilities.

As at 24 February 2021, the Board composition is as follows:

Director's Name	Age	Gender	Nationality/Ethnicity	Date of Appointment	Tenure (Years, "Y") (Months, "M")
Independent Non-Executive Directors (representing minority shareholders)					
Datuk Abu Huraira Abu Yazid (Chairman)	67	Male	Malaysian/Malay	9 October 2020	4M
Dato' Ab. Halim Mohyiddin	75	Male	Malaysian/Malay	15 January 2015	6Y 1M
Dato' Sekhar Krishnan	65	Male	Malaysian/Indian	15 January 2015	6Y 1M
Datuk Nasarudin Md Idris	65	Male	Malaysian/Malay	23 February 2017	4Y
Lim Beng Choon	61	Male	Malaysian/Chinese	16 August 2012	8Y 6M
Dato' Rozalila Abdul Rahman	59	Female	Malaysian/Malay	1 August 2018	2Y 6M
Datin Norazah Mohamed Razali	50	Female	Malaysian/Malay	9 October 2020	4M
Mohammad Suhaimi Mohd Yasin	60	Male	Malaysian/Malay	9 October 2020	4M
Non-Independent Non-Executive Directors (representing the major shareholder)					
Liza Mustapha	50	Female	Malaysian/Malay	1 July 2017	3Y 7M
Mohd Yusri Mohamed Yusof	54	Male	Malaysian/Malay	7 December 2017	3Y 2M
Executive Director (representing Management)					
Yee Yang Chien	53	Male	Malaysian/Chinese	1 January 2015	6Y 1M

Key facts:

- Majority of the Board members are Independent Non-Executive Directors (72.7%).
- Separate positions of Chairman and CEO.
- Tenure of Independent Non-Executive Directors do not exceed nine years.
- The re-election of Board members is done annually on a rotation basis in line with the Companies Act 2016 and the MMLR.

Each Director is expected to devote sufficient time to the Company in carrying out their duties and responsibilities. The Chairman will be notified before the Directors accept any new directorship outside the Group. The notification would include an indication of the time commitment required for the new appointment. In accordance with the MMLR, none of the Board members hold more than five directorships in listed companies.

Board Skills and Experience Matrix

	Datuk Abu Huraira Abu Yazid	Dato' Ab. Halim Mohyiddin	Yee Yang Chien	Dato' Sekhar Krishnan	Datuk Nasarudin Md Idris	Lim Beng Choon	Dato' Rozalila Abdul Rahman	Datin Norazah Mohamed Razali	Mohammad Suhaimi Mohd Yasin	Mohd Yusri Mohamed Yusof	Liza Mustapha
Finance/ Audit		●	●	●	●				●		●
Economics	●	●	●							●	
Risk Management	●	●	●	●	●	●		●	●	●	●
Corporate Planning & Development	●	●	●	●	●	●	●	●	●	●	●
Commercial & Marketing			●		●		●		●	●	
Operations			●		●	●				●	●
Corporate Governance	●	●		●	●	●	●	●	●	●	
Human Resource			●		●	●		●		●	
Information Technology						●					
Shipping			●		●						
Engineering										●	
Oil & Gas									●	●	●
Banking & Finance	●										
Legal & Regulatory				●							
Retail & Commerce							●				

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board believes that diversity in the Board composition is essential for good governance and a productive Board. The Board is of the view that each Director should be evaluated and/or appointed based on his or her merits with due consideration given to diversity, as stated in the MISC Board Diversity Policy, which forms part of the MISC Board Charter.

The Company is fully committed to meet the MCCG 2017 recommendation relating to gender diversity. The target of 30% women on the Board has been retained in the Board Key Performance Indicators for the financial year 2021. Following the appointment of Datin Norazah Mohamed Razali as an Independent Non-Executive Director of MISC in October 2020, the gender diversity ratio of women directors of the Company improved to 27.3%.

For more information on the Board members, please refer to their respective profiles on pages 240 to 251 of this Integrated Annual Report.

Demarcation of Responsibilities at the Board Level

Chairman

- Leads the Board and ensures the Board fulfils its obligations to the Company effectively
- Sets the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making
- Instils and monitors good CG practices and chairs all Board and shareholders' meetings
- Has the discretion to determine whether additional Board Committees are required to support the Board's role

President/Group CEO

- Leads the overall operations of the business and organisational effectiveness, with the support of the Management Committee
- Coordinates the development and implementation of policies and business strategies, as guided and approved by the Board
- Develops and translates policies and business strategies into a set of manageable goals and priorities based on effective risk management controls for business operations, investments and other activities
- Ensures that financial management practices are performed with the highest level of integrity and transparency in the interest of the Company's stakeholders
- Ensures that the business and affairs of the Company are carried out in an ethical manner and in compliance with the relevant laws and regulations

Senior Independent Director

- Sounding board for the Chairman of the Board
- Intermediary for other Directors and/or Chairman when necessary
- Point of contact for shareholders and other stakeholders on areas which cannot be resolved through normal channels of contact with the Chairman or President/Group CEO
- Executes such other roles as designated by the Board from time to time

Any issues relating to the Group that requires the attention of the Senior Independent Director can be directed to his email address at **sekhar@miscbhd.com** or the following address:

Dato' Sekhar Krishnan
Senior Independent Director
MISC Berhad
Level 25, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur

Independent Non-Executive Directors

- Provides independent views and advice so that the strategies and initiatives proposed by Management are open to constructive challenges to uphold the long-term interest of the Group, taking into consideration the interest of stakeholders, including the minority shareholders
- Based on the criteria on Independent Non-Executive Directors (INEDs) pursuant to the MMLR, the eight INEDs, including the Chairman, are independent of Management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement
- Pursuant to the MISC Board Charter, the INEDs are subject to a nine-year limit on their tenure in MISC. To date, none of MISC's INEDs have exceeded the nine-year limit on their tenure

Non-Independent Non-Executive Directors

- Provides input from the major shareholder's perspective so that the strategies and initiatives proposed by Management are aligned with the major shareholder's positioning for the group whilst balancing the interest of other stakeholders

Board Meetings and Access to Management, Company Secretaries, Information and External Experts

Board of Directors' meetings together with tentative agendas are scheduled in advance of any new financial year to enable Directors to plan and fit the year's meetings into their schedules. The Board meets on a quarterly basis and additional meetings are held as and when required. The tentative agendas include matters reserved for the Board such as the annual budget and business plan, financial performance review, major investments and financial decisions and other strategic matters including changes or implementation of key policies and procedures and delegation of authority limits.

MISC Board/Board Committees' Focus Areas in 2020

STRATEGIC GROWTH

Review the long-term business strategy and challenges faced, and adopt a business plan and budget which facilitates Management's pursuit of MISC's targets.

Oversee the conduct of MISC's businesses, including the participation in tenders for projects, partnerships, financing and other strategic initiatives.

BUSINESS SUSTAINABILITY & RISKS

Review and monitor the impact of the COVID-19 pandemic to MISC Group together with the necessary mitigation plans.

Establish the risk appetite within which Management is expected to operate and ensure effective risk management framework and internal controls are in place to identify, evaluate, manage and monitor both current and emerging risks.

Review and endorse the MISC's 2021-2025 Sustainability Strategy.

SUCCESSION PLANNING

Search for new Independent Directors as part of the Board's succession plan.

Renewal of employment contracts for Management Committee members and business leaders to ensure continuity.

Review of succession plan to ensure a sustainable talent pipeline is in place across all levels within MISC, including the Board.

Oversee the cultivation of a competent and capable workforce through a structured and holistic employee development process and promote safe working conditions.

CORPORATE GOVERNANCE

Ensure the integrity of MISC's financial and non-financial reporting.

Promote good culture across MISC with the MISC Code of Conduct and Business Ethics at its core.

Establish a standalone Board Governance and Risk Committee.

Review and update of MISC's Limits of Authority (LOA) Manual.

To avoid any conflict of interest, all Board members declare their interests where applicable at all Board meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

All Board members complied with the minimum attendance requirement of at least 50% of the Board meetings held during the financial year pursuant to Paragraph 15.05(3)(c) of the MMLR. The following is a summary of the AGM, Board and Board Committees' meetings attendance in 2020:

Name of Directors	Meeting attendance in 2020			
	AGM	Board of Directors	Board Audit & Risk Committee (3)	Nomination & Remuneration Committee
Datuk Abu Huraira Abu Yazid	n/a (1)	4/4 (1)	–	–
Dato' Ab. Halim Mohyiddin (4) (Chairman)	1/1	14/14	–	–
Dato' Sekhar Krishnan (BARC Chairman)	1/1	14/14	6/6	–
Datuk Nasarudin Md Idris (NRC Chairman)	1/1	14/14	6/6	8/8
Lim Beng Choon	1/1	14/14	6/6	8/8
Dato' Rozalila Abdul Rahman	1/1	13/14	–	7/8
Datin Norazah Mohamed Razali	n/a (1)	4/4 (1)	–	–
Mohammad Suhaimi Mohd Yasin	n/a (1)	4/4 (1)	–	–
Tengku Muhammad Taufik	1/1	7/8 (2)	–	–
Liza Mustapha	1/1	12/14	6/6	–
Mohd Yusri Mohamed Yusof	1/1	14/14	–	8/8
Yee Yang Chien (President/Group CEO)	1/1	14/14	------- Invitee -------	

(1) Datuk Abu Huraira Abu Yazid, Datin Norazah Mohamed Razali and En. Mohammad Suhaimi Mohd Yasin were appointed as MISC Board members with effect from 9 October 2020.

(2) Tengku Muhammad Taufik resigned as MISC Board member with effect from 15 July 2020.

(3) The renaming of the Board Audit and Risk Committee as the 'Board Audit Committee' is effective 1 January 2021.

(4) Dato' Ab. Halim Mohyiddin was the Chairman of the Board until 31 May 2020 and was redesignated as Independent Non-Executive Director on 1 June 2020 following the appointment Tan Sri Noh Omar as Non-Independent Non-Executive Chairman. Tan Sri Noh Omar resigned from the Company on 17 June 2020.

The Directors have direct access to Management and unrestricted access to any information relating to the Company and the Group in discharging their duties. Where necessary, Management presentations and briefings are held before or during Board meetings to provide clarity to the Board members before they deliberate on matters tabled for approval. Distribution of Board papers and other relevant information is done electronically as it enhances efficiency and enables the Directors to access the information at their convenience.

The Board is also supported by qualified and competent Company Secretaries who provide sound advice on governance, ensure adherence to rules and procedures, and advocate the adoption of CG best practices. Encik Ausmal Kardin, the Vice President, Legal, Corporate Secretarial and Compliance, is the Company Secretary of MISC Berhad. Pn. Noridah Khamis, the General Manager, Legal, Corporate Secretarial and Compliance, is the Joint Company Secretary of MISC Berhad.

The deliberations at the Board and Board Committee meetings are properly recorded and communicated to Management for necessary action. Minutes of Board meetings, which include records of the Board's decisions, are properly maintained by the Company Secretary.

Directors' Training and Development

All Board members of the Company are encouraged to attend continuous education programmes in order to ensure they keep abreast with new developments in the business and economic environment, to enhance their skills, as well as ensuring that they possess the necessary knowledge to enable them to discharge their duties and responsibilities more effectively. All Board members of the Company have attended the Mandatory Accreditation Programme (MAP) as required by the MMLR.

In compliance with Paragraphs 15.08(2) and (3) of the MMLR, the main training programmes attended by the Board members in 2020 are as follows:

Name of Director	Training Attended	Organiser	Date
Datuk Abu Huraira Abu Yazid	1. Onboarding Session for New Director	MISC Berhad	14 October 2020
	2. PETRONAS Board Excellence – Advanced 1 (Best Practices for Board Excellence)	PETRONAS	19 – 20 October 2020
	3. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020
Dato' Ab. Halim Mohyiddin	1. Corporate Liability Program: PETRONAS' Preparedness for Corporate Liability under Section 17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
	2. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Director	Training Attended	Organiser	Date
Dato' Sekhar Krishnan	1. Workshop on Culture Reporting	MIA	3 March 2020
	2. LNG Market/Shipping	MISC Berhad	10 June 2020
	3. Oil Market/Oil and Product Shipping and Marine Repair Business	MISC Berhad	19 June 2020
	4. Energy Markets Outlook and Implications	MISC Berhad	23 June 2020
	5. PETRONAS Board Excellence – Advanced 1 (Best Practices for Board Excellence)	PETRONAS	19 – 20 October 2020
	6. PETRONAS Board Excellence Series: MFRS Update by KPMG	PETRONAS	30 November 2020
	7. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020
	8. Value Reporting Foundation – Game Changing Merger	MICPA	17 December 2020
	9. Applying Ethics During Pandemic and Beyond	MIA	22 December 2020
Datuk Nasarudin Md Idris	1. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020
Lim Beng Choon	1. Corporate Liability Program: PETRONAS' Preparedness for Corporate Liability under Section 17A MACC Act 2009 (Amendment 2018)	PETRONAS	10 February 2020
	2. INSEAD Webinar – Designing Remote Collaboration	INSEAD	14 April 2020
	3. KPMG's Captains' Forum – Transformation Towards Recovery	KPMG	9 October 2020
	4. PETRONAS Board Excellence – Advanced 1 (Best Practices for Board Excellence)	PETRONAS	19 – 20 October 2020
	5. PETRONAS Board Excellence Series: MFRS Update by KPMG	PETRONAS	30 November 2020
	6. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020
	7. Agile Enterprise	PETRONAS	15 December 2020

Name of Director	Training Attended	Organiser	Date
Dato' Rozalila Abdul Rahman	1. Webinar on Section 17A – Protecting you and your business with T.R.U.S.T	BoardRoom Malaysia	8 September 2020
	2. IERP's Board of Directors' Networking Group "Risk Management and Risk Governance in The New Normal Considerations for Boards"	Institute of Enterprise Risk Practitioners Training Centre (IERP)	10 September 2020
	3. MIA Webinar Series: Curating 'In-Demand' Board Profile for Your Board Journey	Malaysian Institute of Accountants (MIA)	28 September 2020
	4. Guidelines for Reporting Framework for Beneficial Ownership of Legal Persons	BoardRoom Malaysia	16 October 2020
	5. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020
Datin Norazah Mohamed Razali	1. Onboarding Session for New Director	MISC Berhad	14 October 2020
	2. PETRONAS Board Excellence – Advanced 1 (Best Practices for Board Excellence)	PETRONAS	19 – 20 October 2020
	3. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020
Mohammad Suhaimi Mohd Yasin	1. Awareness and Complying with Malaysia's Anti-Corruption Law	Alam Maritim Resources Bhd.	4 & 19 August 2020
	2. Onboarding Session for New Director	MISC Berhad	14 October 2020
	3. PETRONAS Board Excellence – Advanced 1 (Best Practices for Board Excellence)	PETRONAS	19 – 20 October 2020
	4. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Director	Training Attended	Organiser	Date
Liza Mustapha	1. PETRONAS Cultural Beliefs Refresh Exercise	PETRONAS	2 October 2020
Mohd Yusri Mohamed Yusoff	1. APPEC 2020: Live Panel Discussion on Oil Shock	S&P Global Platts	14 September 2020
	2. PETRONAS Board Excellence – Advanced 1 (Best Practices for Board Excellence)	PETRONAS	19 – 20 October 2020
	3. APEC CEO Dialogue	APEC 2020 Malaysia	19 – 20 November 2020
	4. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020
	5. International Project Management Conference (IPMC) 2020	iCEP	1 – 2 December 2020
	6. Asia Tech 2020: Panel Discussion on Energy Transition in Asia	Euro Petroleum Consultants	16 December 2020
Yee Yang Chien	1. MISC Group Directors' Training FY2020 • The Impact to Directors Post-enforcement of the Corporate Liability Provision under the MACC Act 2009 • ESG Risks Integration • TCFD Recommendations • Energy Transition	MISC Berhad	1 December 2020

Ethics and Compliance

MISC observes its own Code of Conduct and Business Ethics (CoBE), including the Whistleblowing Policy and No Gift Policy. The CoBE is applicable to the Company, its Directors, employees and third parties performing work or services for and on behalf of the Company. It governs the desired standards of behaviour and ethical conduct expected from each individual to whom the CoBE applies. The MISC Anti-Bribery and Corruption Manual also serves to guide the Company in relation to such matters.

A Whistleblowing structure to review and manage any whistleblowing reports is in place, which includes a whistleblowing framework and management process. The Chairman of the BAC, is also the Chairman of the Whistleblowing Committee 1 (WBC 1). The WBC 1 reviews reports made against any member of Senior Management whereas the Whistleblowing Committee 2 (WBC 2) reviews reports made against any other employee of the Company. The Board, through the BAC, reviews whistleblowing reports on a quarterly basis.

Appended below are MISC's ethics and compliance initiatives in 2020:

See.Speak.Support Campaigns
• Conflict of Interest • T.R.U.S.T. – Compliance Towards Corporate Liability • Confidentiality Obligations • Creating a Conducive Workplace Environment
Code of Conduct and Business Ethics (CoBE)
• CoBE Training for Third Party Service Providers • CoBE Training and Refresher Courses for MISC Board members and employees • Training on Critical Laws: » Anti-Bribery and Corruption Manual » Personal Data Protection and Privacy Compliance » Third Party Risk Management » Sanctions » Competition Law
ISO 37001:2016 – Anti-Bribery Management Systems (ABMS)
• Certification for other subsidiaries within MISC Group • Annual internal and external audit
Other initiatives
• Sustainability Strategy (2021 – 2025) Workshop: Governance and Business Ethics • Annual Conflict of Interest Disclosure • Competition Law Training • Third Party Compliance Due Diligence Operational Guidelines Training • Modern Slavery Statement FY2020/2021 • Implementation of Corporate Privacy Policy • Compliance and Ethics Benchmarking and Culture Survey • Legal Functional Checklists Assurance Programme

For more information on MISC's ethics and compliance initiatives in 2020, please refer to the BAC Report on pages 282 to 289 of this Integrated Annual Report.

For more information on MISC's CoBE, Anti-Bribery and Corruption Manual, Whistleblowing Policy and No Gift Policy, please visit www.misc.com.my.

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors' Remuneration

The Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group, taking into consideration the workload and responsibilities involved. The level of remuneration for Non-Executive Directors reflects the level of responsibilities undertaken and contributions made by them. MISC's policy for remunerating its Directors is based on the PETRONAS Public Listed Companies Non-Executive Directors' Guidelines and Remuneration Package, details as follows:

Board Chairman Retainer Fees	RM240,000 per annum
Board Member Retainer Fees	RM120,000 per annum
Attendance Fee	RM3,500 per meeting

- *Fees in respect of the Non-Independent Non-Executive Directors are paid directly to PETRONAS instead of the individual Directors.*

For the financial year ended 31 December 2020, details of the Directors' remuneration (excluding the President/Group CEO) are as follows:

Directors	Directors' Fees (inclusive of Annual Fees and Meeting Allowance)		Benefits-in-kind (RM)	Total (RM)
	By MISC (RM)	By Subsidiaries (RM)		
Datuk Abu Huraira Abu Yazid *(appointed as INED on 9 October 2020)*	41,419.00	Nil	Nil	41,419.00
Dato' Ab. Halim Mohyiddin (redesignated as INED on 1 June 2020)	219,000.00	Nil	128.36	219,128.36
Dato' Sekhar Krishnan	190,000.00	Nil	3,282.54	193,282.54
Datuk Nasarudin Md Idris	218,000.00	554,461.00	4,777.81	777,238.81
Lim Beng Choon	218,000.00	Nil	2,432.23	220,432.23
Dato' Rozalila Abdul Rahman	190,000.00	Nil	3,431.07	193,431.07
Datin Norazah Mohamed Razali (appointed as INED on 9 October 2020)	41,419.00	Nil	Nil	41,419.00
Mohammad Suhaimi Mohd Yasin (appointed as INED on 9 October 2020)	41,419.00	Nil	Nil	41,419.00
Tengku Muhammad Taufik* (resigned on 15 July 2020)	89,339.00	Nil		89,339.00
Liza Mustapha*	183,000.00	Nil	Nil	183,000.00
Mohd Yusri Mohamed Yusof*	197,000.00	Nil	Nil	197,000.00
Tan Sri Noh Omar (appointed as Chairman/Non-INED on 1 June 2020 and resigned on 17 June 2020)	11,333.00	Nil	Nil	11,333.00
Total	1,639,929.00	554,461.00	14,052.01	2,208,442.01

* Fees paid to PETRONAS

During the year under review, the President/Group CEO of MISC received a total remuneration of RM3,185,362.00 in salary, other emoluments and benefits-in-kind. As an Executive Director, the President/Group CEO is not entitled to Directors' fees or any meeting attendance allowance.

For more information on the remuneration structure for MISC's Directors, please refer to the NRC Report on page 280 of this Integrated Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Board Audit Committee (BAC)

The BAC (previously known as the 'Board Audit and Risk Committee') was established with the objective of assisting the Board in fulfilling its responsibilities primarily relating to financial management, financial accounting, risk management framework and process, and internal control systems of the Group. The BAC also monitors compliance with established policies and procedures and assesses the suitability, objectivity and independence of both the external and internal audit functions. Further to the establishment of the standalone Board Governance and Risk Committee (BGRC) with effect from 1 January 2021, the BGRC will take over the responsibilities relating to MISC's risk management framework and process from the BAC.

The Terms of Reference of the BAC have been amended accordingly pursuant to the establishment of the BGRC and also reflect the MCCG 2017 best practices.

For more information on the BAC and how it has met its responsibilities in 2020, please refer to the BAC Report on pages 282 to 289 of this Integrated Annual Report.

Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and internal control to safeguard shareholders' investment and the Group's assets. Over and above the quarterly review by the BARC on risk events, relevant risk appetite and mitigation measures at the enterprise level, the Board reviews the status of risk management activities and the updated Risk Register. The Board also ensures that all relevant project and investment risks, including the mitigation measures, are deliberated when making such decisions. Such Project Risk Assessments encompass, amongst others, project execution risk, contract management risk, counter-party risk, operations risk, geopolitical risk, and asset integrity risk.

In relation to reviewing the adequacy and integrity of the Company's internal control systems (conducted via the BARC), the Board reviewed the reports on Related Party Transactions, Conflict of Interest oversight, Whistleblowing cases and enhanced management processes thereof, and certain improvements to internal controls as highlighted by the Group Internal Audit.

The Board has taken cognisance of Step Up Practice 9.3 of the MCCG 2017, which recommends that a dedicated company-wide risk oversight at the Board Committee level could enhance scrutiny on risk management matters and thus enable more effective anticipation and reaction in managing events and trends that could lead to disruptive changes to the business model.
This culminated in the establishment of the BGRC with effect from 1 January 2021, to serve as a sounding board to Management and to perform deep dive and challenge on risk matters.

For more information on MISC's risk management and internal control frameworks, please refer to the BAC Report on pages 282 to 289 of this Integrated Annual Report, the BGRC Report on pages 290 to 293 of this Integrated Annual Report, as well as the Statement on Risk Management and Internal Control (SORMIC) on pages 294 to 307 of this Integrated Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Investor Relations and Communication with Stakeholders

The Board values its dialogue with the investing community, including both the institutional shareholders and private investors, to enhance investors' understanding of the Group. MISC aims to continuously build and maintain transparent communication with the shareholders, potential investors and the investing community. Through MISC Group's Investor Relations programme, MISC is committed to uphold best practices in CG and ensure timely and equal dissemination of material information to its stakeholders.

In 2020, MISC used the following channels/forums to communicate and engage with its stakeholders:

- MISC Annual General Meeting;
- Quarterly financial reports;
- MISC Annual Report;
- Announcements on major developments to Bursa Securities;
- MISC website at www.misc.com.my; and
- Analyst Briefings following the announcement of quarterly financial reports.

For more information on MISC's engagement with stakeholders in 2020, please refer to the Stakeholder Engagement in Anchoring Sustainability @ MISC section on pages 107 to 113 of this Integrated Annual Report.

Integrated Reporting

MISC has adopted integrated reporting based on a globally recognised framework with a view of helping our stakeholders understand how MISC creates value and to promote greater transparency and accountability on the part of the Company, in line with the MCCG 2017. The adoption of integrated reporting has been implemented on staggered basis since 2017 and the MISC Integrated Annual Report 2020 is our first integrated report that is prepared based on the 2013 <IR> Framework as developed by the International Integrated Reporting Council (IIRC). The revised <IR> Framework 2021 will be adopted in future reports.

Conduct of Annual General Meeting (AGM)

The MISC AGM is the principal forum for dialogue with our shareholders and an avenue for the Chairman and Board members to interact with the shareholders. The Chairman plays a pivotal role in accommodating constructive dialogue between shareholders and the Board. The shareholders are strongly encouraged to attend, participate, speak and vote at the Company's AGM, and all queries posed to the Board prior to and during the AGM are responded to accordingly.

The COVID-19 pandemic which resulted in movement control orders being issued by the Malaysian Government throughout 2020, prompted MISC to re-imagine its hosting of the AGM. On 26 June 2020, MISC held its inaugural fully virtual AGM, leveraging on technology to facilitate voting in absentia and remote shareholders' participation at the AGM. The following were some of the measures taken by MISC to encourage attendance and participation from the shareholders at the virtual AGM:

- Comprehensive Administrative Notes were circulated to shareholders to facilitate remote participation and e-Voting;
- Electronic lodgement of Proxy Forms was enabled;
- The AGM proceedings was broadcasted live via a web portal and mobile application;
- Questions raised by the Minority Shareholders Watch Group (MSWG) prior to the AGM were shared with the shareholders during the AGM together with the Company's responses thereto;
- Electronic submission of questions by shareholders either via e-mail or via the virtual AGM platform was enabled; and
- The President/Group CEO presented highlights of MISC Group's performance prior to the formal proceedings of the AGM and responded to queries received from shareholders. The list of questions and answers are published on MISC's website.

The AGM is scheduled in advance of any new financial year to facilitate Board members to plan and fit the year's AGM into their schedules. In 2020, all nine Board members attended the AGM. The Notice of AGM is issued 28 days prior to the AGM, as recommended by the MCCG 2017. Voting at the AGM is conducted via electronic polling, in compliance with the MMLR. The polling process is explained clearly during the AGM to ensure a smooth and pleasant voting experience by the shareholder. Poll results are verified by appointed scrutineers prior to the Chairman's announcement of the outcome.

This CG Overview Statement is made in accordance with the resolution of the Board of Directors passed on 23 February 2021.

NOMINATION AND REMUNERATION COMMITTEE REPORT

DATUK NASARUDIN MD IDRIS
Chairman
Nomination and Remuneration Committee

CHAIRMAN'S REMARKS

MISC has always been committed to embedding ESG within all aspects of its operations, of which human capital is a key consideration. We believe that in a competitive global landscape, a business' continued success is very much dependent on a robust approach towards human capital governance encompassing effective oversight over issues such as the development of a sustainable pipeline of talents, ensuring fair and objective performance evaluation and remuneration as well as effective succession planning both at the Board and senior management levels.

MISC has maintained its efforts to attract and retain the best talents in the industry, in its bid to remain competitive and sustain its long-term growth trajectory. In 2020, in addition to deliberating on remuneration, bonus levels, the management of top talents and training programmes for Board members, the Nomination and Remuneration Committee (NRC) also focused on leadership succession at the Board level.

Another key highlight of the year was the addition of new Board members at MISC. We managed this process seamlessly and welcomed three new members to be part of MISC's Board including our new Chairman, Datuk Abu Huraira Abu Yazid.

We believe this fresh injection of Board talent will bring about new perspectives and ideas that MISC can leverage on to strategically chart its future growth. As we move into 2021, the NRC members remain committed to continue with our efforts to sustain the human capital agenda at MISC, in line with the Group's value creation ambitions.

DATUK NASARUDIN MD IDRIS
Chairman
Nomination and Remuneration Committee

NOMINATION AND REMUNERATION COMMITTEE REPORT

Dear Shareholders,

In compliance with Paragraph 15.08A of the MMLR of Bursa Securities, the Nomination Committee (NC) and Remuneration Committee (RC) were established on 6 May 2011. Effective 1 January 2013, the NC and RC were combined and became the NRC.

Composition

The NRC comprises of four members, all of whom are Non-Executive Directors, and a majority of whom are Independent Directors, which complies with the requirements of the MMLR and the MCCG 2017. As at the date of this report, the composition of the NRC is as follows:

Members	Date of appointment as NRC Member
DATUK NASARUDIN MD IDRIS Chairman Independent Non-Executive Director	20 April 2017 (Re-designated as Chairman on 1 September 2017)
LIM BENG CHOON Member Independent Non-Executive Director	1 September 2017
MOHD YUSRI MOHAMED YUSOF Member Non-Independent Non-Executive Director	7 December 2017
DATO' ROZALILA ABDUL RAHMAN Member Independent Non-Executive Director	9 December 2019

Terms of Reference

The NRC is governed by its own Terms of Reference (TOR), which is consistent with the requirements of the MMLR and best practices of the MCCG 2017. The NRC's TOR was recently revised on 1 January 2021.

For more information on the NRC's TOR, please refer to MISC's corporate website at www.misc.com.my.

Meetings

The NRC met eight times in 2020. Details of each NRC member's attendance are as follows:

Name of member	Number of meetings attended in 2020
Datuk Nasarudin Md Idris	8/8
Lim Beng Choon	8/8
Mohd Yusri Mohamed Yusof	8/8
Dato' Rozalila Abdul Rahman	7/8

The President/Group CEO attends the NRC meetings to facilitate the discussion, as well as to provide the appropriate information and advice on relevant matters for the NRC.

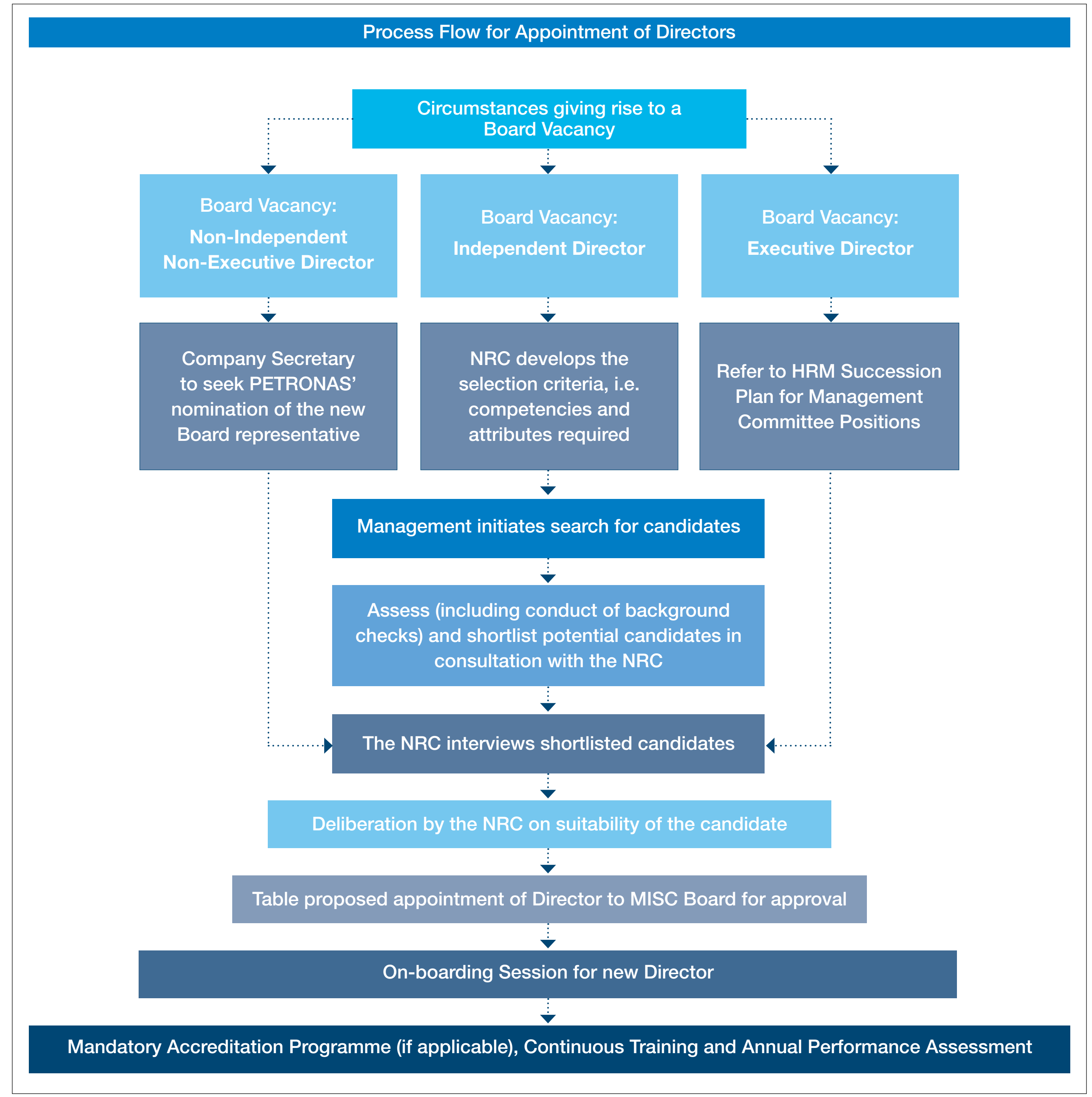
NRC meetings together with the tentative agendas are scheduled in advance of any new financial year to allow the NRC members to plan ahead and incorporate the year's meetings into their respective schedules. The agenda and meeting papers are distributed to the NRC members via a secured collaborative software, which eases the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Directors to have access to the papers electronically, anytime and anywhere. All proceedings of the NRC meetings are duly recorded in the minutes and are properly kept by the Company Secretary.

Functions of the NRC and related activities in FY2020

i. Board membership - Appointment/re-election of Directors and succession planning

The NRC has the responsibility for ensuring appropriate succession planning of Directors and for reviewing the Board's required mix of skills and experience, which includes reviewing the tenure of Independent Directors on the Board and proposals for re-appointment or re-election.

The nomination of new Board members follows the following Board appointment process:



NOMINATION AND REMUNERATION COMMITTEE REPORT

In sourcing for suitable candidates, the Company has used a variety of approaches and sources, including from Directors' registries available under the NAM Institute for the Empowerment of Women, the Minority Shareholders Watch Group (MSWG), LEAD Women, referrals from existing Board members and independent search firms.

The nomination of Non-Independent Non-Executive Directors (NINEDs) to the Board is made by PETRONAS, being the majority shareholder of the Company.

The potential candidates to assume the role of Independent Non-Executive Directors (INEDs) are first tabled to the NRC for consideration and evaluated based on merit, suitability with the Company's objectives and required mix of skills, knowledge, expertise, experience, professionalism, integrity, personal attributes and time commitment required to effectively fulfil his or her role as a Director. Diversity in terms of age, gender and ethnicity is also considered during the selection process.

In 2020, MISC completed its search for new Directors (Board Search), culminating in the appointment of three new INEDs on 9 October 2020: (i) Datuk Abu Huraira Abu Yazid; (ii) Datin Norazah Mohamed Razali; and (iii) Mohammad Suhaimi Mohd Yasin. The candidates for the Board Search were sourced through independent search firms and referrals from Board members. The increase in total number of INEDs on the Board of MISC to eight facilitated the establishment of a new Board Committee, the Board Governance and Risk Committee (BGRC), which is composed entirely of INEDs.

The NRC is also responsible for recommending to the Board, Directors who are standing for re-appointment or re-election at the Annual General Meeting (AGM) pursuant to Rules 21.7 and 21.8 of MISC's Constitution. At the forthcoming 52nd AGM of the Company, the following Directors will be retiring from the Board, and being eligible, have offered themselves for re-election:

Directors retiring pursuant to Rule 21.7	Directors retiring pursuant to Rule 21.8
• Datuk Abu Huraira Abu Yazid • Datin Norazah Mohamed Razali • En. Mohammad Suhaimi Mohd Yasin	• Mr. Lim Beng Choon [1] • Dato' Ab. Halim Mohyiddin • Dato' Rozalila Abdul Rahman

(1) *Mr. Lim Beng Choon will retire from the MISC Board on 15 August 2021, when he reaches the ninth anniversary of his tenure as an INED of MISC.*

In line with the MCCG 2017, the Board Charter includes a policy which limits the tenure of INEDs to nine years as well as the Board Diversity Policy.

For more information on the MISC Board Charter, please visit www.misc.com.my.

ii. Board performance evaluation – Board, Board Committees' and individual Directors' assessment

The performance of the Board and the Board Committees is tracked annually against the Board Key Performance Indicators (KPIs), using a Performance Evaluation Sheet as a tool. The Board KPIs focus on achievements of measurable 'hard targets' based on three criteria, i.e. Board Structure, Board Operations and Board Roles and Responsibilities. Each Director is required to give rating '1' for 'Best practice', rating '2' for 'Meets requirement' or rating '3' for 'Areas of improvement'. The final ratings are then reviewed by Management, the NRC and the Board, and consequently Action Plans are implemented by Management for the areas highlighted for improvement.

For FY2020, the Board and Board Committees will be assessed based on the following areas:

Board Performance Evaluation	**Board and Board Committees Structure** • Composition • Orientation, training and development • Board Audit and Risk Committee evaluation • Nomination and Remuneration Committee evaluation
	Board Operations • Timeliness • Adequacy of information • Access to Management
	Board Roles and Responsibilities • Strategic vision • Succession planning • Risk management and internal controls • Investor relations
Board Committees Performance Evaluation	• Effectiveness • Discharge of functions, duties and responsibilities in accordance with the TOR

The FY2020 performance of the individual Directors will be assessed using a peer review.

iii. Senior Management - Appointment and succession planning

The NRC is tasked with making appropriate recommendations to the Board for the appointment or renewal of contracts of employment of the President/Group CEO and Management Committee (MC) members of the Company, taking into account the strategy and long-term succession planning of the MC composition.

During the year under review, having conducted all relevant reviews and assessments, the NRC deliberated and recommended the appointment/re-appointment of the following MC members:

- Iwan Azlan Mokhtar (re-appointed as Vice President, Human Resource and MC member);
- Syed Hashim Syed Abdullah (re-appointed as Vice President, Offshore Business Unit and MC member);
- Zahid Osman (re-appointed as Vice President, LNG Asset Solutions and MC member);
- Capt. Raja Sager Muniandy (re-appointed as Managing Director/CEO of Eaglestar Marine Holdings (L) Pte. Ltd. and MC member);
- Pandai Othman (appointed as Managing Director/CEO of Malaysia Marine and Heavy Engineering Holdings Berhad and MC member).

The NRC also has the responsibility for ensuring appropriate succession planning for MC members. Below is a brief illustration of the succession planning approach and process adopted by MISC Group:

1	Identification of Critical Positions within the Group based on three criteria	• Impact on business results • Sustaining the business • Uniqueness of positions
2	Identification of potential successors from pool of staff at General Manager and Senior Manager levels, nominated and assessed by the Leadership Team based on four criteria	• Achievement: Sustainability of performance • Ability: Competence to deliver successfully • Agility: Traits and values which help adaptability • Aspiration: Passion, tenacity and commitment for self and the organisation
3	Deliberation and identification of successors by the MC based on three criteria, followed by mapping of shortlisted individuals to a maximum of three Critical Positions and rating of readiness levels: R1-Ready now R2-Ready within 12 months R3-Ready between 12 and 24 months R4-Ready above 24 months	• Capabilities: Leadership and functional competencies • Contribution: Results orientation based on performance ratings and key highlights during the year • Cultural Fit: Demonstration of cultural beliefs and own career and personal aspirations
4	Formulation of an Individual Development Plan for each individual	

NOMINATION AND REMUNERATION COMMITTEE REPORT

iv. Directors' and Senior Management remuneration

The Company's policy for remunerating its Directors is based on the PETRONAS Public Listed Companies Non-Executive Directors' Guidelines and Remuneration Package. The fee structure of NEDs of MISC is as follows:

	Monthly Fees	Meeting allowance per attendance			
		Board	Board Audit Committee	Nomination & Remuneration Committee	Board Governance & Risk Committee
Chairman	RM20,000	RM3,500	RM3,500	RM3,500	RM3,500
Member	RM10,000				

Independent Non-Executive Directors are entitled to fuel allowance of RM6,000 per annum and Directors' and Officers' Insurance coverage of up to RM1.29 billion per occurrence and in the aggregate.

The fees and allowances for NEDs are determined by the Board and are subject to the approval of the shareholders of MISC. The breakdown of the detailed Directors' fees paid during the year under review is disclosed in the Corporate Governance Overview Statement on pages 272 to 273 of this Integrated Annual Report.

The Directors' fees and meeting allowances for NINEDs who are employees of PETRONAS are paid directly to PETRONAS. The presence and participation of the NINEDs who are employees of PETRONAS give the Board a deeper insight into PETRONAS' operations and direction.

The remuneration package for the Executive Director of MISC is balanced between fixed and performance-linked elements. A portion of the Executive Director's remuneration package is variable in nature and is KPI based, which includes the Group's performance. As an Executive Director, he is not entitled to receive Directors' fees or meeting allowance.

The MC members' remuneration is based on salary bands reflective of industry standards and categorised into two categories, i.e. MC 1 (for business segment heads) and MC 2 (for division heads).

v. Company and President/Group CEO performance appraisal

The Company's performance against the FY2020 Balanced Scorecard was deliberated by the NRC. The performance appraisal covered the following scorecard dimensions, whereby specific ratings were given to each dimension based on 'Minimum', 'Base' or 'Stretch' achievements:

- Financial
- Strategic Initiatives
- Operations
- Health, Safety, Security and Environment (HSSE)
- People Development

Based on the Company's performance against the FY2020 Balanced Scorecard, the NRC also deliberated on the individual performance of the President/Group CEO of the Company for FY2020 and made the appropriate recommendations to the Board for approval.

Overview of the NRC's activities in 2020

Board membership

1. Considered matters relating to the appointment of Directors.
2. Reviewed the mix of skills, diversity in terms of gender, ethnicity, age, education and business experience as well as other qualities, including core competencies of the Directors.
3. Recommended the Directors who are eligible for re-election and re-appointment at the AGM.

Succession planning

1. Interviewed the candidates shortlisted from the Board Search and recommended the appointment of three new INEDs.
2. Reviewed the MISC Board and Board Committees Structure and recommended the establishment of a BGRC, together with its membership, having considered the merits of a standalone board committee (separate from the BAC) to oversee MISC's risk management framework and policies.
3. Received update on succession planning for MC positions and critical positions.
4. Endorsed the appointment of one new MC member and re-appointment of three MC members.

Performance management

1. Reviewed and endorsed the Group's FY2019 Balanced Scorecard results.
2. Reviewed and endorsed the proposed annual salary increment and performance bonus for Appraisal Year 2019.
3. Reviewed and endorsed the Group's FY2021 Balanced Scorecard.

Board performance evaluation

1. Reviewed the results of the MISC Board and Board Committees performance evaluation for FY2019 based on the Board KPIs for FY2019.
2. Reviewed and endorsed the Board KPIs for FY2021.

Training and development

Reviewed and endorsed topics for the FY2020 Annual Directors' Training.

Annual reporting

Reviewed and endorsed the disclosures in the NRC Report for the 2019 Annual Report.

DATUK NASARUDIN MD IDRIS
Chairman
Nomination and Remuneration Committee

BOARD AUDIT COMMITTEE REPORT

Dato' Sekhar Krishnan
Chairman
Board Audit Committee

CHAIRMAN'S REMARKS

In 2020, the Board Audit and Risk Committee (BARC) had to contend with the impact of the COVID-19 pandemic on the Group's business segments and the activities that came under the ambit of the Committee within the areas of audit, risk management and internal controls.

The movement control restrictions required the Group to shift some of its internal and external audit processes to online platforms, utilising digital applications in lieu of physical verification. Despite these challenges, we remained committed to ensure that the annual audit plans were on track and our auditing quality standards were not compromised.

We also maintained strict focus on risk management to regularly assess the impact of the pandemic and the oil and gas industry downturn on the Group's business and operations.

Towards the end of 2020, the Board agreed that risk management requires more dedicated oversight and decided to establish a separate Board Governance and Risk Committee (BGRC) as of 1 January 2021.

To ensure a smooth transition and enable effective coordination, a member of the BAC will also sit on the BGRC. This will facilitate a common understanding of the risk management and internal control systems, promoting smoother coordination between the various standing Board Committees of MISC in its risk and governance oversight roles. We look forward to working closely with Datin Norazah Mohamed Razali who has been appointed as the Chairman, and the members of the BGRC.

Dato' Sekhar Krishnan
Chairman
Board Audit Committee

Dear Shareholders,

The BARC of MISC was established with the objective of assisting the Board in fulfilling its responsibilities primarily relating to financial management, financial accounting, risk management framework and process, and systems of internal control of the Group. From 1 January 2021, the BARC was renamed as the Board Audit Committee (BAC), pursuant to the establishment of the standalone Board Governance and Risk Committee (BGRC). The responsibilities relating to MISC's risk management framework and process have been taken over by the BGRC from the BAC.

Throughout this BAC Report, use of the term 'BAC' may also denote its former name, BARC, depending on the context.

Composition

The BAC comprises of four members, the majority of whom are Independent Non-Executive Directors of the Company. The Chairman of the BAC, Dato' Sekhar Krishnan, is a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). The composition of the BAC and qualifications of its members comply with Paragraph 15.09(1) of the MMLR of Bursa Securities. As at the date of this report, the composition of the BAC is as follows:

Members	Date of appointment as BAC Member
DATO' SEKHAR KRISHNAN Chairman Senior Independent Non-Executive Director	1 March 2015 (Re-designated as Chairman on 28 May 2015)
DATUK NASARUDIN MD IDRIS Member Independent Non-Executive Director	20 April 2017
LIM BENG CHOON Member Independent Non-Executive Director	16 August 2012
LIZA MUSTAPHA Member Non-Independent Non-Executive Director	1 September 2017

Terms of Reference

The BAC is governed by its own Terms of Reference (TOR), which is consistent with the requirements of the MMLR and best practices of the MCCG 2017. The BAC's TOR was recently revised on 1 January 2021 to re-organise the functions and scope of the BAC, further to the establishment of the BGRC.

For more information on the BAC's TOR, please refer to MISC's corporate website at www.misc.com.my.

Meetings

The BAC met six times in 2020. Details of each BAC member's attendance are as follows:

Member	Number of meetings attended in 2020
Dato' Sekhar Krishnan	6 out of 6
Datuk Nasarudin Md Idris	6 out of 6
Lim Beng Choon	6 out of 6
Liza Mustapha	6 out of 6

The BAC meets every quarter to review and deliberate the quarterly and annual financial statements, the Enterprise Risk Management (ERM) report, emerging risks updates, Group Internal Audit (GIA) reports, related party transaction matters, whistleblowing updates, compliance and ethics updates and other relevant matters within the BAC's TOR. Additional meetings are convened as and when required. Going forward, matters related to risk management and compliance and ethics updates will come under the purview of the new BGRC.

BOARD AUDIT COMMITTEE REPORT

The President/Group CEO is invited to attend the BAC meetings to facilitate the discussion, as well as to provide explanation on audit issues, risk management and financial matters as well as other matters within the BAC's TOR. The Group Chief Audit Executive, GIA of PETRONAS or his representative and the Head, GIA of MISC are also invited to the BAC meetings, together with the relevant management personnel, to observe the proceedings and provide clarification on any relevant internal audit reports tabled to the BAC. The external auditors are invited to present their audit plan and audit results, Memorandum of Suggestions, and other relevant matters.

BAC meetings together with the tentative agendas are scheduled in advance of any new financial year to allow the BAC members to plan ahead and incorporate the year's meetings into their respective schedules. The agenda and meeting papers are distributed to the BAC members via a secured collaborative software, which eases the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Directors to have access to the papers electronically, anytime and anywhere. All proceedings of the BAC meetings are duly recorded in the minutes and are properly kept by the Company Secretary.

SUMMARY OF THE BAC'S WORK IN 2020

Appended below is a summary of the BAC's work in 2020, in discharging its functions and duties:

Financial Reporting

- Reviewed the quarterly results for announcements to Bursa Securities, focusing on compliance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), the MMLR and other relevant regulatory requirements, before recommending the same for approval by the Board.
- Reviewed the audited financial statements of the Company prior to submission to the Board for approval, upon being satisfied that the audited financial statements were drawn up in accordance with the MFRS, IFRS and provisions of the Companies Act 2016 in Malaysia.

The abovementioned reviews were conducted together with the President/Group CEO and Vice President, Finance.

Risk Management and Internal Controls

- Reviewed and endorsed the Group Risk Profile for FY2020, including the Financial Risk Appetite for the Group.
- Reviewed the adequacy and effectiveness of the Group's Risk Management Framework and the on-going activities for identifying, evaluating, monitoring and mitigating risks.
- Reviewed the proposed revision to MISC Berhad's Limits of Authority Manual.
- Reviewed the proposed adoption of PETRONAS Financial Policy by the Group.
- Discussed the emerging risks updates for the Group.
- Received and reviewed reports on key strategic and operational risk issues arising from quarterly Risk Management Committee (RMC) meetings, including identification of the risk appetite at the enterprise level and review of the mitigation plans to address the said risks.
- Reviewed and endorsed the Group's FY2020 Enterprise Risk Management Risk Register emanating from the Annual Planning Cycle and ensured that appropriate systems and processes are in place to effectively monitor and manage the identified risks.
- Reviewed the SORMIC for inclusion in the Company's 2019 Annual Report pursuant to Paragraph 15.23 and Part II, Practice Note 9 of the MMLR.
- Recommended the establishment of a standalone BGRC to oversee MISC's risk management framework and policies.

Internal Audit

- Reviewed internal audit reports issued by GIA based on the approved Annual Internal Audit Plan (AIAP) and ensured that appropriate agreed corrective actions are taken by the Management on the gaps in controls as identified by GIA.
- Reviewed and approved GIA's AIAP for the financial year ending 31 December 2021 as guided by the approved Enhanced Risk Based Internal Audit Framework of MISC in order to ensure adequacy of coverage on auditable entities and resources allocated.
- Reviewed the responses and action plans provided by Management on the deliberated audit reports.
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by Management on all significant and secondary issues raised in the audit reports.
- Reviewed the adequacy of resources and competencies of GIA's staff to execute the audit plan.
- Conducted half-yearly and yearly assessments on the performance of GIA.
- Reviewed the minutes of meetings of the Board Audit and Risk Committee of Malaysia Marine and Heavy Engineering Holdings Berhad and minutes of meetings of the Audit and Risk Management Committee of AET Tanker Holdings Sdn. Bhd. for overview of the state of risk management and internal control systems of those subsidiaries.
- Prior to BAC meetings, the Chairman of the BAC held private meetings and discussions with the Head and senior auditors of GIA on internal audit reports and any related matters.

External Audit

FY2020 Key Audit Matters (KAM) addressed by the BAC		
KAM	**Matters Considered**	**BAC Comments**
Impairment of non-current assets	• The Group's assets under review included ships, right of use assets of in-chartered ships, offshore floating assets and other property, plant and equipment that had indication of impairment and goodwill. • Management has carried out impairment review on its assets based on value-in-use (VIU) analysis and market values by engaging independent ship valuers.	The BAC concurred with Management's assessment on the impairment of assets.
Contingent liability from material litigation	• The eventual outcome of claims are uncertain and the positions taken by Management are based on the application of material judgement and estimation. • Management has recorded provision for claims based on its assessment on the facts and circumstances available.	The BAC concurred with Management's assessment on the sufficiency of provision for claims.
Recognition of revenue and cost for construction and marine projects	• A significant portion of the Group's revenues and profits are derived from long-term construction and marine projects which span more than one accounting period. • The Group uses the percentage-of-completion method in accounting for these long-term contracts. • Management applies significant judgement and estimation in determining the stage of physical completion in respect of heavy engineering and marine projects, and in estimating total project costs.	The BAC concurred with Management's assessment on the percentage of completion of projects and estimated total project costs.

For more information on the KAM, please refer to the Independent Auditors' Report on pages 466 to 473 of this Integrated Annual Report.

- Reviewed the results and issues arising from the external auditors' audit, including the KAM and the resolution of issues highlighted in their report to the BAC and Management's responses thereto.
- The BAC had two private meetings with the external auditors without the presence of Management during the year under review (i.e. on 13 February 2020 and 12 November 2020) to discuss any matters the external auditors may wish to present and to ensure that there were no restrictions in the scope and discharge of their audit activities.
- Reviewed and approved the external auditors' terms of engagement, audit plan, nature, scope and proposed fees for FY2020.
- Reviewed and recommended the external auditors' re-appointment to the Board to be proposed for shareholders' approval at the last AGM.
- Reviewed and endorsed the questionnaire and evaluation forms for the FY2020 Assessment of External Auditors.

BOARD AUDIT COMMITTEE REPORT

The Company also engages the external auditors for other non-audit works as and when required. For FY2020, the amount of non-audit fees incurred for services rendered by the external auditors or their affiliates to the Group is RM1,013,000, which includes limited review of semi-annual financial results and tax advisory.

To ensure that the external auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company is changed every seven years and is required to observe a cooling-off period of five years before being reappointed, which is in line with the recommendation by the MIA. Internally, the external auditors conduct an Independent Partner Review in order to preserve their independence. The external auditors had also provided written assurance to the BAC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.

In line with the Company's adoption of the Policy on External Auditors, the BAC had carried out an assessment on the performance, suitability and independence of the external auditors based on the following criteria, and will continue to do so on an annual basis:

- Quality of engagement team (including sufficiency of resources);
- Quality of communication and interaction; and
- Independence, objectivity and professional scepticism.

Corporate Governance and Regulatory Compliance

- Reviewed and deliberated on the Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs) reports on a quarterly basis.
- Reviewed and recommended to the Board the SORMIC, BARC Report and Additional Compliance Information for inclusion in the 2019 Annual Report.
- Reviewed the Directors' Conflict of Interest report for the Group.
- Reviewed the Whistleblowing quarterly reports of the Company.
- Reviewed the Group Health, Safety, Security and Environment (GHSSE) Audit and Assurance Bi-Annual Reports focusing on the efficiency and effectiveness of the maintenance of the Group's vessels and floating assets.
- Reviewed the initiatives by Management in relation to compliance and ethics, as detailed in the Corporate Governance Overview Statement found in this Integrated Annual Report.
- Reviewed the proposed TOR of the BGRC, particularly its functions and scope which would include oversight of MISC's governance, compliance and sustainability matters.

STATEMENT ON INTERNAL AUDIT FUNCTION

The internal audit function of the Company was carried out in-house by the GIA. GIA undertakes a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes within the Group.

The Head of GIA reports functionally to the BAC and administratively to the President/Group CEO of MISC. Mohammad Romzi Shafi'e is the Head of GIA. He is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a Bachelor of Science (Honours) Accounting from the University of Wales, UK.

GIA adopts the standards and principles outlined in the Institute of Internal Auditors' International Professional Practices Framework (IPPF) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework; a comprehensive, structured and widely used auditing approach, in conducting the audit activities. The conduct of internal audit work is also governed by the MISC Internal Audit Charter and GIA's established procedures and guidelines.

The annual audit plan and strategy including the scope of works and resources are approved by the BAC. The audit plan is established primarily using a risk-based approach as well as input gathered from various sources, including feedback from Management and the BAC, trends and findings from past audit engagements.

GIA conducts scheduled audits independently to ensure there is effective risk monitoring, internal controls, governance processes and compliance procedures to provide the level of assurance required by the Board. GIA also supports and conducts special reviews upon request by Management or the BAC.

GIA submits its audit reports to the Management Committee (MC) for executive review. Subsequently, the reports together with deliberations by the MC are tabled at the BAC Meetings for endorsement. At the Board meetings, the BAC Chairman highlights the key audit issues and overall decisions and resolutions made during the BAC meetings to the Board.

The audit reports prepared by GIA provide details of audit findings and corresponding Agreed Corrective Actions (ACAs). The status of implementation of these ACAs are captured through the Quarterly Audit Status Reports, from which, the ACAs are monitored and analysed. The consolidated reports are submitted and presented to the MC and BAC for deliberation and endorsement on a quarterly basis. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

During the financial year, GIA reported the following audits as per the approved internal audit plan:

Subsidiary

- Audit on AET Brasil Servicos Maritimos Ltda and AET Brasil Servicos STS Ltda
- Audit on Sungai Udang Port Sdn. Bhd.

Joint Venture Entities

- Audit on FPSO Ventures Sdn. Bhd.
- Audit on Malaysia Deepwater Production Contractors Sdn. Bhd.

Procurement

- Audit on Procurement Activities – AET
- Audit on Procurement for Non-Tendering Activities – Offshore Business Unit (OBU)
- Audit on Procurement for Non-Tendering Activities – MISC Service Units

Others

- Audit on Staff Claims, Travel Desk and Overtime – MISC
- Audit on Recruitment Activities – MISC
- Audit on Recruitment Activities – AET
- Audit on LNG Chartering, Operations and Contract Management
- Audit on Anti-Bribery Management System

GIA also conducted quarterly reviews on the internal control process and records of RPTs and RRPTs to provide assurance to the BAC that its implementation conforms to the requirements of Bursa Securities.

All internal audit activities for the financial year under review were performed by 22 internal auditors from diverse backgrounds, disciplines and operational experiences such as accounting and finance, business administration, human resource, engineering, information technology, and shipping and logistics.

In maintaining independence and objectivity, GIA ensures that the internal auditors are free from any relationship or conflict of interest when performing their duties.

GIA continues its commitment to equip the internal auditors with adequate knowledge and proficiencies to discharge their duties and responsibilities by providing sufficient and relevant functional trainings.

The total cost incurred in discharging the internal audit functions during FY2020 was approximately RM6.7 million.

STATEMENT ON RPTs and RRPTs

MISC has put in place internal controls, guidelines and procedures to ensure that RPTs and RRPTs are entered into on normal commercial terms and on terms which are not more favourable than those generally available to third parties dealing on arms' length basis and are not detrimental to the minority shareholders of the Company.

In ensuring adequate procedures and processes are in place, the BAC is responsible to ensure the following:

a) That a framework and appropriate procedures are in place for the purposes of identifying, monitoring, evaluating, reporting and approving RPTs and RRPTs;

b) That a review of any RPTs or RRPTs and conflict of interests that may arise within the Group is conducted; and

c) That the established procedures are adequate in order to ensure that the RPTs and RRPTs are entered into in the best interest of the Company, on fair and reasonable commercial terms and not detrimental to the interest of minority shareholders.

The Group's internal guidelines on RPTs and RRPTs are summarised as follows:

- Information on related parties and procedures applicable for RPTs and RRPTs which involve interest, direct or indirect, of such related parties shall be disseminated from time to time to all MISC's business and service units as well as subsidiaries, for their reference.
- All business segments and divisions shall review their existing information systems on an on-going basis to ensure that relevant features are incorporated in the systems for capturing information on RPTs and RRPTs at source. All Heads of Departments are required to report on all transactions with related parties.
- RPTs and RRPTs will only be undertaken after it has been ascertained that the transaction prices, terms and conditions, quality of products or services are comparable with those prevailing in the market and will meet industry standards. The transaction prices will be based on the prevailing market rates or prices of the service or product or to otherwise accord with the normal commercial terms and applicable industry norms. The interests of non-interested shareholders will be taken into account when entering into the RPTs and RRPTs to ensure that their rights and interests are upheld as per the MMLR.

BOARD AUDIT COMMITTEE REPORT

- Where possible, other contemporaneous or similar transactions with unrelated third parties for similar products or services and/or quantities will be used as comparison, to determine whether the price and terms offered to or by the related parties are fair and reasonable and comparable to those offered to or by other unrelated third parties for the same or substantially similar type of products or services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market rates or prices that are agreed upon under similar commercial arrangements for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms in order to ensure that the RPTs and RRPTs is not detrimental to the Company or the Group.

- On-going awareness sessions are arranged with employees and stakeholders to ensure sufficient knowledge and familiarity on RPTs and RRPTs in order to comply with the MMLR. Records of all transactions with the related parties are properly maintained by all business segments, divisions and the subsidiaries.
- GIA shall review the internal control process and records of RPTs and RRPTs within the affected scope to verify that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to. Any divergence will be reported to the BAC.
- The BAC shall review the internal audit reports and will also review from time to time any related party transactions that may arise within the Group. If the BAC is of the view that the procedures are insufficient to ensure that RPTs and RRPTs are undertaken on an arm's length basis and on normal commercial terms and on terms that are not more favourable to the transacting party than those generally available to public during their periodic review of the procedures, the BAC has the discretion to request for additional procedures to be imposed on the RPTs and RRPTs.
- An interested/deemed interested Director in any particular RPTs or RRPTs shall be required to declare his or her interest in the RPTs or RRPTs and will have to refrain from any deliberation and also abstain from voting on the matter at the Board meeting in respect of that RPTs or RRPTs.
- MISC Berhad's Limits of Authority also reflect the relevant thresholds for the approval of RPTs or RRPTs. A process flow is also defined to articulate the necessary steps of the process.

The RRPTs entered into by the Group (excluding Malaysia Marine and Heavy Engineering Holdings Berhad) during the financial year ended 31 December 2020 are summarised below:

	Nature of Transaction	Transacting Party	Related Party
1.	Charters of petroleum and chemical tankers and LNG carriers from MISC by PETRONAS Group	MISC Berhad and/or its subsidiaries	PETRONAS*
2.	Operating, maintaining and lease/charter of floating production, storage and offloading (FPSO), floating storage and offloading (FSO) and other floating solutions for PETRONAS Group	MISC Berhad and/or its subsidiaries	PETRONAS*
3.	Marine and consultancy services**	MISC Berhad and/or its subsidiaries	PETRONAS*
4.	Sungai Udang Port management**	MISC Berhad and/or its subsidiaries	PETRONAS*
5.	Purchase of industrial gases, lubricants and other petroleum products including bunker oil from PETRONAS Group	MISC Berhad and/or its subsidiaries	PETRONAS*
6.	Supply of information technology services provided by PETRONAS Group	MISC Berhad and/or its subsidiaries	PETRONAS*
7.	Rental of premises with PETRONAS Group	MISC Berhad and/or its subsidiaries	PETRONAS*

* *PETRONAS is a major shareholder of the Company*

** *RRPTs come into view due to the acquisition of MISC Maritime Services Sdn. Bhd. and its wholly-owned subsidiary, Sungai Udang Port Sdn. Bhd., by MISC. However, the amount of transactions did not exceed the threshold as stipulated in the MMLR.*

The BAC has reviewed the internal guidelines pertaining to the governance of RPTs and RRPTs as outlined above and is of the view that the said guidelines are sufficient to ensure that the RPTs and RRPTs are fair, reasonable and in the best interest of the Group. The BAC was satisfied that the Group has put in place adequate procedures and processes to monitor, track and identify RPTs and RRPTs in a timely and orderly manner to ensure that the RPTs and RRPTs were, at all times, carried out on normal commercial terms and consistent with the Group's practices and were not to the detriment of the minority shareholders. The procedures and processes will be reviewed from time to time based on recommendations from the internal audit team of the Company.

During the financial year under review, the GIA also conducted quarterly audits on RPTs and RRPTs and reviewed the internal control process and records of RPTs and RRPTs within the affected scope to verify that adequate procedures are in place and have been adhered to. The BAC is satisfied with the established procedures, and the RPTs and RRPTs were fairly concluded on prevailing market rates/prices, normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of MISC and its minority shareholders.

The BAC also confirmed that the methods or procedures for determining the prices and terms of the RRPTs have not changed since the issuance of the Independent Adviser's opinion by PricewaterhouseCoopers Capital Sdn. Bhd. dated 26 March 2012. The same was published in the Company's Annual Report for the year ended 31 December 2012.

DATO' SEKHAR KRISHNAN
Chairman
Board Audit Committee

/ Additional Information / Financial Statements / Governance / Leadership / Business Review ///////

MISC Berhad / Integrated Annual Report 2020

BOARD GOVERNANCE AND RISK COMMITTEE REPORT

MISC's Board of Directors (Board) has established the Board Governance and Risk Committee (BGRC) to oversee the Company's risk management framework, policies and practices, as well as governance, compliance and sustainability matters, effective 1 January 2021. BGRC members are appointed by the Board from amongst its non-executive members and comprising of Independent Directors only. Datin Norazah Mohamed Razali has been appointed as the first Chairman of the BGRC. She shares the key areas the BGRC will focus on for the year ahead.

DATIN NORAZAH MOHAMED RAZALI
Chairman
Board Governance and Risk Committee

CHAIRMAN'S REMARKS

The decision by MISC's Board to introduce the BGRC is in line with the MCCG 2017 and a logical step towards further strengthening the independence and effectiveness of MISC's approach to risk management. It enables the Group to benefit from a more focused oversight at the Board level over all current and emerging risks.

Building upon the Group's existing risk management framework, the BGRC's priority for the year ahead will include providing Management with guidance on specific risk events especially, in relation to the challenges brought forth from COVID-19 and the changing industry dynamics.

Related to this, the BGRC will also look at how we can elevate the Board's oversight of the sustainability agenda. This includes the impact of climate change, energy transition and the well-being of our employees and of the communities we operate in.

The sustainability agenda will be reflected in MISC's near term business strategy to ensure the continued growth and resilience of the Group.

On a personal note, I am looking forward to the role of Chairman of the BGRC and to being part of the Group's journey. Along with my fellow Board members, we are committed to driving the broader sustainability agenda while also proactively responding to and mitigating any risk events.

DATIN NORAZAH MOHAMED RAZALI
Chairman
Board Governance and Risk Committee

Dear Shareholders,

Having considered the merits of the MCCG 2017 Step-Up Practice, which recommends the formation of a dedicated company-wide risk oversight at the Board Committee level to enhance scrutiny on risk management matters and thus enable more effective anticipation and reaction in managing events and trends that could lead to disruptive changes to the business model, the Board has established the BGRC on 1 January 2021. In addition to matters pertaining to risk management, the scope of the BGRC will also encompass governance, compliance and ethics, and sustainability.

Composition

The BGRC comprises four members, all of whom are Independent Non-Executive Directors. The BGRC's Terms of Reference (TOR) requires a majority of the BGRC members to be Independent Directors, which complies with the requirements of the MCCG 2017. At least one member of the BGRC must also be a member of the BAC in order to foster a common understanding of the risk management and internal control system and ensure co-ordination between the various standing Board Committees of MISC in its risk and governance oversight roles.

As at the date of this report, the composition of the BGRC is as follows:

Members	Date of appointment as BGRC Member
DATIN NORAZAH MOHAMED RAZALI Chairman Independent Non-Executive Director	1 January 2021
DATO' SEKHAR KRISHNAN Member Senior Independent Non-Executive Director	1 January 2021
DATO' AB. HALIM MOHYIDDIN Member Independent Non-Executive Director	1 January 2021
MOHAMMAD SUHAIMI MOHD YASIN Member Independent Non-Executive Director	1 January 2021

Terms of Reference

The BGRC is governed by its own TOR, which is consistent with the requirements of the MMLR of Bursa Securities and best practices of the MCCG 2017.

For more information on the BGRC's TOR, please refer to MISC's corporate website at www.misc.com.my.

BOARD GOVERNANCE AND RISK COMMITTEE REPORT

Meetings

The BGRC is scheduled to meet every quarter to review and deliberate the Enterprise Risk Management matters, emerging risk updates, compliance and ethics updates, sustainability strategy updates and other relevant matters within the BGRC's TOR. Additional meetings are convened as and when required. The BGRC convened its inaugural meeting on 9 February 2021 after it was established.

The President/Group CEO attends the BGRC meetings to facilitate the discussion, as well as to provide the appropriate information and advice on relevant matters for the BGRC.

BGRC meetings together with the tentative agendas are scheduled in advance of any new financial year to allow the BGRC members to plan ahead and incorporate the year's meetings into their respective schedules. The agenda and meeting papers are distributed to the BGRC members via a secured collaborative software, which eases the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Directors to have access to the papers electronically, anytime and anywhere. All proceedings of the BGRC meetings are duly recorded in the minutes and properly kept by the Company Secretary.

Functions of the BGRC

BGRC Functions

To review, evaluate, report and make appropriate recommendations to the MISC Board on the following matters:

RISK MANAGEMENT

Provide oversight on the risk management policies, framework and process.

GOVERNANCE

Determine the governance structure and monitor good governance practices.

COMPLIANCE AND ETHICS

Ensure effectiveness of the compliance and ethics programme.

SUSTAINABILITY

Determine the sustainability strategy.

i. Risk Management

Matters pertaining to risk management which were previously under the purview of the BAC, will fall within the scope of the BGRC, which will act as a sounding board to Management and perform a deep dive and challenge on risk matters. The BGRC shall review, evaluate, report and make the appropriate recommendations to the Board on the following matters:

(a) Adequacy and effectiveness of MISC's Risk Management Framework and the on-going activities (including reports on key strategic and business risks as well as environmental, social and governance risks) for identifying, evaluating, monitoring and mitigating risks;

(b) Enterprise Risk Management Risk Register to ensure that appropriate systems and processes are in place to effectively monitor and manage the identified risks;

(c) Risk assessments conducted by the Risk Management Committee or the Project Risk Assessment Sub-Committee, on business proposals and new initiatives;

(d) Determination of MISC's level of risk tolerance; and

(e) Any other matters as defined by the Board or Board Committees.

ii. Governance

The BGRC will review, evaluate, report and make appropriate recommendations to the Board on the determination of MISC's governance structure in alignment with MISC's business strategy. The BGRC will also monitor good governance practices across the Group to ensure consistency with the Board's risk appetite, guided by applicable laws and regulations.

iii. Compliance and Ethics

The BGRC is tasked with reviewing and making the appropriate recommendations to the Board on the adequacy and effectiveness of MISC's Compliance and Ethics strategy and objectives to continuously embed a culture of strong corporate governance, business ethics and conduct within the organisation, through a management framework for business and operations to develop, manage and maintain the governance required, including continuous enhancement and monitoring to meet and sustain the compliance strategy and objectives across the MISC Group.

iv. Sustainability

As sustainability is a key feature of MISC's long term strategy, the Board considers sustainability to be of paramount importance when determining the Board agenda. Hence, the BGRC has been identified as the custodian for MISC's sustainability initiatives.

The BGRC shall have oversight on ESG matters, including climate change, health and safety, and cybersecurity. The BGRC will review, evaluate, report and make appropriate recommendations to the Board on the determination of MISC's sustainability strategy in alignment with MISC's business strategy.

DATIN NORAZAH MOHAMED RAZALI
Chairman
Board Governance and Risk Committee

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide this Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities) and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The following statement outlines the nature and scope of risk management and internal controls within MISC Berhad (MISC or Company) and its subsidiaries (Group or MISC Group) during the financial year ended 31 December 2020 (FY2020).

ACCOUNTABILITY OF THE BOARD

The Board is responsible for establishing and maintaining a sound risk management and internal control framework with the objective of safeguarding the shareholders' interest and the Group's assets, as manifested in the Malaysian Code on Corporate Governance 2017 (MCCG 2017).

The Board recognises its principal responsibility to regularly review the adequacy and effectiveness of the risk management and internal control framework. By implementing a sound risk management and internal control systems, it helps the Group to achieve its performance and profitability targets for better decision making whilst managing the risks.

In discharging its responsibilities, the Board is supported by MISC's Board Audit and Risk Committee (BARC) to oversee the risk management and internal control systems during the FY2020.

During the year under review, the BARC was further supported by the MISC Risk Management Committee (RMC), which comprises Management Committee (MC) members and Heads of Divisions, to reflect the prominence and focus by management on the oversight of the internal control systems and risk management of the MISC Group.

The Board, via BARC, periodically reviews the efficiency and effectiveness of the Group's internal control systems to ensure viability and robustness of the system. Group Internal Audit (GIA) with its risk-based approach supported the BARC in ensuring that the said internal control systems are in place and effective in dealing with risks during the year under review.

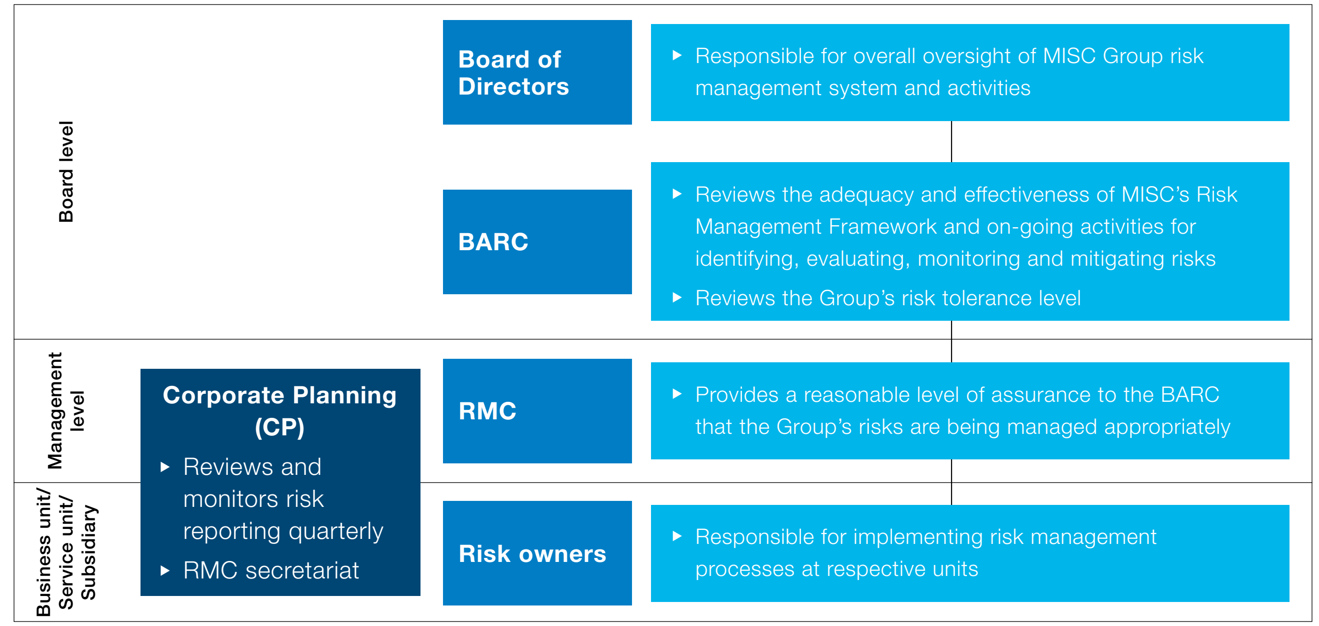
Effective 1 January 2021, the Group's risk management functions will fall under the purview of newly established Board Governance and Risk Committee (BGRC), a standalone board risk committee. Pursuant to the establishment of BGRC, the BARC was renamed as Board Audit Committee (BAC). The oversight of the internal control framework will be retained under the BAC. For more information on the BGRC's and BAC's responsibilities, please refer to their respective reports on pages 282 to 289 (for BAC) and pages 290 to 293 (for BGRC) of this Integrated Annual Report.

In view of limitations inherent in any process and that risks cannot be eliminated completely, the Group has in place, a system of internal control and risk management designed to manage rather than eliminate the risks that may impede the Group from achieving its objectives. Therefore, it can only provide a reasonable, but not an absolute assurance against material misstatements or losses or the occurrence of unforeseeable circumstances. Thus, the Board adopts a cost-benefit approach to ensure that the expected returns outweigh the cost of risk mitigation.

RISK GOVERNANCE STRUCTURE

The Group's risk governance structure facilitates the flow of information and effective oversight on the implementation of risk management practices across our businesses.

Risk management activities are undertaken at corporate and business and services units/subsidiary levels and risk reports are reviewed by the RMC prior to deliberation at the BARC. Each appointed and dedicated risk focal person has the responsibility for risk management activities in their respective department to ensure consistent implementation of risk management processes across the Group.



The RMC was established to review and monitor the Group's risk management practices. It is primarily responsible for driving the implementation of the risk management framework and acts as the central platform for the Group.

RISK MANAGEMENT COMMITTEE			
Assist the management in identifying principal risks at Group level and providing assurance that the Enterprise Risk Management is implemented group-wide to protect and safeguard MISC's interest	Review and recommend policies and frameworks specifically to address risks inherent in all business operations and environment pertaining to the Group	Review, deliberate and recommend mitigation actions to ensure that the Group's risks are being mitigated effectively	Provide a reasonable assurance to the BARC that the Group's risks are being managed appropriately

The RMC holds quarterly meetings to review the key risks and at the same time ensure that mitigation plans are in place to manage such risks. The adequacy and effectiveness of the controls and the robustness of the mitigation actions are also addressed. These are then further deliberated at the BARC and finally reported to the Board on a quarterly basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK POLICY

MISC's Risk Policy guides the overall best practice of identifying, evaluating, managing, reporting and monitoring the ever-changing risks faced by the Group and specific measures to mitigate these risks. The emphasis is to effectively reduce the impact of risks, respond to immediate risk events and recover from prolonged business disruption to ensure continuity and sustainability of key business activities as well as delivery of business objectives.

MISC is committed to become a risk-resilient organisation.

MISC shall continuously strive to implement:

- Risk management best practices to protect and create value within the set boundaries; and
- Risk-based decision making by providing a balanced and holistic view of exposure to achieve business objectives.

Managing risk is everyone's responsibility.

RISK MANAGEMENT FRAMEWORK

The Company's risk management framework is used to identify, evaluate and manage the principal risks of the Group as described in pages 84 to 89. Appropriate internal control systems are also implemented to manage these risks, details of which are set out in the following pages.

Risks across the Group are being managed on an integrated basis within stipulated and approved Limits of Authority (LOA). Evaluations of those risks are incorporated into the decision-making process.

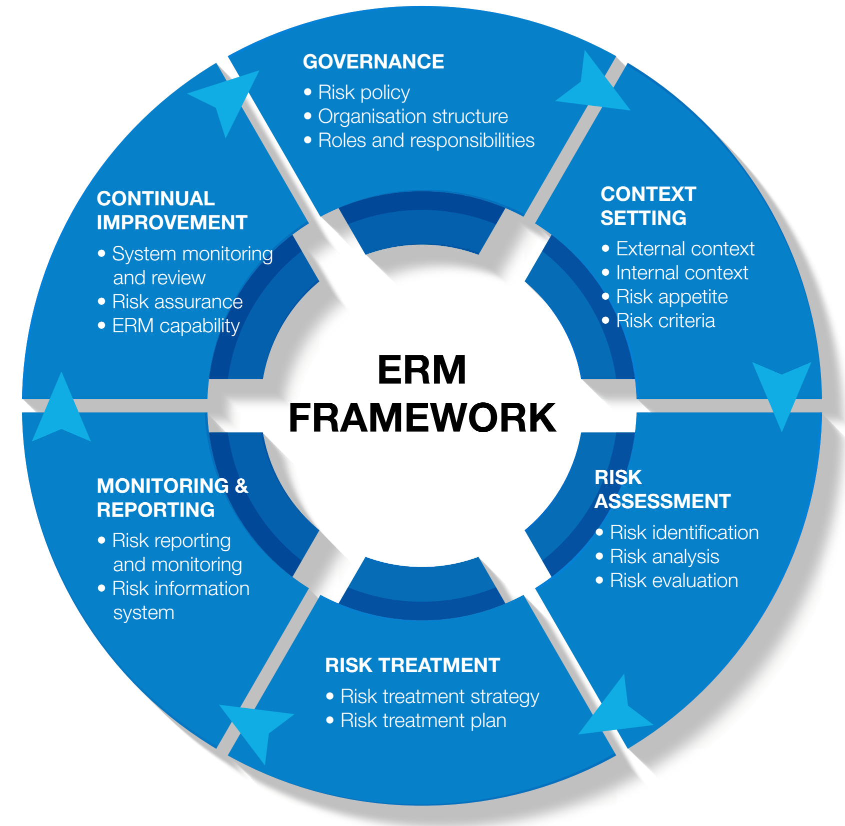
The Board adopts the PETRONAS Resiliency Model which provides an integrated view for managing risks and is also guided by international best practice as per ISO 31000.

PETRONAS Resiliency Model

Enterprise Risk Management (ERM)	Crisis Management (CM)	Business Continuity Management (BCM)
ERM process is an integral part of managing business that provides a guide to systematically identify, assess, treat, monitor and review risks. It aims to improve the ability to reduce the likelihood and impact of identified risks that may affect the achievement of business objectives.	CM defines the structure and processes for managing emergencies including crises at both domestic and international operations.	BCM ensures a structured recovery of business operations and business continuity in the event of a crisis or prolonged business disruption.

- **ERM**

The Group has implemented risk management best practices in the form of ERM framework which ensures all business risks are prudently identified, evaluated, treated and managed accordingly to achieve MISC's strategic objectives.



The risk management process in MISC requires management to identify business risks at the strategic, operational and tactical levels, and assess these risks in terms of likelihood and magnitude of impact, as well as to identify and evaluate the adequacy of mechanisms in place to manage these risks. Key risks covering financials, asset performance, major health, safety, security and environment (HSSE) incidents, project management and human resource are monitored closely at the Company's quarterly RMC and BARC meeting. This process involves assessments at business and services units/subsidiary levels before being examined at the Group taking into account the strategic perspective.

In sustaining the achievement of business objectives, it is important to manage risks across the Group on an integrated basis with a balanced view of the risks taken against the rewards of business performance. The business units, service units and key subsidiaries are required to perform an annual review of their risk profiles with the emphasis of linking risks to MISC's business objectives.

In addition, Key Risk Indicators (KRIs) were reviewed and identified to monitor the movement of risks throughout the year, thus enabling the management to act and take necessary measures in managing risks to ensure that strategic initiatives are implemented effectively, and business objectives are met.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

For the purpose of risk reporting, a breach of risk event is reported to the RMC and BARC on a quarterly basis, complete with action plans to mitigate the relevant risks.

In essence, the risk management processes are as follows:

Risk profiling

- Identify risks and existing controls via risk assessment.
- Establish risk rating based on matrix and record into risk registers.
- Select appropriate risk treatment option.

Risk monitoring

- Continous monitoring of risk level using the risk registers.
- The performance of key risks is monitored using KRI.
- Any change or movement in the KRIs, will provide an early warning.

Risk reporting

- KRIs that breach set thresholds are reviewed by CP before presentation to RMC for discussion on a quarterly basis.
- Significant breaches and key risk issues are raised to the BARC for discussion and deliberation.
- Mitigation to eliminate/minimise risk exposures are deliberated at RMC and BARC.

Corporate Planning

- Review, discuss and report all risk events breaching thresholds.

RMC

- Review and discuss risk events breaching thresholds as well as the proposed mitigations.
- Shortlist of key and significant risk events breaching thresholds.

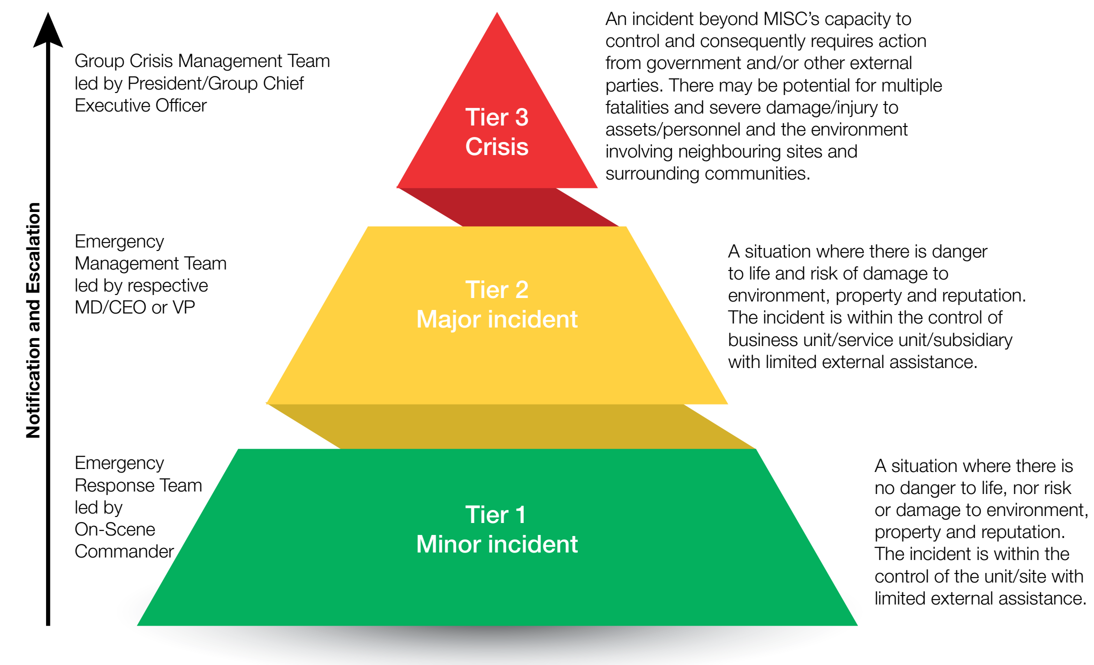
BARC

- Discuss and deliberate key and significant risk events breaching thresholds as well as the proposed mitigations.
- Provide guidance to management to ensure the Group's risks are being managed appropriately.

- **CM**

CM is an integrated process that aims to prepare an organisation to respond and manage crisis in the risk areas, to protect people, environment, assets and reputation.

A three-tiered response system provides the demarcation of roles and responsibilities between emergency site management, business and services units/subsidiary levels management, corporate and internal/external response agencies and/or authorities.



During the year under review, five drill exercises were conducted for emergencies on vessels and offshore facilities. Drill exercises carried out via simulation of test scenarios validate the effectiveness of response plans, as well as promote continuous improvement as identified in the Group Crisis Management Plan. Drill exercise programmes were also being carried out at the respective business units, services units and subsidiaries.

- **BCM**

BCM aims to build the capability of the MISC Group to recover and continue the operations of critical business functions in the event of disruption.

Business Continuity Planning (BCP) was established through the BCM process to enhance the MISC Group's preparedness to recover and restore businesses' critical functions within a reasonable period of time towards sustaining the Group's activities and minimising disruptions to stakeholders.

Simulation exercises of test scenarios validate the effectiveness of recovery strategies, as well as maintain a high level of competence and readiness as identified in the BCP. While BCP simulations are carried out once every three years, Business Impact Analysis and recovery plan reviews are carried out on a yearly basis.

The persistence in exercising and maintaining BCP has paid off for the Group when business disruption was successfully avoided during the onset of the COVID-19 pandemic and the consequential enforcement of the Movement Control Order (MCO) by the government.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY INTERNAL CONTROL PROCESSES IN ENTERPRISE RISK AREAS

As at end of FY2020, MISC conducted 22 self-assessments through PETRONAS' MyAssurance system. The purpose of these self-assessments is to ensure that MISC and its subsidiaries comply to the requirements established under the PETRONAS' frameworks, guidelines and guiding principles. In addition to the yearly self-assurance process, PETRONAS also conducted an Integrated Assurance on three areas within MISC namely the risk management, crisis management and business continuity.

Other than self-assessment via MyAssurance, amongst other MISC's internal control processes in Enterprise Risk Areas are as follows:

Financial

- Limits of authority (LOA)

  The LOA manual provides a framework of authority and accountability within the organisation and facilitates sound and timely corporate decision making at the appropriate level in the organisation's hierarchy.

- Reporting

  The Board reviews quarterly reports from management on key operating performance, legal, environmental and regulatory matters. Financial performance is deliberated monthly by the MC and tabled to the BARC and the Board on a quarterly basis.

- Planning and budgeting

  The Group performs a comprehensive annual planning and budgeting exercise which involves the development of business strategies for the next five years to achieve the Group's vision. The long-term strategies are supported by initiatives to be pursued in the upcoming year, and for effective implementation, the initiatives are tied to specific measurable indicators which will be evaluated against the relevant business units', service units' and subsidiaries' deliverables. The Group's strategic direction is then reviewed annually taking into account the current progress level and other indicators such as latest developments in the industry, changes in market conditions and significant business risks. In addition, the Group's business plan is translated into budgetary numbers for the next five years and financial performance and variance against budget is analysed and reported monthly to the MC and quarterly to the BARC and the Board.

- Financial Control Framework

  To enhance the quality of the Group's financial reports, the Group continues the execution of the PETRONAS Financial Control Framework (FCF). FCF is a structured process of ensuring the adequacy and effectiveness of internal controls operating at various levels within the Group at all times. FCF covers internal controls related to financial reporting based on the identified processes and risks.

  It is a consistent approach in which the internal controls over financial reporting are documented and evaluated for their effectiveness in design and operations. FCF requires documentation of process workflows, process narratives, control descriptions, testing on control effectiveness as well as remediation of control gaps. FCF testing requirement is performed semi-annually for relevant processes.

  On a semi-annual basis, the process owner at the management levels and operating entities is required to complete the FCF testing and present the results to the management. The management will submit a Letter of Assurance to PETRONAS which provides confirmation on the effectiveness of specified internal controls over financial reporting of the entities and be accountable for the reliability of financial statements. If ineffective controls exist, the process owner will have to put in place appropriate remediation plans and the control owner will monitor the execution plans to ensure the controls are mitigated by the next FCF compliance testing and reporting period.

- Corporate Financial Policy

  The Group continues to monitor and ensure effective and robust execution of financial risk management through the implementation of the PETRONAS Corporate Financial Policy (CFP). The CFP supports the delivery of a consistent approach in financial and risk management discipline across the Group. The CFP is supplemented with guidelines in the areas of liquidity management, cash repatriation, financing, investment, banking, asset liability management, foreign exchange management, credit, tax, inward financial guarantee and documentary credit, and integrated financial risk management. Amongst activities in CFP is managing credit risk via Counterparties Credit Risk Review Assessment which is conducted on a yearly basis.

  During the year, PETRONAS introduced a new financial policy to supersede the CFP. The new financial policy was approved by the Board on 16 November 2020 for adoption by the MISC Group and renamed MISC Financial Policy. The new financial policy anchors on MISC Group's commitment to become a financially resilient organisation. The replacement will result in financial management and financial risk management being governed by three inter-related policies namely:

  - **Financial policy**, for policy stances on financial management areas of cash and liquidity management;
  - **Tax policy**, which is being developed as a separate policy in consideration of the criticality of tax governance and tax risk management; and
  - **Risk policy**, for policy stances on risk management and applicable to financial risk management.

  The adopted policy stance is as follows:

  > MISC is committed to become a financially resilient organisation.
  >
  > MISC shall continuously strive to achieve the following:
  >
  > - Capital efficiency in pursuit of business objectives with appropriate balance between risk and reward.
  > - Maintain an investment grade credit rating (if applicable).
  > - Sustain a strong cash repatriation discipline in the most optimal manner.
  > - Uphold strong governance at all times.
  >
  > Adherence to this policy is everyone's responsibility.
  >
  > Note: MISC refers to MISC Berhad and its subsidiaries, excluding the joint venture companies and associate companies

- Debt Covenant Monitoring

  The Group monitors its financial and non-financial covenants set out under all its external financing facilities on a quarterly basis, to ensure that they are observed and complied within the parameters imposed.

- Financial Risk Appetite

  The Group has established Financial Risk Appetite Setting (FRAS), which sets out KRIs in the following areas, as a means of monitoring and mitigating against adverse trends in the relevant financial risks:

  - Foreign exchange and financial institution credit counterparty risk appetite, to mitigate risks arising from operations in non-functional currencies and financial losses arising from failure of counterparty financial institutions.
  - Interest rate risk appetite limit, where the weighted average cost of debt threshold of the Group for the specific year is set to monitor the overall cost of debt of the Group.
  - Debt appetite limit, where threshold is set to monitor the Group's debt levels.
  - Minimum liquidity requirement level, to ensure that the Group is able to meet its immediate operating expense payables, committed CAPEX and debt obligations. Additional cash reserves, on top of the minimum liquidity requirement, are also maintained to meet contingency payments and/or opportunistic investments.

Project Evaluation

The Group continues to use a risk-based pricing framework to ensure that the returns of any capital investment or project, adequately covers the risks assumed for undertaking such an investment or project. Amongst the risk elements considered in the Project Risk Assessment (PRA) are counter-party credit risk, project tenure, project and commercial risk, overall project economics against risk, assumed level of debt taken to fund the project and the residual value risk of the asset at the end of the contract period. The PRA is continuously reviewed and refined to ensure the robustness of the risk assessment process.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

PRA is a stringent tool adopted by the Group in identifying a project's risks prior to embarking on a new capital-intensive project. PRA enables the business to identify and implement appropriate controls to mitigate the risk of projects. In addition, the PRA advocates and ensures a consistent approach to project prioritisation during the overall planning and budget cycle throughout the Group, whilst promoting investment discipline. Ultimately, the objective of PRA is to ensure that project returns are commensurate with the level of risk taken.

PRA is conducted and deliberated at the RMC, for each project that is being considered for bid submission.

Procurement

MISC's Procurement Manual provides the overall procurement principles, scope, functions, governance, operational procurement processes, procedures and exceptions to be adopted in relation to procurement activities within MISC.

Tender Committees and Quotation Committees are established to ensure procurement activities are conducted in an effective, transparent and fair manner whereas Vendor Performance Review Committee is established to review, deliberate and endorse on overall vendor performance matters including application for suspension, blacklisting, uplifting and reinstatement.

Project Management

Project management of LNG and AET newbuilds are handled by Project Management Department (PMD) of the Eaglestar Group, whereas the project management for the Offshore Business will be monitored by the Project Delivery Team (PDT). The primary objective of PMD and PDT unit is to strategise, lead and control shipbuilding/conversion of vessels and conversion of floaters respectively, to ensure safe and successful execution of projects within the agreed schedule and allocated budget limits.

Two main functions of Eaglestar's PMD are:

- Project Engineering team, which mainly manages project tendering and contracting, including feasibility studies, design and scope of work; and
- Project Management team, which handles project execution post contract signing, supervision and appraisal of builders' performance.

PMD constantly reviews the execution of the project against the project execution plan, which includes the planned programme, procurement schedule, factory test schedule and commissioning schedule. PMD also maintains regular reporting to management on progress and to escalate pertinent issues.

The Offshore Business's PDT provides support and oversight for all project phases from bid, through Front End Engineering Design (FEED) and execution until handover to asset management. During project execution, the team will carry out regular project reviews and risk assessment and formulate risk mitigation to ensure that appropriate actions are taken in a timely manner. Independent reviews which may include external experts, if required, are performed during the project execution phase led by MISC GIA.

Information & Communication Technology (ICT)

MISC has largely implemented Enterprise ICT systems and corporate applications to automate its core business functions and work processes. These systems run on ICT platforms and MISC network infrastructure that connects all businesses in the Group. With the recent implementation of cloud services, ICT has continued to expand its digital footprint in pursuit of operational and service excellence.

- ICT Service Continuity

  In view of the COVID-19 pandemic, in March 2020, ICT has exercised the ICT Service Continuity process to facilitate Work-From-Home (WFH) transition for all employees including the sub-contractors. This is to provide continued access and availability to critical applications and services. Service desk and infrastructure are implemented to support WFH with agreed Service Level Agreement.

- ICT Project Management

  Project Management Office continue to provide management oversight on all ICT projects to ensure project delivery is done within budget, time and resources. Project management methodology is put in place to cover the end-to-end project lifecycle from project charter to project closure via online project management platform.

- ICT Asset Management

  The asset management framework provides the policy, procedures and guidelines based on ISO 20000. The primary objective is to outline the acceptable use of ICT assets by MISC employees in order to protect against theft of information and assets, damage of assets and promote the appropriate use of the ICT assets. Continuous monitoring of software and hardware is performed to protect from breach of copyrights legislation, unauthorised or inappropriate use of ICT assets.

- Technology Lifecycle Management

  To reduce total cost of ownership as part of cost saving, close monitoring of the technology lifecycle is performed from deployment, operation to expiration. Review and testing are done at each stage of the lifecycle to reduce operational downtime and minimal business disruption. A group-wide standardisation is implemented to streamline the ICT environment to benefit from cost optimisation and technology advancement.

- ICT Governance

  At the governance level, the ICT Steering Committee (ITSC) provides strategic direction and guidance on ICT initiatives. Progress of ICT initiatives is monitored and reported at the ITSC meetings to ensure smooth implementation of ICT initiatives.

Cybersecurity

A five-year MISC Cybersecurity Strategic plan has been formulated under MISC Sustainability Strategy 2025 (Governance Pillar) to provide the roadmap for continuous maturity of cybersecurity in MISC. The strategy aims to reach a Tier-3 NIST (National Institute of Standards and Technology) maturity level and achieving ISO 27001 group-wide by end 2023. This strategy is based on internationally recognised NIST Cybersecurity Framework and International Maritime Organization (IMO)/ Tanker Management Self-Assessment (TMSA)/ Baltic and International Maritime Council (BIMCO) Cybersecurity Framework.

A formal cybersecurity team was set up, led by a qualified Chief Information Security Officer (CISO) reporting to the Group HSSE Council. The CISO's office provides management oversight in line with the cybersecurity strategy. The strategy comprises:

- Cybersecurity Governance

  The cybersecurity governance framework outlines the policies and procedures, specifies the cybersecurity control standards and ensures a consistent approach to risk management for the Group.

- Cybersecurity Operation

  A cybersecurity remediation plan is put in place resulting from the cybersecurity technical assessment. This is to address the cybersecurity gaps by implementing the relevant controls to safeguard the ICT infrastructure and continued protection of information against internal and external cyber threats.

- Cybersecurity Culture

  Formal and structured cybersecurity campaigns and awareness programmes are conducted combining MISC internal cybersecurity training and email phishing campaigns. On-going cybersecurity announcements are done to provide security alerts and updates of cybersecurity incidents in developing a security culture where everyone understands that cybersecurity is everyone's responsibility.

The progress of all initiatives is reported regularly to MISC Group HSSE Council. The Board has been appraised of MISC Cybersecurity strategy. Amongst the achievements in 2020 is that MISC has been audited by the certification body and is currently fully certified in line with IMO 2021 cybersecurity compliance for ships.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Human Resource

The professionalism and competency of employees are enhanced through structured development programmes and potential entrants or candidates are subject to a stringent recruitment process. A performance management system was established with performance indicators to measure employees' performance and performance reviews are conducted twice annually. Action plans to address employees' developmental requirements are prepared and implemented in a timely manner. This is to ensure that employees are able to deliver the expected performance so that the Group can meet its plans and targets.

A structured Succession Planning framework was developed and implemented to identify and develop a leadership pipeline in the Group. The Succession Planning framework takes into account the potential successor's performance track record, leadership capability and display of the MISC cultural beliefs. The Succession Planning framework also provides development plans to be mapped appropriately for each potential successor in order for them to be ready to assume critical positions as the opportunity arises. A special talent review session led by the Management Development Committee is conducted bi-annually to assess and gauge the identified talent pool's suitability as well as their readiness level for the proposed critical position.

To ensure that the organisation has the right competency and capability, a structured Functional Competency and Leadership Competency framework is applicable to all employees in the Company. The objective of the Functional Competency and Leadership Competency framework is to have a competent and capable workforce through a structured and holistic developmental process, which ultimately feeds into the talent pipeline for the Succession Planning framework. Through the framework, all employees are required to go through the functional and leadership competency assessment annually where they are assessed against the competency required for their roles and at their job levels respectively. Based on the competency gap identified from the assessment, employees are empowered to identify and propose suitable intervention plans to address their competency gap via one-on-one discussion with their supervisors.

The Functional Competency and Leadership Competency framework, together with the Succession Planning framework, demonstrates the Group's commitment towards developing future leaders of MISC.

Compliance & Ethics

The MISC Compliance and Ethics Programme 2020 was developed and approved in June 2016 (also formed part of the Sustainability Strategy 2025 under the Governance Pillar). The programme is a five-year strategic plan consisting of a set of action plans and deliverables to ultimately create a mature compliance and ethics culture within MISC whereby the aim is to achieve 'robust' maturity level by year 2020, where ethics and integrity become a part of all business conduct and transactions.

The programme is a comprehensive programme which underpins the role of the Board and management in combatting bribery and corruption and provides enhanced training and communication programmes, and implementation of appropriate counter-party due diligence and anti-bribery risk assessments. A compliance unit is assigned with the responsibility to oversee the implementation of MISC Compliance and Ethics Programme and the Anti-Bribery Management System (ABMS), with direct access to the Board and management for issues relating to bribery and corruption.

At the end of the five-year programme ending 2020, MISC has managed to successfully achieve and exceed the targets for the programme. In the past five years, MISC has put in place fundamental policies in line with the Code of Conduct and Business Ethics (CoBE) that extends to employees and directors within the MISC Group and third parties performing works or services for or on behalf of MISC Group. Internal controls including policies and measures addressing the critical laws namely the personal data privacy laws, economic sanctions, global export, competition laws and human rights/modern slavery laws through the following policies:

- MISC as per the Anti-Bribery and Corruption Policy Statement (ABC Policy and Guidelines) and ABC Manual, has a zero-tolerance policy towards any form of bribery and corruption by employees or companies acting for or on behalf of MISC. The MISC CoBE and ABC Policy and Guidelines apply throughout the Group and reflect the Group's commitment to fight against any corrupt or unethical practices in the course of conducting businesses in the jurisdictions in which it operates. This is further strengthened through the ABMS which sets out the requisite requirements to prevent, identify and respond to bribery.

  To further fortify the internal control processes and systems of the Company in respect of anti-bribery and corruption management, MISC has received certification as per ISO 37001:2016 (ISO ABMS) in 2019.

  The Bribery and Corruption Risk Assessment has also been completed to ensure MISC fulfils the requirements of the Guidelines on Adequate Procedures and is safeguarded against the new provision in the MACC Act (Amendment 2018) under Section 17A: Corporate Liability which was effective from 1 June 2020. There will be annual reviews and updates to the Bribery and Corruption Risk Assessment Report to ensure that the bribery and corruption risks including its ratings and mitigation measures are updated to fulfill requirements under the ISO ABMS and the Guidelines on Adequate Procedures.

- MISC has established the Corporate Privacy Policy and Master Guidelines which demonstrate the commitment to handle and manage personal data in accordance with the general principles of personal data protection and applicable laws in various jurisdictions.

- The Economic Sanctions and Export Control Policy and Guidelines underpin the Group's commitment to comply with relevant economic sanctions and export control regulations in the jurisdictions it operates in, through identifying, mitigating and managing such risks.

- MISC has a policy under the Competition Law Guidelines and its supporting protocols on meetings and information sharing, and merger and acquisition transactions for fully complying with competition laws of every country we operate in. The policy outlines the main competition laws applicable in most jurisdictions around the world and provides guidelines to ensure strict compliance with these rules in the day-to-day operations.

- MISC Group has also adopted the Human Rights Commitment and Modern Slavery Policy on 24 May 2019 to ensure adherence to the CoBE, which outlines the standards and behaviours that the Group upholds, with emphasis on due respect for human rights and compliance applicable to global laws and rules.

- For other relevant laws, MISC through the Regulatory and Legislation (R&L) Register, maintains regulations and legislations which can potentially impact the organisation. The R&L Register shall be the guide to ensure that MISC operates in accordance with the R&L requirements and for any potential exposures to be adequately mitigated.

Dealing with third parties is part of MISC's business operations and in ensuring that all business dealings are conducted in accordance with the MISC CoBE related policies and guidelines, due diligence exercises are carried out on all third parties as outlined in MISC's Third-Party Compliance Due Diligence Operational Guidelines.

There have been continuous awareness sessions through the "See.Speak.Support" campaigns since 2017 with the objective of highlighting and creating awareness amongst employees on MISC's principal elements of the CoBE. The campaigns were aimed at promoting MISC's whistleblowing channels and processes to employees. Continuous training on the CoBE and its related policies covering the critical laws have been conducted for employees, directors and third parties.

The Group continues to monitor any potential conflicts of interest through the annual declaration by employees, and the receipt and/or giving of any gifts via the employees' Conflict of Interest Register and employees' Gift Register.

The Group also continues to monitor and ensure effectiveness of the Compliance and Ethics Programme, which shall be further strengthened under the MISC Sustainability Strategy 2025 (Governance Pillar) especially in respect of compliance management, monitoring and assurance for the next five years.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CORPORATE POLICIES

MISC established its Corporate Disclosure Policy (CDP) and Corporate Disclosure Guidelines (CDG) in 2016. The CDP guides the Board, management and employees when communicating and making disclosure of information to external parties such as Bursa Securities, investment community, media, government authorities and other relevant stakeholders. It also sets out the parameters to enable timely, adequate and accurate disclosure of such information. The CDG, which is an internal document, provides more definitive guidelines for communication and disclosure of information in the above areas.

The Group keeps a register on conflict of interest or potential conflict of interest situations for directors in the Group which is reviewed on an annual basis.

ASSURANCE FUNCTIONS

Group Health, Safety, Security and Environment (Group HSSE)

The Health, Safety and Environment (HSE) Management System is developed in reference to PETRONAS HSE Management System, industry standards and best practices, which serves as a reference in planning and mitigating the risks of health and safety of employees, visitors, contractors and sustainability of the environment.

Group HSSE ensures that the Group's security risk exposures are reviewed according to national and international regulatory requirements and best practices; and mitigating measures are accordingly planned and implemented to ensure the security of employees, visitors, contractors and assets.

Cybersecurity conducts risk assessments on emerging technology areas, collaborates with operating units on internal and external audits and ensuring audit findings on cybersecurity areas are close to satisfaction. Regular reviews are done to continuously improve operational processes.

HSSE assurance is carried out on the respective business segments, vessels and floating facilities by Group HSSE with the objective to verify, evaluate and review the HSSE operational activities to ensure their operational integrity and reliability are maintained at all times, consistent with international regulations, HSSE controls and internal policies.

MISC Group's vessels are subjected to stringent audits, vetting and inspections to meet various regulatory and commercial requirements. These include vetting by oil majors, audits by the Malaysian Marine Department and ship classification societies to maintain international safety and security management certification under the relevant codes. In addition, MISC is also subjected to periodic management reviews by its customers' risk management units.

The MISC HSSE Council, chaired by the President/Group CEO with the MC and Managing Director/CEO of all subsidiaries as members, reviews the Group HSSE performance on a monthly basis and HSSE policies and strategies periodically, to ensure that they are in line with business objectives. The BARC oversees the HSSE risk and control effectiveness through review of the assurance findings on a quarterly basis.

GROUP INTERNAL AUDIT

MISC's GIA supports the BARC by providing independent feedback on the adequacy of risk management, governance as well as the efficiency and effectiveness of the internal control systems.

The authority, responsibilities and scope of work are defined in the approved Internal Audit Charter, which is aligned with the principles outlined in the International Professional Practices Framework (IPPF).

In performing its audit procedures, GIA refers to the internal control framework and guideline issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). COSO is an internationally recognised organisation providing guidance on internal control, enterprise risk management and governance.

Further information on the internal audit functions are set out in the Statement on Internal Audit on pages 286 to 287 of this Integrated Annual Report.

OTHER MATTERS

With regards to the associated companies and joint ventures, the Board does not regularly review their internal control systems as the Board has no direct control over their operations. Nevertheless, MISC's interests in the associated companies and jointly controlled entities are served via representations on the boards as well as review of management accounts and enquiries thereof.

AFFIRMATION BY THE BOARD

The Board has received assurance from the President/Group CEO and Vice President, Finance that the internal control and risk management systems of the Company and its subsidiaries for the year under review up to the date of approval of the statement are, in all material aspects, operating adequately and effectively.

There were no material losses incurred during the financial year under review as a result of weaknesses of internal control.

REVIEW BY EXTERNAL AUDITOR

The external auditor, Messrs. Ernst & Young PLT, has reviewed this Statement on Risk Management and Internal Control for inclusion in the Integrated Annual Report for the FY2020, in compliance with paragraph 15.23 of the listing requirements in accordance with guidelines issued by the Malaysian Institute of Accountants (MIA), and reported to the Board that nothing has come to their attention to cause them to believe that the statement intended to be included in the Integrated Annual Report is not prepared, in all material respects, in accordance with disclosures required by Paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, or that the statement is factually inaccurate.

CONCLUSION

For the financial year under review, based on enquiry, information and assurance provided, the Board is satisfied that the internal control and risk management systems were generally satisfactory. Measures would continuously be taken to ensure ongoing adequacy and effectiveness of the internal control and risk management systems, and to safeguard the Group's assets and shareholders' investment.

This statement is made in accordance with the resolution of the Board dated 23 February 2021.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible in ensuring that the annual audited financial statements of the Group and of the Corporation are drawn up in accordance with the provisions of the Companies Act 2016, the Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The directors are also responsible to ensure that the annual audited financial statements of the Group and of the Corporation present a true and fair view of the state of affairs of the Group and of the Corporation as at the financial year end and of their financial performance and cash flows for the financial year then ended.

In preparing the annual audited financial statements of the Group and of the Corporation for the financial year ended 31 December 2020, the directors have ensured that, appropriate and relevant accounting policies were adopted and consistently applied, reasonable and prudent estimates were made and the going concern basis was adopted.

The directors are responsible to ensure that the Group and the Corporation keep accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Corporation which enable them to ensure that the financial statements comply with the Companies Act 2016, the Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The directors have the overall responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Corporation to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

A. STATUS OF UTILISATION OF PROCEEDS

During the financial year ended 31 December 2020, the Company did not raise any proceeds from corporate proposals.

B. AUDIT AND NON-AUDIT FEES

i) The amount of audit fees paid or payable to the external auditors, Ernst & Young PLT ("EY PLT"), for services rendered to the Group and the Company for the financial year ended 31 December 2020 amounted to RM4.888 million and RM0.824 million respectively.

ii) The amount of non-audit fees paid or payable to the external auditors, EY PLT, and their affiliated companies for services rendered to the Group and the Company for the financial year ended 31 December 2020 amounted to RM1.013 million and RM0.769 million respectively. The non-audit services rendered to the Group and the Company includes limited review of semi-annual financial results and tax advisory.

C. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries which were not in the ordinary course of business, involving the Directors' and/or major shareholders' interests, still subsisting at the end of the financial year ended 31 December 2020 or, if not then subsisting, entered into since the end of the previous financial year.

SECTION 10

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Corporation for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Corporation consist of shipowning, ship operating and other activities related to shipping services and operating offshore floating terminals.

The principal activities of the subsidiaries, associates and joint arrangements are described in Notes 40, 41 and 42 to the financial statements respectively. The directors deem such information is included in the Directors' Report by such reference and shall form part of the Directors' Report.

There have been no significant changes in the nature of the principal activities during the financial year.

HOLDING COMPANY

The immediate and ultimate holding company of the Corporation is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated and domiciled in Malaysia.

SUBSIDIARIES

The details of the Corporation's subsidiaries are disclosed in Note 40 to the financial statements.

RESULTS

	Group RM'000	Corporation RM'000
(Loss)/profit for the year	(169,831)	1,912,336
Attributable to:		
Equity holders of the Corporation	(43,067)	1,912,336
Non-controlling interests	(126,764)	–
	(169,831)	1,912,336

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Corporation during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the write off of trade receivables and loss on re-measurement of finance lease receivables and provision for litigation claims as disclosed in Note 9 to the financial statements.

DIRECTORS' REPORT

DIVIDENDS

The amount of dividends paid by the Corporation since 31 December 2019 were as follows:

In respect of the financial year ended 31 December 2019 as reported in the directors' report of that year:

	RM'000
A fourth tax exempt dividend of 9.0 sen per ordinary share, declared on 18 February 2020 and paid on 17 March 2020	401,737
A special tax exempt dividend of 3.0 sen per ordinary share, declared on 18 February 2020 and paid on 17 March 2020	133,912
In respect of the financial year ended 31 December 2020:	
A first tax exempt dividend of 7.0 sen per ordinary share, declared on 8 May 2020 and paid on 9 June 2020	312,462
A second tax exempt dividend of 7.0 sen per ordinary share, declared on 13 August 2020 and paid on 15 September 2020	312,462
A third tax exempt dividend of 7.0 sen per ordinary share, declared on 17 November 2020 and paid on 15 December 2020	312,462

A fourth tax exempt dividend in respect of the financial year ended 31 December 2020 of 12.0 sen per ordinary share amounting to a dividend payable of RM535,649,000 will be paid on 16 March 2021.

The fourth tax exempt dividend in respect of the financial year ended 31 December 2020 is not reflected in the current year's financial statements. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

DIRECTORS

The names of the directors of the Corporation in office since the beginning of the financial year to the date of this report are:

Datuk Abu Huraira bin Abu Yazid	(Appointed on 9 October 2020)
Dato' Ab. Halim bin Mohyiddin	
Datuk Nasarudin bin Md Idris	
Lim Beng Choon	
Dato' Sekhar Krishnan	
Yee Yang Chien	
Mohd Yusri bin Mohamed Yusof	
Liza binti Mustapha	
Dato' Rozalila binti Abdul Rahman	
Datin Norazah binti Mohamed Razali	(Appointed on 9 October 2020)
Mohammad Suhaimi bin Mohd Yasin	(Appointed on 9 October 2020)
Tan Sri Noh bin Haji Omar	(Appointed on 1 June 2020 and subsequently resigned on 17 June 2020)
Tengku Muhammad Taufik	(Resigned on 15 July 2020)

The names of directors of subsidiaries are set out in their respective subsidiary's directors' report and the Board deems such information is included in the Corporation's Directors' Report by such reference and shall form part of the Corporation's Directors' Report.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Corporation was a party, whereby the directors might acquire benefits by means of acquiring of shares in or debentures of the Corporation or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remunerations received or due and receivable by the directors or fixed salary of full-time employees of the Corporation and other related corporations as disclosed in Note 7 to the financial statements) by reason of a contract made by the Corporation or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests and deemed interests of directors in office at the end of the financial year in shares in the Corporation and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	1 January 2020	Bought	Sold	31 December 2020
Fellow subsidiary - PETRONAS Gas Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Nasarudin bin Md Idris	3,000	–	–	3,000

	Number of stapled securities			
	1 January 2020	Bought	Sold	31 December 2020
Fellow subsidiaries - KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust				
Direct				
Datuk Nasarudin bin Md Idris	5,000	–	–	5,000

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D.)

	Number of ordinary shares			
	1 January 2020 /Date of Appointment	Bought	Sold	31 December 2020
Fellow subsidiary - PETRONAS Chemicals Group Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Nasarudin bin Md Idris	10,000	–	–	10,000
Mohd Yusri bin Mohamed Yusof	13,000	16,000	–	29,000
Mohammad Suhaimi bin Mohd Yasin	6,000	–	–	6,000
Subsidiary - Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Nasarudin bin Md Idris	10,000	–	–	10,000

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest and deemed interests in shares in the Corporation or its related corporations during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Corporation, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of the PETRONAS Group was RM1,290 million (2019: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Corporation was RM16,267 (2019: RM16,267).

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Corporation were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Corporation inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Corporation misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Corporation misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Corporation which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Corporation which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Corporation which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Corporation to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group or of the Corporation for the financial year in which this report is made.

The Corporation has been granted a relief order pursuant to Section 255(1) of the Companies Act 2016 relieving the Corporation's Directors from full compliance to the requirements under Section 253(2) of the Companies Act 2016.

DIRECTORS' REPORT

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 5 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2021.

Datuk Abu Huraira bin Abu Yazid **Yee Yang Chien**

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk Abu Huraira bin Abu Yazid and Yee Yang Chien, being two of the directors of MISC Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 319 to 465 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Corporation as at 31 December 2020 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2021.

Datuk Abu Huraira bin Abu Yazid **Yee Yang Chien**

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Raja Azlan Shah bin Raja Azwa, being the officer primarily responsible for the financial management of MISC Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 319 to 465 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Raja Azlan Shah bin Raja Azwa,
at Kuala Lumpur in Wilayah Persekutuan
on 23 February 2021.

Raja Azlan Shah bin Raja Azwa

Before me,

INCOME STATEMENTS

For the year ended 31 December 2020

		Group		Corporation	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	3	9,401,234	8,962,724	1,013,630	1,015,989
Cost of sales		(6,521,409)	(6,215,588)	(623,392)	(613,124)
Gross profit		2,879,825	2,747,136	390,238	402,865
Other operating income	4	141,681	118,853	1,668,786	1,693,065
Impairment provisions	5(a)	(331,376)	(214,943)	(37,071)	(101,407)
Gain on disposal of ships and an offshore floating asset		25,135	7,884	–	–
Gain on acquisition of a business	8	–	23,731	–	23,731
Write off of trade receivables and loss on re-measurement of finance lease receivables	9	(846,229)	–	–	–
Provision for litigation claims	9	(1,049,248)	–	–	–
Finance income	10(a)	112,612	169,249	121,459	195,140
General and administrative expenses		(1,116,923)	(1,105,913)	(194,038)	(218,068)
Finance costs	10(b)	(368,084)	(484,303)	(30,824)	(129,416)
Share of profit of joint ventures		428,782	250,629	–	–
Share of profit of an associate		241	–	–	–
(Loss)/profit before taxation	5	(123,584)	1,512,323	1,918,550	1,865,910
Taxation	11	(46,247)	(76,056)	(6,214)	(1,496)
(Loss)/profit after taxation		(169,831)	1,436,267	1,912,336	1,864,414
Attributable to:					
Equity holders of the Corporation		(43,067)	1,426,355	1,912,336	1,864,414
Non-controlling interests		(126,764)	9,912	–	–
		(169,831)	1,436,267	1,912,336	1,864,414
(Loss)/earnings per share attributable to equity holders of the Corporation (sen)					
Basic	12	(1.0)	32.0		
Diluted	12	(1.0)	32.0		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

/// Leadership / Governance / Financial Statements / Additional Information / Annual General Meeting //////

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(Loss)/profit after taxation	(169,831)	1,436,267	1,912,336	1,864,414
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Loss on currency translation	(505,591)	(363,183)	(431,683)	(259,910)
Cash flow hedges:				
Fair value loss				
Group	(392,460)	(163,408)	–	–
Joint ventures	(58,682)	–	–	–
Total other comprehensive loss for the year	(956,733)	(526,591)	(431,683)	(259,910)
Total comprehensive (loss)/income for the year	(1,126,564)	909,676	1,480,653	1,604,504
Total comprehensive (loss)/income attributable to:				
Equity holders of the Corporation	(981,313)	902,602	1,480,653	1,604,504
Non-controlling interests	(145,251)	7,074	–	–
	(1,126,564)	909,676	1,480,653	1,604,504

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000
Non-current assets			
Ships	14	21,088,363	20,975,927
Offshore floating assets	14	51,308	82,357
Other property, plant and equipment	14	2,169,477	2,228,917
Prepaid lease payments on land and buildings	15	212,534	219,843
Intangible assets	16	819,222	840,653
Investments in associates	18	696	482
Investments in joint ventures	19	873,061	925,715
Other non-current financial assets	20(a)	389,502	225,903
Finance lease receivables	20(d)	13,754,515	15,007,971
Deferred tax assets	29	104,433	103,499
		39,463,111	40,611,267
Current assets			
Inventories	21	91,349	165,731
Trade and other receivables	22	5,406,710	3,930,705
Cash, deposits and bank balances	24	6,855,005	7,030,814
		12,353,064	11,127,250
Non-current assets classified as held for sale	25	4,834	125,278
		12,357,898	11,252,528
Current liabilities			
Trade and other payables	26	3,509,253	2,186,588
Derivative liabilities	20(b)	11,671	1,560
Interest-bearing loans and borrowings	20(c)	2,005,523	5,599,481
Provision for taxation		23,273	14,165
		5,549,720	7,801,794
Net current assets		6,808,178	3,450,734
		46,271,289	44,062,001

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	27	8,923,262	8,923,262
Treasury shares	27	(271)	(271)
Other reserves	28	5,122,005	6,060,251
Retained profits		18,227,848	19,743,950
		32,272,844	34,727,192
Non-controlling interests		878,275	1,026,526
		33,151,119	35,753,718
Non-current liabilities			
Interest-bearing loans and borrowings	20(c)	11,434,863	7,552,692
Deferred tax liabilities	29	7,821	30,907
Derivative liabilities	20(b)	527,026	158,360
Deferred income	30	1,150,460	566,324
		13,120,170	8,308,283
		46,271,289	44,062,001

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Corporation 2020 RM'000	Corporation 2019 RM'000
Non-current assets			
Ships	14	4,022,953	4,403,005
Other property and equipment	14	154,873	323,468
Prepaid lease payments on land and buildings	15	3,516	3,566
Investments in subsidiaries	17	14,981,888	14,986,590
Investments in associates	18	124	124
Investments in joint ventures	19	191,998	195,384
Other non-current financial assets	20(a)	720,754	1,079,755
Finance lease receivables	20(d)	919,746	1,012,006
		20,995,852	22,003,898
Current assets			
Trade and other receivables	22	3,560,532	1,747,140
Cash, deposits and bank balances	24	1,620,947	2,817,049
		5,181,479	4,564,189
Current liabilities			
Trade and other payables	26	1,023,738	996,929
Interest-bearing loans and borrowings	20(c)	583,678	1,620,012
		1,607,416	2,616,941
Net current assets		3,574,063	1,947,248
		24,569,915	23,951,146
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	27	8,923,262	8,923,262
Treasury shares	27	(271)	(271)
Other reserves		3,400,795	3,832,478
Retained profits		11,605,070	11,165,769
		23,928,856	23,921,238
Non-current liability			
Interest-bearing loans and borrowings	20(c)	641,059	29,908
		24,569,915	23,951,146

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

			Attributable to equity holders of the Corporation											
				Non Distributable		Distributable	Non Distributable							
Group	Note	Total equity RM'000	Equity attributable to equity holders of the Corporation RM'000	Share capital* RM'000	Treasury shares RM'000	Retained profits RM'000	Other reserves, total RM'000	Other capital reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Statutory reserve RM'000	Hedging reserve RM'000	Currency translation reserve RM'000	Non-controlling interests RM'000
2020														
At 1 January 2020		35,753,718	34,727,192	8,923,262	(271)	19,743,950	6,060,251	99,299	435,199	1,357	3,161	(159,929)	5,681,164	1,026,526
Total comprehensive loss		(1,126,564)	(981,313)	–	–	(43,067)	(938,246)	–	–	–	–	(417,546)	(520,700)	(145,251)
Transactions with equity holders														
Dividends	13	(1,473,035)	(1,473,035)	–	–	(1,473,035)	–	–	–	–	–	–	–	–
Dividends paid to non-controlling interest		(3,000)	–	–	–	–	–	–	–	–	–	–	–	(3,000)
Total transactions with equity holders		(1,476,035)	(1,473,035)	–	–	(1,473,035)	–	–	–	–	–	–	–	(3,000)
At 31 December 2020		33,151,119	32,272,844	8,923,262	(271)	18,227,848	5,122,005	99,299	435,199	1,357	3,161	(577,475)	5,160,464	878,275
2019														
At 1 January 2019		36,177,165	35,163,713	8,923,262	(271)	19,656,718	6,584,004	99,299	435,199	1,357	3,161	2,956	6,042,032	1,013,452
Total comprehensive income		909,676	902,602	–	–	1,426,355	(523,753)	–	–	–	–	(162,885)	(360,868)	7,074
Transactions with equity holders														
Dividends	13	(1,339,123)	(1,339,123)	–	–	(1,339,123)	–	–	–	–	–	–	–	–
Dividends paid to non-controlling interest		(3,000)	–	–	–	–	–	–	–	–	–	–	–	(3,000)
Arising from increase in investment in subsidiary		9,000	–	–	–	–	–	–	–	–	–	–	–	9,000
Total transactions with equity holders		(1,333,123)	(1,339,123)	–	–	(1,339,123)	–	–	–	–	–	–	–	6,000
At 31 December 2019		35,753,718	34,727,192	8,923,262	(271)	19,743,950	6,060,251	99,299	435,199	1,357	3,161	(159,929)	5,681,164	1,026,526

* Included in share capital is one special preference share of RM1.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

Corporation	Note	Total equity RM'000	Non Distributable: Share capital* RM'000	Non Distributable: Treasury shares RM'000	Distributable: Retained profits RM'000	Non Distributable: Other reserves, total RM'000	Non Distributable: Currency translation reserve RM'000
2020							
At 1 January 2020		23,921,238	8,923,262	(271)	11,165,769	3,832,478	3,832,478
Total comprehensive income		1,480,653	–	–	1,912,336	(431,683)	(431,683)
Transactions with equity holders							
Dividends	13	(1,473,035)	–	–	(1,473,035)	–	–
At 31 December 2020		23,928,856	8,923,262	(271)	11,605,070	3,400,795	3,400,795
2019							
At 1 January 2019		23,655,857	8,923,262	(271)	10,640,478	4,092,388	4,092,388
Total comprehensive income		1,604,504	–	–	1,864,414	(259,910)	(259,910)
Transactions with equity holders							
Dividends	13	(1,339,123)	–	–	(1,339,123)	–	–
At 31 December 2019		23,921,238	8,923,262	(271)	11,165,769	3,832,478	3,832,478

* Included in share capital is one special preference share of RM1.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2020

	Group 2020 RM'000	Group 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(123,584)	1,512,323
Adjustments for:		
Writeback of impairment loss on:		
- Finance lease receivables	(8,878)	(5,455)
Impairment loss on:		
- Trade and other receivables	34,563	36,839
Bad debts written off	6,120	1,065
Ships, offshore floating assets, other property, plant and equipment and right-of-use assets:		
- Depreciation	2,090,970	2,215,528
- Written off	23,639	13,189
- Impairment loss	331,376	214,943
Amortisation of prepaid lease payments	7,359	7,405
Amortisation of upfront fees for borrowings	21,531	26,188
Amortisation of intangible assets	5,884	6,373
Gain on disposal of ships and an offshore floating asset	(25,135)	(7,884)
Net unrealised foreign exchange (gain)/loss	(4,905)	1,636
Changes in fair value of hedging derivatives	3,235	–
Dividend income from equity investments	(1,087)	(1,572)
Write off of trade receivables and loss on re-measurement of finance lease receivables	846,229	–
Provision for litigation claims	1,049,248	–
Gain on acquisition of a business	–	(23,731)
Fair value movement in other investments	6,953	5,175
Finance income	(112,612)	(169,249)
Finance costs	368,084	484,303
Share of profit of joint ventures	(428,782)	(250,629)
Share of profit of an associate	(241)	–
Operating profit before working capital changes	4,089,967	4,066,447
Inventories	74,712	82,518
Trade and other receivables	399,611	1,398,311
Trade and other payables	465,496	119,132
Deferred income	619,447	(39,900)
Cash generated from operations	5,649,233	5,626,508
Net tax paid	(61,328)	(47,451)
Net cash generated from operating activities	5,587,905	5,579,057

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	31	(4,318,022)	(1,533,025)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	32	(1,388,707)	(3,772,691)
Net (decrease)/increase in cash and cash equivalents		(118,824)	273,341
Cash and cash equivalents at beginning of financial year		5,740,435	5,534,849
Currency translation differences		(76,522)	(67,755)
Cash and cash equivalents at end of financial year		5,545,089	5,740,435
Cash and cash equivalents comprise:			
Cash, deposits and bank balances	24	6,855,005	7,030,814
Less: Cash pledged with bank - restricted		(1,303,393)	(1,289,730)
Deposits with maturity more than 90 days		(6,523)	(649)
Cash and cash equivalents		5,545,089	5,740,435
Total cash outflows for leases			
- Lease liabilities		316,302	447,834
- Short term leases and leases of low-value assets		219,628	295,762
		535,930	743,596

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2020

	Corporation 2020 RM'000	Corporation 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,918,550	1,865,910
Adjustments for:		
Ships, other property and equipment and right-of-use assets:		
- Depreciation	366,673	365,692
- Written off	95	525
- Impairment loss	10,444	8,582
Amortisation of prepaid lease payments	100	124
Writeback of impairment loss on:		
- Trade and other receivables	(136)	–
- Finance lease receivables	(814)	(369)
Impairment loss on:		
- Trade and other receivables	13,915	22,019
Bad debts written off	–	524
Impairment loss on investment in subsidiaries	26,627	92,825
Net unrealised foreign exchange gain	(4,748)	(3,432)
Dividend income from equity investments	(1,604,782)	(1,492,990)
Gain on acquisition of a business	–	(23,731)
Fair value movement in other investments	6,953	5,175
Finance income	(121,459)	(195,140)
Finance costs	30,824	129,416
Gain from liquidation of a subsidiary	–	(151,869)
Operating profit before working capital changes	642,242	623,261
Trade and other receivables	(1,844,293)	1,112,584
Trade and other payables	39,495	(90,830)
Cash (used in)/generated from operations	(1,162,556)	1,645,015
Net tax paid	(6,214)	–
Net cash (used in)/generated from operating activities	(1,168,770)	1,645,015

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2020

	Note	Corporation 2020 RM'000	2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities	31	1,889,820	1,958,663
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	32	(1,917,700)	(2,714,093)
Net (decrease)/increase in cash and cash equivalents		(1,196,650)	889,585
Cash and cash equivalents at beginning of financial year		2,817,049	1,957,819
Currency translation differences		548	(30,355)
Cash and cash equivalents at end of financial year		1,620,947	2,817,049
Cash and cash equivalents comprise:			
Cash, deposits and bank balances	24	1,620,947	2,817,049
Total cash outflows for leases			
- Lease liabilities		13,896	13,288
- Short term leases and leases of low-value assets		5,632	4,335
		19,528	17,623

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE INFORMATION

The Corporation is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Corporation is located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate and ultimate holding company of the Corporation is PETRONAS, a company incorporated and domiciled in Malaysia.

The principal activities of the Corporation consist of shipowning, ship operating and other activities related to shipping services and operating offshore floating terminals.

The principal activities of the subsidiaries, associates and joint arrangements are described in Notes 40, 41 and 42 respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Corporation comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Corporation have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The functional currency of the Corporation is United States Dollar ("USD"). The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's and the Corporation's financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies and effects arising from the adoption of new and revised MFRSs

The Group and the Corporation had on 1 January 2020 adopted new MFRSs, amendments to MFRS and IC Interpretation (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as follows:

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3: Business Combinations (Definition of a Business)
- Amendments to MFRS 7: Financial Instruments: Disclosures (Interest Rate Benchmark Reform)
- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)
- Amendments to MFRS 16: Leases (COVID-19 Related Rent Concessions)
- Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
- Amendments to MFRS 139: Financial Instruments: Disclosure (Interest Rate Benchmark Reform)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and effects arising from the adoption of new and revised MFRSs (cont'd.)

The adoption of the above pronouncements did not have any significant financial impact to the Group and the Corporation other than as set out below:

(i) Amendments to MFRS 7: Financial Instruments: Disclosures, Amendments to MFRS 9: Financial Instruments and Amendments to MFRS 139: Financial Instruments (Interest Rate Benchmark Reform)

Interest rate benchmark reform is a market-wide reform of interest rate benchmarks, including the replacement of some interbank offered rates (IBORs) with alternative benchmark rates. The reform has led to uncertainty about the long-term viability of some interest rate benchmarks.

The amendments, issued to address the pre-replacement issues and uncertainty arising from the interest rate benchmark reform, provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the interest rate benchmark reform until the uncertainty arising from this reform is no longer present. The relief provided by the amendments requires the Group to assume that the interest rate on which the hedged cash flows are based is not altered because of the interest rate benchmark reform.

The Group holds interest rate swaps for risk management purposes which are designated as cash flow hedging relationships and are indexed to USD London Interbank Offered Rate ("USD LIBOR"). As at 31 December 2020, the Group hedged items and hedging instruments continue to be indexed to USD LIBOR. However, the Group's USD LIBOR cash flow hedging relationships extend beyond the anticipated cessation date for USD LIBOR. Following the uncertainty about when and how the replacement may occur with respect to the relevant hedged items and hedging instruments which may impact the hedging relationship, the Group applies the amendments to MFRS 9 which provides temporary relief from potential effects on this uncertainty caused by the interest rate benchmark reform.

2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements by the Group and the Corporation, unless otherwise stated.

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities including structured entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Corporation considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(i) Subsidiaries (cont'd.)

In the Corporation's separate financial statements, investments in subsidiaries are measured at cost less impairment losses, unless the investment is classified as held for sale or distribution. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Corporation. Subsidiaries are consolidated from the date of acquisition, being the date which the Corporation obtains control and continue to be consolidated until the date that such control ceases.

All intercompany transactions are eliminated on consolidation and hence, revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated, except for instances where cost cannot be recovered.

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group and the Corporation. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group and the Corporation remeasure their previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the income statement. Increase in the Group's and the Corporation's ownership interest in an existing subsidiary is accounted for as equity transactions, with differences between the fair value of consideration paid and the Group's and the Corporation's proportionate share of net assets acquired, recognised directly in equity.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group and the Corporation incur in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Corporation, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Corporation. Non-controlling interests in the results of the Group are presented in the consolidated income statement and comprehensive income as an allocation of the income statement and other comprehensive income for the year between the non-controlling interests and shareholders of the Corporation.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is recognised directly in equity as transactions with shareholders.

Loss of Control

Upon the loss of control of a subsidiary, the Group and the Corporation derecognise the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group and the Corporation retain any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income ("FVOCI") financial assets depending on the level of influence retained.

(b) Associates

Associates are entities in which the Group and the Corporation have significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the associate, the Group recognises its shares of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group and the Corporation obtain significant influence until the date the Group and the Corporation cease to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the associate's net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that in substance form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group and the Corporation cease to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the income statement. Any retained interest in the former associate at the date when significant influence is lost is remeasured at fair value, and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's and the Corporation's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in the income statement. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the income statement.

In the Corporation's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Joint arrangements

Joint arrangements are arrangements in which the Group and the Corporation have joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operations or joint ventures. A joint arrangement is classified as a joint operation when the Group or the Corporation has rights to the assets and obligations for the liabilities relating to an arrangement. A joint arrangement is classified as a joint venture when the Group or the Corporation has rights only to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in joint venture is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of the net profit or loss of the joint venture is recognised in the income statement. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such changes.

(i) Joint ventures

In applying the equity method, unrealised gains and losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the income statement. The joint venture is equity accounted for from the date the Group and the Corporation obtain joint control until the date the Group and the Corporation cease to have joint control over the joint venture.

Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint venture's profit or loss in the year in which the investment is acquired.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The most recent available audited financial statements of the joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Corporation's separate financial statements, investments in joint ventures are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Joint arrangements (cont'd.)

(ii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group as a joint operator recognises in relation to its interest in a joint operation:

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

Profits and losses resulting from transactions between the Group and its joint operation are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint operation.

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is instead reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment, annually or more frequently, if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating-unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Ships, offshore floating assets, other property, plant and equipment ("PPE") and depreciation

All ships, offshore floating assets and other PPE are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to initial recognition, ships, offshore floating assets, and other PPE are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Ships and offshore floating assets under construction and projects in progress are also not depreciated as these assets are not available for use.

Depreciation of ships and offshore floating assets commences from the date of delivery of such assets. Depreciation of ships and offshore floating assets in operation and other PPE is provided for on a straight-line basis to depreciate the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Ships	3.3% - 5.0%
Offshore floating assets	8.3% - 9.1%
Buildings	2.0% - 7.0%
Drydocks and waste plant	2.0% - 10.0%
Motor vehicles	10.0% - 33.3%
Furniture, fittings and equipment	10.0% - 33.3%
Computer software and hardware	15.0% - 33.3%
Plant and machineries	6.7% - 20.0%

Drydocking expenditure is capitalised and depreciated over a period of 30 months or the period until the next drydocking date, whichever is shorter.

The right-of-use asset is depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the ships, offshore floating assets, and other PPE.

Ships, offshore floating assets, and other PPE are derecognised upon disposal, or when no future economic benefits are expected from their use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(f) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than deferred tax assets, inventories and non-current assets classified as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss, if any.

For goodwill, the recoverable amount is estimated at each reporting date, or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is usually determined on an individual asset basis. If an asset does not generate cash flows that are largely independent of those from other assets, recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units from the acquisition date.

An asset's recoverable amount is the higher of the asset or CGU's fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are firstly allocated to reduce the carrying amount of any associated goodwill to those units or groups of units. Any excess losses thereof, will result in a reduction to the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset, other than goodwill, is reversed if, and only if, there has been a change in the estimates, used to determine the asset's recoverable amount, since the last impairment loss was recognised. The carrying amount of an asset, other than goodwill, is increased to its revised recoverable amount, provided that this amount does not exceed the asset's carrying amount had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset, other than goodwill, is recognised in the income statement.

(g) Inventories

Inventories which comprise bunkers, lubricants and raw materials are held for own consumption and are stated at lower of cost and net realisable value. Cost is arrived at on the weighted average basis and comprises the purchase price and other direct charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete the sale.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(h) Financial assets

Initial recognition and measurement

Financial assets are classified and measured at amortised cost, FVOCI or fair value through profit or loss ("FVTPL"), as appropriate.

A financial instrument is recognised in the statement of financial position when, and only when, the Group and the Corporation becomes a party to the contractual provisions of the instrument.

With the exception of trade receivables that do not contain a significant financing component, the Group and the Corporation initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component is initially measured at the transaction price.

The Group and the Corporation determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Corporation change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through other comprehensive income

This category comprises debt instruments where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI category also comprises investment in equity that is not held for trading (equity instruments), and the Group and the Corporation did not irrevocably elect to present subsequent changes in the investment's FVOCI. This election is made on an investment-by-investment basis.

Fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument as per Note 2.3(j)). On initial recognition, the Group and the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(h) Financial assets (cont'd.)

Subsequent measurement

Amortised cost

Subsequent to initial recognition, financial assets at amortised costs are measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired. Interest income and foreign exchange gains or losses are recognised in income statement.

The Group's and the Corporation's financial assets at amortised cost include cash and bank balances, trade and other receivables, finance lease receivables and long term receivables.

Fair value through other comprehensive income

Financial assets categorised as FVOCI are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under FVOCI reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the income statement. For equity instruments, the gains or losses accumulated in other comprehensive income are never reclassified to income statement.

The Group and the Corporation have not designated any financial assets at FVOCI.

Fair value through profit or loss

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the income statement.

The Group's and the Corporation's financial assets at FVTPL include quoted and unquoted equity investments.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment as disclosed in Note 2.3(m).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group and the Corporation have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement and either:
  - (a) the Group and the Corporation have transferred substantially all the risks and rewards of the asset; or
  - (b) the Group and the Corporation have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(h) Financial assets (cont'd.)

Derecognition (cont'd.)

When the Group and the Corporation have transferred their rights to receive cash flows from an asset or has entered into a "pass through" arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Corporation continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Corporation also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Corporation have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Corporation could be required to repay.

(i) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as financial liabilities at FVTPL or amortised cost, as appropriate.

A financial liability is initially measured at fair value plus or minus, in the case of a financial instrument at amortised cost, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument.

Subsequent measurement

Fair value through profit or loss

FVTPL category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the income statement.

The Group's financial liabilities at FVTPL include derivative liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Financial liabilities (cont'd.)

Subsequent measurement (cont'd.)

Amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in income statemet when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

The Group's and the Corporation's financial liabilities at amortised cost include trade and other payables and interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(j) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

(k) Effective interest rate method

Amortised cost was computed using the EIR method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(l) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(m) Impairment of financial assets

The Group and the Corporation recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and finance lease receivables.

The Group and the Corporation measure loss allowances on debt securities at an amount equal to lifetime ECL, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12 month ECL.

Loss allowances for trade receivables and contract assets (amount due from customers on contracts) are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Corporation consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Corporation's historical experience, informed credit assessment and forward-looking information.

The Group and the Corporation assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Corporation consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Corporation in full, without recourse by the Group and the Corporation to take actions such as realising security.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument, while 12 month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date.

ECL are measured as a function of probability of default and loss given default. Probability of default is the likelihood of default over a particular time horizon and is derived using external credit ratings, if they are available, or internal credit ratings based on quantitative or qualitative information for the counterparty. Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Corporation's historical experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at FVOCI is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

Information about the exposure to credit risk and ECL for financial assets as at 31 December 2020 is disclosed in Note 22 and Note 38(d).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(n) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps and currency hedge to hedge its interest rate risk and foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are recognised in the income statement.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the income statement;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecast transaction and could affect the income statement; or
- hedges of a net investment in a foreign operation.

Cash flow hedges

In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in income statement.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statement in the same period or periods during which the hedged forecast cash flows affect the income statement. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into income statement.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Leases

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Corporation assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Corporation allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Group and Corporation as a lessee

Initial recognition and measurement

The Group and the Corporation recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Leases (cont'd.)

Group and Corporation as a lessee (cont'd.)

Initial recognition and measurement (cont'd.)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Corporation are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Corporation are reasonably certain not to early terminate the contract.

The Group and the Corporation exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Corporation assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Corporation have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Corporation recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Corporation present right-of-use assets that do not meet the definition of investment property in ships, offshore floating assets, other PPE as disclosed in Note 14 and lease liabilities in interest-bearing loans and borrowings as disclosed in Note 20(c).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Leases (cont'd.)

Group and Corporation as a lessee (cont'd.)

Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of ships, offshore floating assets, and other PPE. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Corporation change their assessment of whether they will exercise a purchase, extension or termination option. The Group and the Corporation will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within their control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When there is lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Corporation assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Corporation account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Corporation decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in income statement. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use assets.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Leases (cont'd.)

Group and Corporation as a lessor

Initial recognition and measurement

When the Group and the Corporation act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Corporation make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Corporation apply MFRS 15 Revenue from Contracts with Customers to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Corporation recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Corporation use the interest rate implicit in the lease to measure the net investment in the lease.

When the Group or the Corporation is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Corporation apply the exemption described above, then it classifies the sub-lease as an operating lease.

Subsequent measurement

The Group and the Corporation recognise lease payments received under operating leases as income on a straight-line basis over the lease term.

In the case of a finance lease, the Group and the Corporation recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Corporation's net investment in the lease. The Group and the Corporation aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Corporation apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 Financial Instruments as per Note 2.3(m).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Leases (cont'd.)

Prepaid lease payments

Leasehold land which in substance is an operating lease are classified as prepaid lease payments. The payment made on entering into a lease arrangement or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Leasehold land is classified into long term lease and short term lease. Long term lease is defined as a lease with an unexpired lease period of fifty years or more. Short term lease is defined as a lease with an unexpired lease period of less than fifty years.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

In capitalising general borrowing costs, the Group shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all general borrowings of the Group. General borrowing are all borrowings that are outstanding during the period, except for specific borrowings that are made specifically to obtain a qualifying asset that is not yet ready for its intended use or sale. If a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the Group's general borrowing.

(q) Taxation

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases and the carrying amounts for financial reporting purposes of assets and liabilities at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(q) Taxation (cont'd.)

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available and can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in relation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(r) Provisions

Provisions are recognised when all of the following conditions have been satisfied:

- the Group and the Corporation have a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the accretion in the provision due to the passage of time is recognised as a finance cost.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, not wholly within the control of the Group and the Corporation, are not recognised in the financial statements but are disclosed as contingent liabilities, unless the possibility of an outflow of economic resources is considered remote.

Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision will be written back at the end of the warranty period, while additional provision is made as and when necessary.

(s) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans, under which the Group and the Corporation pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current period and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory and/or voluntary pension schemes.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(s) Employee benefits (cont'd.)

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Corporation recognise termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after reporting date are discounted to present value.

(t) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Corporation is United States Dollar ("USD"). The Group's and the Corporation's financial statements are presented in Ringgit Malaysia ("RM").

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated to the functional currency at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(ii) Foreign currency transactions

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the reporting date are included in the income statement, except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the year. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement of the Corporation's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the year, except for the differences arising on the retranslation of non-monetary items (in respect of which gains and losses are recognised directly in other comprehensive income). Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(t) Foreign currencies (cont'd.)

(iii) Foreign operations

The results and financial position of operations that have a functional currency different from the presentation currency ("RM") ("Foreign Operation") are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at the exchange rate at the date of the transactions or an average rate that approximates those rates; and
- All resulting exchange differences are taken to the currency translation reserve within other comprehensive income.

(u) Revenue and other income recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group and the Corporation recognise revenue when or as it transfers control over a product or service to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) The entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, the Group and the Corporation satisfy the performance obligation at a point in time.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(u) Revenue and other income recognition (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

(a) Construction contract and marine repair

The Group recognises revenue from construction contract and marine repair with customers mainly from its Marine & Heavy Engineering segment.

The Group's contract with customers mainly contain one performance obligation where the Group is contracted to construct a specific asset for a customer or to provide repair and maintenance services.

The Group considers whether there are other promises in the contract with customers that are separate performance obligations. The Group typically only provides assurance type warranties to assure that the completed project complies with agreed-upon specifications of the contract and therefore, does not give rise to a separate performance obligation.

Where the outcome of a contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred, that is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Transaction price comprises the initial amount of consideration agreed in the contract, variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group's construction contracts contain penalty clauses (i.e. liquidated and ascertained damages) for late delivery. When it is probable that the construction contract will not be fulfilled on time, the penalty will be deducted from the contract transaction price.

Revenue from construction contract is recognised progressively based on percentage of completion method determined based on either input or output method. Output method is measured by reference to the proportion of physical completion based on technical milestones defined under the contracts and taking into account the nature of activities and its associated risks. Input method is measured based on the ratio of costs incurred to date to total estimated costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(u) Revenue and other income recognition (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

(a) Construction contract and marine repair (cont'd.)

In determining the appropriate method for measuring progress, the Group shall consider the method that best depicts the Group's peformance in transferring control of goods or services promised to a customer.

Contract assets represent the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets are subjected to impairment in accordance to MFRS 9: Financial Instruments. The contract assets of the Group comprise of amounts due from customers on contracts.

Contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. The contract liabilities of the Group comprise of amounts due to customers on contracts.

(b) Voyage and lightering income

The Group's contracts for voyage charters consist of a single performance obligation to provide the charterer with an integrated transportation service within a specified time period. The consideration in the contract (or "freight") is determined either on a variable rate related to the cargo (e.g. cargo weight) or on a lump-sum basis. In addition, a voyage charter agreement usually includes a "laytime and demurrage" clause. If the laytime is exceeded, the charterer is responsible to pay the carrier specified damages, which may include liquidated damages called demurrage.

Voyage and lightering income is recognised on percentage of completion basis, calculated on a voyage loading-to-discharge basis. The revenue is recognised evenly over the period from a ship's departure from its cargo loading point to its next discharge point, at time when the revenue is determinable for the specified load and discharge point and collectability is reasonably assured.

(c) Other shipping related income and non-shipping income

Income from services rendered is recognised net of service taxes and discounts as and when the services are performed.

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31 December 2020

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(u) Revenue and other income recognition (cont'd.)

(ii) Charter income

Time charter and bareboat charter hire income as well as that of other services rendered are accounted for as a lease income on a straight-line basis over the firm period of the contract, as service is performed.

Non-lease component of the time charter income is not separately disclosed as the pattern of revenue recognition for lease and non-lease components are the same and the lease and non-lease components are treated as a combined unit of account, classified as an operating lease.

Revenue and voyage expenses of ships operating in pool arrangements are pooled and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to the number of days a ship operates in the pool with weighting adjustments made to reflect differing capacity and performance capabilities. The net pool revenues generated are recorded as charter hire income on an accrual basis.

(iii) Finance income on lease receivables

Finance income on lease receivables is recognised according to the effective interest rate method so as to provide constant periodic rate of return on the net investment.

(iv) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(v) Dividend income

Dividend income is recognised when the Group's and the Corporation's right to receive payment is established.

(v) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5: Non-Current Assets Held for Sale and Discontinued Operations that is, at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(w) Repairs and maintenance

Repairs and maintenance costs are recognised in the income statement in the period they are incurred.

(x) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, being within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's and the Corporation's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(y) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(z) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- discounted cash flow analysis or other valuation models.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(z) Fair value measurements (cont'd.)

(ii) Non-financial assets

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Corporation use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

2.4 Pronouncements not yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Corporation:

Effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 7: Financial Instruments: Disclosures (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 4: Insurance Contract (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 16: Leases (Interest Rate Benchmark Reform - Phase 2)

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Pronouncements not yet in effect (cont'd.)

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 9: Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to Illustrative Examples accompanying MFRS 16: Leases (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 3: Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 116: Property, Plant and Equipment (Property, Plant and Equipment–Proceeds before Intended Use)
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts–Cost of Fulfilling a Contract)

Effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101: Presentation of Financial Statements (Classification of Liabilities as Current or Non current)

Effective for a date yet to be confirmed

- Amendments to MFRS 10: Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 128: Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Corporation are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements is not expected to have any material impact to the financial statements of the Group and of the Corporation except for the following:

Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7 and MFRS 16)

At 31 December 2020, the Group has cash flow hedges of USD LIBOR risk. The Group expects that indexation of the hedged items and hedging instruments to USD LIBOR will be replaced with a risk free rate. Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively based on the risk free rate. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedge item and that of the hedging instrument to the risk free rate. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of IBOR transition.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

(i) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flow method. Where possible, the inputs to these valuation models are taken from observable markets. However, when this is considered unfeasible, a degree of judgement is made in establishing fair values. The judgements made include having considered a host of factors including liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further disclosure of fair value of financial instruments is provided in Note 37.

(ii) Lease classification as lessor

When the Group and the Corporation enter into a new lease arrangement, the terms and conditions of the contract are analysed in order to assess whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. To identify whether risks and rewards are transferred, the Group and the Corporation systematically consider, among others, all the examples and indicators listed in MFRS 16: Leases on a contract-by-contract basis. By performing such analysis, the Group and the Corporation make significant judgement to determine whether the arrangement results in a finance lease or an operating lease. This judgement can have a significant effect on the amounts recognised in the financial statements and its recognition of profits in the future. The most important judgement areas assessed by the Group and the Corporation are:

(i) determination of the asset's fair value;
(ii) determination of the economic life of the asset;
(iii) the probability of the lessee exercising the purchase option (if relevant) at a price that is significantly lower than the fair value at the inception date; and
(iv) determination of whether the asset is of such a specialised nature that only the lessee can use it without major modifications.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Construction contracts

The Group recognises revenue and expenses from construction contracts in the income statement by using the stage of completion method. The stage of completion is measured by reference to the completion of physical proportion of the contract work (output method) or cost incurred for work performed up to the reporting period relative to the total expected cost to the satisfaction of those order (input method).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(i) Construction contracts (cont'd.)

Significant performance obligation is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction costs. In making this judgement, the Group evaluates based on past experience and by relying on the work of internal specialists as well as Group's best estimate of the probable future benefits and obligations associated with the contract.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the impairment losses recognised, carrying amount, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are provided in Note 16.

(iii) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.3(r). To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group and the Corporation take into consideration factors such as existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

Further details of provisions balances recognised is disclosed in Note 26(c) and Note 9.

(iv) Impairment of ships, offshore floating assets, other property, plant and equipment and right-of-use assets

The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets, other PPE and right-of-use assets during the financial year. The review led to the recognition of impairment losses as disclosed in Note 5(a).

The Group and the Corporation carried out the impairment test based on a variety of estimations, including the value-in-use of the CGU to which ships, offshore floating assets, other PPE and right-of-use are allocated. Estimating the value-in-use requires the Group and the Corporation to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate to calculate the present value of those cash flows.

Further details of the impairment losses recognised are disclosed in Note 14(b).

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(v) Impairment of trade and other receivables

The Group and the Corporation assess at each reporting date whether there is any objective evidence that their trade and other receivables is impaired. To determine whether there is objective evidence of impairment, factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are considered.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group and the Corporation have performed a review of the recoverable amount of their receivable during the financial year. The review led to the recognition of impairment losses as disclosed in Note 22.

(vi) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. The total carrying value of recognised deferred tax assets and the unrecognised tax losses, capital allowances and investment tax allowances are as disclosed in Note 29.

(vii) Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group and the Corporation use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group and the Corporation would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Corporation estimate the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

3. REVENUE

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers				
Voyage, lightering and other shipping related income	2,099,762	2,721,968	–	–
Construction contract and marine repair (Note 23)	1,926,878	936,523	–	–
Non-shipping income	303,605	382,765	7,673	5,079
	4,330,245	4,041,256	7,673	5,079
Revenue from charter				
Charter income	4,091,421	3,862,807	926,574	927,547
Finance income on lease receivables	979,568	1,058,661	79,383	83,363
	5,070,989	4,921,468	1,005,957	1,010,910
Total revenue	9,401,234	8,962,724	1,013,630	1,015,989

Non-shipping income mainly represents revenue generated from the operation and maintenance of offshore floating assets, management of operation of ports, marine terminals and marine vessels, provision of marine support services and consulting services for marine matters.

Timing of recognition for revenue from contracts with customers

The following table provides the disaggregation of revenue from contracts with customers based on timing of recognition:

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Goods and services transferred at a point in time	543,511	440,230	–	–
Services transferred over time	3,786,734	3,601,026	7,673	5,079
Total	4,330,245	4,041,256	7,673	5,079

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

3. REVENUE (CONT'D.)

Contract balances

The following table provides information about receivables, contracts assets and contracts liabilities from contracts with customers.

	Group	
	2020 RM'000	2019 RM'000
Receivables	416,563	714,045
Contract assets (Note 23)	491,259	39,137
Contract liabilities (Note 23)	(15,395)	(5,993)
	892,427	747,189

Amount due from customers on contracts primarily relates to the Group's rights to consideration for work completed but not billed at the reporting date. Amount due from customers on contracts are transferred to receivables when rights become unconditional.

Amount due to customers on contracts primarily relate to the advance consideration received from the customer, for which revenue is recognised over time when the Group progressively satisfies its performance obligation.

Transaction price allocated to the remaining performance obligations

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	Under 1 year RM'000	1-5 years RM'000	Total RM'000
Group			
Construction contract and marine repair	3,989,827	5,858,006	9,847,833
Non-shipping income	50,951	180,921	231,872
Total	4,040,778	6,038,927	10,079,705

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4. OTHER OPERATING INCOME

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Rental income	61	81	–	–
Exchange gain:				
Realised	7,981	15	9,130	–
Unrealised	9,260	7,485	12,043	8,789
Management services:				
Subsidiaries	–	–	2,601	2,053
Joint ventures	9,301	4,722	9,301	4,722
Gain from liquidation of a subsidiary	–	–	–	151,869
Dividend income from equity investment:				
Subsidiaries	–	–	1,382,324	1,283,518
Joint ventures	–	–	221,371	207,769
Quoted equity investments	1,074	1,562	1,074	1,693
Unquoted equity investments	13	10	13	10
Writeback of impairment loss on: (Note 22)				
- Trade and other receivables	–	–	136	–
- Finance lease receivables	8,878	5,455	814	369
Cadet course fees	11,845	13,718	–	–
Government grants*	7,790	–	–	–
Miscellaneous income from:				
Subsidiaries	–	–	13,692	7,290
Fellow subsidiaries	15,544	43,987	–	1,568
Third parties	69,934	41,818	16,287	23,415
	141,681	118,853	1,668,786	1,693,065

* In response to the COVID-19 pandemic, the Government of Singapore introduced Jobs Support Scheme (JSS) as a wage support to employers to retain their local employees during this period of economic uncertainty. The grant was recognised in profit or loss as the related wages and salaries were recognised.

NOTES TO THE FINANCIAL STATEMENTS

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5. (LOSS)/PROFIT BEFORE TAXATION

The following amounts have been included in arriving at (loss)/profit before taxation:

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Amortisation of intangible assets (Note 16)	5,884	6,373	–	–
Amortisation of prepaid lease payments on land and buildings (Note 15)	7,359	7,405	100	124
Amortisation of upfront fees	21,531	26,188	–	–
Auditors' remuneration:				
Auditors of the Corporation:				
- Statutory audits	4,888	4,423	824	824
- Other services	1,013	1,119	769	886
Inventories used (Note 21)	730,514	915,284	–	–
Fair value movement in other investments	6,953	5,175	6,953	5,175
Exchange loss:				
- Realised	19,726	19,669	12,745	14,902
- Unrealised	4,355	9,121	7,295	5,357
Impairment loss for: (Note 22)				
- Trade and other receivables	34,563	36,839	13,915	22,019
Bad debts written off	6,120	1,065	–	524
Operating lease rental:*				
- Ships	177,196	257,384	–	–
- Equipment	18,578	10,462	2,993	548
- Land and buildings	23,854	27,916	2,639	3,787
Ships, offshore floating assets, other property, plant and equipment and right-of-use assets: (Note 14)				
- Depreciation	2,090,970	2,215,528	366,673	365,692
- Written off	23,639	13,189	95	525
Impairment provisions (Note 5(a))	331,376	214,943	37,071	101,407
Staff costs (Note 6)	1,775,287	1,765,161	270,419	243,914
Non-executive directors' remuneration (Note 7)	1,739	1,567	1,185	1,039
Changes in fair value of hedging derivatives	3,235	–	–	–

* The Group leases ships, equipment, land and buildings. These leases are short term and/or leases of low-value assets. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

NOTES TO THE FINANCIAL STATEMENTS

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5. (LOSS)/PROFIT BEFORE TAXATION (CONT'D.)

(a) Impairment provisions

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Ships, offshore floating assets and other property, plant and equipment (Note 14)	318,868	154,949	10,444	8,582
Right-of-use assets (Note 14)	2,292	40,386	–	–
Loss on termination of contracts	–	19,608	–	–
Non-current assets held for sale written down (Note 25)	10,216	–	–	–
Investments in subsidiaries (Note 17)	–	–	26,627	92,825
	331,376	214,943	37,071	101,407

As a result of COVID-19 pandemic and depressed oil price environment where most oil and gas companies are expected to postpone their upstream projects and reduce capital expenditure, the Group had recorded an impairment loss amounting to RM300,000,000 on its Marine & Heavy Engineering segment's other property, plant and equipment and right-of-use assets during the year in anticipation of a prolonged recovery in the industry resulting from these events.

6. STAFF COSTS

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Wages, salaries and bonuses	1,445,251	1,434,880	229,877	202,621
Contributions to defined contribution plans	95,510	87,289	21,578	16,594
Social security costs	9,117	7,890	631	498
Other staff related expenses	225,409	235,102	18,333	24,201
	1,775,287	1,765,161	270,419	243,914

Included in staff costs of the Group and of the Corporation are executive director's remuneration (excluding benefits-in-kind) amounting to RM3,107,000 (2019: RM2,778,000) respectively as further disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

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7. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Corporation during the financial year are as follows:

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Executive:				
Salaries and other emoluments	1,700	1,587	1,700	1,587
Bonus	690	535	690	535
Defined contribution plans	717	656	717	656
Total executive directors' remuneration (excluding benefits-in-kind)	3,107	2,778	3,107	2,778
Estimated money value of benefits-in-kind	78	272	78	272
Total executive directors' remuneration (including benefits-in-kind)	3,185	3,050	3,185	3,050
Non-executive directors' remuneration:				
Fees	1,185	1,039	1,185	1,039
Fees from subsidiaries	554	528	–	–
Total non-executive directors' remuneration (Note 5)	1,739	1,567	1,185	1,039
Total directors' remuneration including benefits-in-kind (Note 33(g))	4,924	4,617	4,370	4,089

The number of directors of the Corporation whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors 2020	Number of directors 2019
Executive director:		
RM3,000,001 - RM3,050,000	–	1
RM3,150,001 - RM3,200,000	1	–
Non-executive directors*:		
RM1 - RM50,000	4	–
RM150,001 - RM200,000	2	2
RM200,001 - RM250,000	2	1
RM250,001 - RM300,000	–	1
RM700,001 - RM750,000	–	1
RM750,001 - RM800,000	1	–
	9	5

* Excludes the directors of the Corporation whose fees are paid directly to the immediate holding company of the Corporation, PETRONAS.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

8. GAIN ON ACQUISITION OF A BUSINESS

In the previous financial year, the Corporation had on 26 November 2018 signed a sale and purchase agreement of LNG Portovenere with LNG Shipping S.p.A. with a purchase price of RM130,283,000. This transaction constitutes a business acquisition and the Group recognised gain on acquisition of a business of RM23,731,000.

9. WRITE OFF OF TRADE RECEIVABLES AND LOSS ON RE-MEASUREMENT OF FINANCE LEASE RECEIVABLES AND PROVISION FOR LITIGATION CLAIMS

Following the decision by the Arbitral Tribunal as disclosed in Note 43(a)(i), the Group has written off its trade receivables and accounted for the loss on re-measurement of finance lease receivables amounting to RM846,229,000. Based on legal opinion obtained from the Group's legal counsel, the Group has also recognised a provision for litigation claims amounting to RM1,049,248,000, representing an estimate of the outcome arising from the Awards issued by the Arbitral Tribunal and the Group's intention to pursue an application to set aside a substantial portion of the Award. The Group is of the view that the provision will not prejudice the Group's legal ground to challenge the decision by the Arbitral Tribunal.

10. (a) FINANCE INCOME

	Group		Corporation	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Interest income:				
Subsidiaries	–	–	64,128	106,839
Third party	9,505	17,779	9,505	17,779
Deposits	84,286	134,993	29,005	54,045
Unwinding of discount on trade receivables	18,821	16,477	18,821	16,477
Total finance income	112,612	169,249	121,459	195,140

(b) FINANCE COSTS

	Group		Corporation	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Interest expense on loans and borrowings from:				
Subsidiaries	–	–	15,263	103,898
Banks and financial institutions	344,708	442,191	14,249	23,755
Interest on lease liabilities (Note 20(c))	23,376	42,112	1,312	1,763
Total finance costs	368,084	484,303	30,824	129,416

NOTES TO THE FINANCIAL STATEMENTS

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11. TAXATION

	Group		Corporation	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current income tax:				
Malaysian income tax	41,199	47,549	6,214	1,496
Foreign tax	17,999	34,621	–	–
Under/(over) provision in prior year:				
Malaysian income tax	11,075	(7,705)	–	–
Foreign tax	163	1,742	–	–
	70,436	76,207	6,214	1,496
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	(38,005)	(8,770)	–	–
Under provision in prior year	13,816	8,619	–	–
	(24,189)	(151)	–	–
Taxation for the year	46,247	76,056	6,214	1,496

Domestic income tax is calculated at the statutory tax rate of 24% of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Corporation is as follows:

	Group		Corporation	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
(Loss)/profit before taxation	(123,584)	1,512,323	1,918,550	1,865,910
Taxation at Malaysian statutory tax rate of 24%	(29,660)	362,958	460,452	447,818
Effect of different tax rates in other countries/jurisdictions	363,681	(32,144)	–	–
Income not subject to tax:				
Tax exempt shipping income	(528,894)	(570,322)	(135,908)	(148,113)
Others	(10,717)	(21,187)	(406,620)	(397,423)
Expenses not deductible for tax purposes	293,261	445,497	116,982	152,495
Effect of share of results of associates and joint ventures	(102,966)	(60,151)	–	–
Utilisation of previously unrecognised tax losses	(28,004)	(53,281)	(28,692)	(53,281)
Deferred tax assets recognised on unutilised investment tax allowances	(102,743)	(1,624)	–	–
Deferred tax assets not recognised during the year	167,235	3,654	–	–
Deferred tax under provided in prior year	13,816	8,619	–	–
Income tax under/(over) provided in prior year	11,238	(5,963)	–	–
Taxation for the year	46,247	76,056	6,214	1,496

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11. TAXATION (CONT'D.)

Section 54A of the Income Tax Act, 1967 was amended effective from Year of Assessment ("YA") 2012, in which the tax exemption on shipping profits was reduced from 100% to 70%. The implementation of the amended Section 54A, however, was deferred and on 10 July 2020, the Ministry of Finance ("MoF") issued an approval letter for the extension of the 100% shipping tax exemption up to YA2023 subject to the following two conditions to be implemented by the Ministry of Transport ("MoT"):

a) Each Malaysian shipowner to comply with the minimum requirements in terms of annual operating expenditure and number of full-time employees. MoT has been requested to establish the framework for each category of vessels; and

b) MoT to develop a framework and implement the imposition of annual tonnage fee to Malaysian shipowners by 1 January 2022.

In respect of the imposition of tonnage fee, MoF has indicated in their letter that if MoT fails to start imposing tonnage fee from 1 January 2022, the 100% tax exemption will be reverted to 70% from YA2022.

The Group has available options to ensure that the Group continues to enjoy the tax benefit arising from shipping income.

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing (loss)/profit for the year attributable to ordinary equity holders of the Corporation by the weighted average number of ordinary shares outstanding during the financial year. The Group does not have any financial instrument which may dilute its basic (loss)/earnings per share.

	Group	
	2020	2019
(Loss)/profit after taxation attributable to equity holders of the Corporation (RM'000)	(43,067)	1,426,355
Number of ordinary shares in issue ('000)	4,463,794	4,463,794
Weighted average number of ordinary shares in issue ('000)	4,463,794	4,463,794
Basic (loss)/earnings per share (sen)	(1.0)	32.0
Diluted (loss)/earnings per share (sen)	(1.0)	32.0

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13. DIVIDENDS

	2020 RM'000	2019 RM'000
Dividends recognised during the year:		
In respect of financial year ended 31 December 2018:		
Fourth tax exempt dividend of 9.0 sen per share	–	401,737
In respect of financial year ended 31 December 2019:		
First tax exempt dividend of 7.0 sen per share	–	312,462
Second tax exempt dividend of 7.0 sen per share	–	312,462
Third tax exempt dividend of 7.0 sen per share	–	312,462
Fourth tax exempt dividend of 9.0 sen per share	401,737	–
Special tax exempt dividend of 3.0 sen per share	133,912	–
In respect of financial year ended 31 December 2020:		
First tax exempt dividend of 7.0 sen per share	312,462	–
Second tax exempt dividend of 7.0 sen per share	312,462	–
Third tax exempt dividend of 7.0 sen per share	312,462	–
	1,473,035	1,339,123

A fourth tax exempt dividend in respect of the financial year ended 31 December 2020 of 12.0 sen per share amounting to a dividend payable of RM535,649,000 will be paid on 16 March 2021.

The fourth tax exempt dividend in respect of the financial year ended 31 December 2020 is not reflected in the current year's financial statements. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

	Cost										
	At 1.1.2020 RM'000	Additions RM'000	Disposals RM'000	Write-offs*** RM'000	Transfers RM'000	Reclassification out of PPE** RM'000	Reclassified to held for sale RM'000	Termination of lease contract RM'000	Remeasurement of lease RM'000	Currency translation differences RM'000	At 31.12.2020 RM'000
Group - 31 December 2020											
Ships											
Ships in operation*	40,440,901	489,779	(670,112)	(304,979)	2,901,011	(337,632)	(199,592)	–	–	(682,046)	41,637,330
Right-of-use - ships in operation*	2,502,983	22,827	–	(1,052,789)	–	–	–	(16,730)	(496)	3,630	1,459,425
Ships under construction	2,295,581	2,485,965	–	–	(2,882,109)	–	–	–	–	(21,611)	1,877,826
	45,239,465	2,998,571	(670,112)	(1,357,768)	18,902	(337,632)	(199,592)	(16,730)	(496)	(700,027)	44,974,581
Offshore floating assets											
Subject to operating lease as a lessor - offshore floating assets in operation	1,137,815	–	–	–	–	–	(206,689)	–	–	(3,857)	927,269
Other property, plant and equipment											
Freehold land	12,757	–	–	–	–	–	–	–	–	128	12,885
Freehold buildings, drydocks and waste plant	1,666,810	311	–	(99)	468,111	–	–	–	–	(496)	2,134,637
Leasehold buildings	73,882	–	–	–	–	–	–	–	–	327	74,209
Motor vehicles	20,181	262	(181)	–	–	–	–	–	–	(28)	20,234
Furniture, fittings and equipment	168,544	4,270	(1,482)	–	2,957	–	–	–	–	(988)	173,301
Computer software and hardware	302,267	5,955	(1,955)	–	170	–	–	–	–	(3,280)	303,157
Projects in progress	607,537	336,817	–	–	(587,564)	–	–	–	–	(4,987)	351,803
Plant and machineries	686,195	16,210	(4,953)	(51)	97,424	–	–	–	–	(824)	794,001
	3,538,173	363,825	(8,571)	(150)	(18,902)	–	–	–	–	(10,148)	3,864,227
Right-of-use assets											
- office premise, warehouse and wharf	178,162	16,465	(8,084)	–	–	–	–	–	–	(2,393)	184,150
- computer software and hardware	643	–	–	–	–	–	–	–	–	–	643
	178,805	16,465	(8,084)	–	–	–	–	–	–	(2,393)	184,793
	3,716,978	380,290	(16,655)	(150)	(18,902)	–	–	–	–	(12,541)	4,049,020
Grand total	50,094,258	3,378,861	(686,767)	(1,357,918)	–	(337,632)	(406,281)	(16,730)	(496)	(716,425)	49,950,870

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment										Net book value
	At 1.1.2020 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write-offs*** RM'000	Reclassification out of PPE** RM'000	Reclassified to held for sale RM'000	Termination of lease contract RM'000	Currency translation differences RM'000	At 31.12.2020 RM'000	At 31.12.2020 RM'000
Group - 31 December 2020											
Ships											
Ships in operation*	22,113,034	1,741,070	11,585	(428,737)	(281,355)	(167,681)	(94,425)	–	(328,313)	22,565,178	19,072,152
Right-of-use - ships in operation*	2,150,504	227,054	–	–	(1,052,789)	–	–	(4,137)	408	1,321,040	138,385
Ships under construction	–	–	–	–	–	–	–	–	–	–	1,877,826
	24,263,538	1,968,124	11,585	(428,737)	(1,334,144)	(167,681)	(94,425)	(4,137)	(327,905)	23,886,218	21,088,363
Offshore floating assets											
Subject to operating lease as a lessor - offshore floating assets in operation	1,055,458	8,181	9,575	–	–	–	(193,663)	–	(3,590)	875,961	51,308

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment										Net book value
	At 1.1.2020 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write-offs*** RM'000	Reclassification out of PPE** RM'000	Reclassified to held for sale RM'000	Termination of lease contract RM'000	Currency translation differences RM'000	At 31.12.2020 RM'000	At 31.12.2020 RM'000
Group - 31 December 2020											
Other property, plant and equipment											
Freehold land	–	–	–	–	–	–	–	–	–	–	12,885
Freehold buildings, drydocks and waste plant	628,278	31,770	242,778	–	(84)	–	–	–	409	903,151	1,231,486
Leasehold buildings	24,606	25	–	–	–	–	–	–	377	25,008	49,201
Motor vehicles	17,915	828	320	(181)	–	–	–	–	(30)	18,852	1,382
Furniture, fittings and equipment	113,338	8,374	–	(1,371)	–	–	–	–	(628)	119,713	53,588
Computer software and hardware	271,420	13,054	611	(1,983)	–	–	–	–	(4,332)	278,770	24,387
Projects in progress	–	–	–	–	–	–	–	–	–	–	351,803
Plant and machineries	362,259	30,296	53,999	(4,951)	(51)	–	–	–	(800)	440,752	353,249
	1,417,816	84,347	297,708	(8,486)	(135)	–	–	–	(5,004)	1,786,246	2,077,981
Right-of-use assets											
- office premise, warehouse and wharf	69,831	30,143	2,279	(8,169)	–	–	–	–	(1,389)	92,695	91,455
- computer software and hardware	414	175	13	–	–	–	–	–	–	602	41
	70,245	30,318	2,292	(8,169)	–	–	–	–	(1,389)	93,297	91,496
	1,488,061	114,665	300,000	(16,655)	(135)	–	–	–	(6,393)	1,879,543	2,169,477
Grand total	26,807,057	2,090,970	321,160	(445,392)	(1,334,279)	(167,681)	(288,088)	(4,137)	(337,888)	26,641,722	23,309,148

* Included in ships in operation and right-of-use - ships in operation are ships subject to operating lease as a lessor with a carrying amount of RM15,833,310,000 (2019:RM14,409,219,000) and RMNil (2019: RM34,647,392) respectively based on the ships contractual arrangement as at 31 December 2020. Certain ships in operation are used interchangeably between time charter and spot charter during the financial year.

** Reclassification out of PPE relates to capital expenditure which are reimbursable and reclassed to other receivables.

*** Amount mainly relates to derecognition of previous dry docking/major spares upon capitalisation of replacement costs.

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Cost									
	At 1.1.2019 RM'000	**Additions RM'000**	**Disposals RM'000**	**Write-offs*** RM'000**	**Transfers RM'000**	**Reclassification out of PPE** RM'000**	**Reclassified to held for sale RM'000**	**Termination of lease contract RM'000**	**Currency translation differences RM'000**	**At 31.12.2019 RM'000**
Group - 31 December 2019										
Ships										
Ships in operation*	41,783,627	397,987	(128,775)	(367,590)	582,598	(42,670)	(1,400,528)	–	(383,748)	40,440,901
Right-of-use										
- ships in operation*	2,484,287	155,301	–	–	–	–	–	(129,557)	(7,048)	2,502,983
Ships under construction	1,360,089	1,540,284	–	–	(578,585)	(3,476)	–	–	(22,731)	2,295,581
	45,628,003	2,093,572	(128,775)	(367,590)	4,013	(46,146)	(1,400,528)	(129,557)	(413,527)	45,239,465
Offshore floating assets										
Subject to operating lease as a lessor										
- offshore floating assets in operation	1,343,326	–	–	–	–	–	(196,698)	–	(8,813)	1,137,815
Other property, plant and equipment										
Freehold land	12,976	–	–	–	–	–	–	–	(219)	12,757
Freehold buildings, drydocks and waste plant	1,674,066	104	(5,519)	(3,077)	2,025	–	–	–	(789)	1,666,810
Leasehold buildings	73,882	–	–	–	–	–	–	–	–	73,882
Motor vehicles	20,975	–	(545)	(231)	–	–	–	–	(18)	20,181
Furniture, fittings and equipment	166,791	4,548	(4,486)	(128)	2,429	(12)	–	–	(598)	168,544
Computer software and hardware	293,061	1,355	(2,374)	(310)	13,337	–	–	–	(2,802)	302,267
Projects in progress	308,901	330,665	(2,287)	–	(27,209)	–	–	–	(2,533)	607,537
Plant and machineries	686,273	4,073	(2,089)	(6,903)	5,405	–	–	–	(564)	686,195
	3,236,925	340,745	(17,300)	(10,649)	(4,013)	(12)	–	–	(7,523)	3,538,173
Right-of-use assets										
- office premise, warehouse and wharf	155,365	23,909	–	–	–	–	–	–	(1,112)	178,162
- computer software and hardware	643	–	–	–	–	–	–	–	–	643
	156,008	23,909	–	–	–	–	–	–	(1,112)	178,805
	3,392,933	364,654	(17,300)	(10,649)	(4,013)	(12)	–	–	(8,635)	3,716,978
Grand total	50,364,262	2,458,226	(146,075)	(378,239)	–	(46,158)	(1,597,226)	(129,557)	(430,975)	50,094,258

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment										Net book value
	At 1.1.2019 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write-offs*** RM'000	Reclassification out of PPE** RM'000	Reclassified to held for sale RM'000	Termination of lease contract RM'000	Currency translation differences RM'000	At 31.12.2019 RM'000	At 31.12.2019 RM'000
Group - 31 December 2019											
Ships											
Ships in operation*	21,918,883	1,699,991	85,490	(71,552)	(354,612)	(408)	(985,044)	–	(179,714)	22,113,034	18,327,867
Right-of-use - ships in operation*	1,795,495	352,764	40,386	–	–	–	–	(34,484)	(3,657)	2,150,504	352,479
Ships under construction	–	–	–	–	–	–	–	–	–	–	2,295,581
	23,714,378	2,052,755	125,876	(71,552)	(354,612)	(408)	(985,044)	(34,484)	(183,371)	24,263,538	20,975,927
Offshore floating assets											
Subject to operating lease as a lessor - offshore floating assets in operation	1,121,122	38,108	69,459	–	–	–	(165,345)	–	(7,886)	1,055,458	82,357
Other property, plant and equipment											
Freehold land	–	–	–	–	–	–	–	–	–	–	12,757
Freehold buildings, drydocks and waste plant	601,380	35,871	–	(5,519)	(3,029)	–	–	–	(425)	628,278	1,038,532
Leasehold buildings	24,589	–	–	–	–	–	–	–	17	24,606	49,276
Motor vehicles	17,577	1,127	–	(545)	(231)	–	–	–	(13)	17,915	2,266
Furniture, fittings and equipment	104,868	13,358	–	(4,413)	(125)	–	–	–	(350)	113,338	55,206
Computer software and hardware	266,179	8,822	–	(850)	(210)	–	–	–	(2,521)	271,420	30,847
Projects in progress	–	–	–	–	–	–	–	–	–	–	607,537
Plant and machineries	333,442	38,878	–	(2,751)	(6,843)	–	–	–	(467)	362,259	323,936
	1,348,035	98,056	–	(14,078)	(10,438)	–	–	–	(3,759)	1,417,816	2,120,357
Right-of-use assets											
- office premise, warehouse and wharf	43,655	26,425	–	–	–	–	–	–	(249)	69,831	108,331
- computer software and hardware	230	184	–	–	–	–	–	–	–	414	229
	43,885	26,609	–	–	–	–	–	–	(249)	70,245	108,560
	1,391,920	124,665	–	(14,078)	(10,438)	–	–	–	(4,008)	1,488,061	2,228,917
Grand total	26,227,420	2,215,528	195,335	(85,630)	(365,050)	(408)	(1,150,389)	(34,484)	(195,265)	26,807,057	23,287,201

* Included in ships in operation and right-of-use - ships in operation are ships subject to operating lease as a lessor with a carrying amount of RM14,409,219,000 and RM34,647,392 respectively based on the ships contractual arrangement as at 31 December 2019. Certain ships in operation are used interchangeably between time charter and spot charter during the financial year.

** Reclassification out of PPE relates to capital expenditure which are reimbursable and reclassed to other receivables.

*** Amount mainly relates to derecognition of previous dry docking / major spares upon capitalisation of replacement costs.

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Cost							
	At 1.1.2020 RM'000	Additions RM'000	Write-offs** RM'000	Disposals RM'000	Transfers RM'000	Reclassification out of PPE* RM'000	Currency translation differences RM'000	At 31.12.2020 RM'000
Corporation - 31 December 2020								
Ships								
Subject to operating lease as a lessor								
- ships in operation	9,896,486	73,264	(59,257)	–	–	(36,547)	(132,983)	9,740,963
Other property and equipment								
Freehold land	7,361	–	–	–	–	–	(127)	7,234
Freehold buildings	22,533	–	–	–	–	–	(135)	22,398
Motor vehicles	378	–	–	–	–	–	(6)	372
Furniture, fittings and equipment	33,362	430	–	(297)	1,291	–	(637)	34,149
Computer software and hardware	174,884	550	–	(2,107)	(297)	–	(2,953)	170,077
Projects in progress	222,684	21,428	–	–	(994)	(168,600)	2,271	76,789
	461,202	22,408	–	(2,404)	–	(168,600)	(1,587)	311,019
Right-of-use								
- office premise	82,575	–	–	–	–	–	(968)	81,607
	543,777	22,408	–	(2,404)	–	(168,600)	(2,555)	392,626
Grand total	10,440,263	95,672	(59,257)	(2,404)	–	(205,147)	(135,538)	10,133,589

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment							Net book value
	At 1.1.2020 RM'000	Depreciation RM'000	Impairment losses RM'000	Write-offs** RM'000	Disposals RM'000	Currency translation differences RM'000	At 31.12.2020 RM'000	At 31.12.2020 RM'000
Corporation - 31 December 2020								
Ships								
Subject to operating lease as a lessor								
- ships in operation	5,493,481	343,037	10,444	(59,162)	–	(69,790)	5,718,010	4,022,953
Other property and equipment								
Freehold land	413	448	–	–	–	325	1,186	6,048
Freehold buildings	936	–	–	–	–	–	936	21,462
Motor vehicles	369	–	–	–	–	(6)	363	9
Furniture, fittings and equipment	18,199	4,086	–	–	(224)	(462)	21,599	12,550
Computer software and hardware	159,978	4,902	–	–	(2,117)	(2,885)	159,878	10,199
Projects in progress	–	–	–	–	–	–	–	76,789
	179,895	9,436	–	–	(2,341)	(3,028)	183,962	127,057
Right-of-use								
- office premise	40,414	14,200	–	–	–	(823)	53,791	27,816
	220,309	23,636	–	–	(2,341)	(3,851)	237,753	154,873
Grand total	5,713,790	366,673	10,444	(59,162)	(2,341)	(73,641)	5,955,763	4,177,826

* Reclassification out of PPE relates to capital expenditure which are reimbursable and reclassed to other receivables.

** Amount mainly relates to derecognition of previous dry docking/major spares upon capitalisation of replacement costs.

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Cost							
	At 1.1.2019 RM'000	Additions RM'000	Write-offs** RM'000	Disposals RM'000	Transfers RM'000	Reclassification out of PPE* RM'000	Currency translation differences RM'000	At 31.12.2019 RM'000
Corporation - 31 December 2019								
Ships								
Subject to operating lease as a lessor								
- ships in operation	9,980,691	107,475	(96,740)	–	–	(9,789)	(85,151)	9,896,486
Other property and equipment								
Freehold land	7,442	–	–	–	–	–	(81)	7,361
Freehold buildings	22,770	–	–	–	–	–	(237)	22,533
Motor vehicles	927	–	–	(545)	–	–	(4)	378
Furniture, fittings and equipment	33,747	327	(128)	(218)	–	–	(366)	33,362
Computer software and hardware	166,450	531	(241)	(2,107)	12,167	–	(1,916)	174,884
Projects in progress	105,907	132,957	–	(1,637)	(12,167)	–	(2,376)	222,684
	337,243	133,815	(369)	(4,507)	–	–	(4,980)	461,202
Right-of-use								
- office premise	80,081	3,081	–	–	–	–	(587)	82,575
	417,324	136,896	(369)	(4,507)	–	–	(5,567)	543,777
Grand total	10,398,015	244,371	(97,109)	(4,507)	–	(9,789)	(90,718)	10,440,263

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment							Net book value
	At 1.1.2019 RM'000	Depreciation RM'000	Impairment losses RM'000	Write-offs** RM'000	Disposals RM'000	Currency translation differences RM'000	At 31.12.2019 RM'000	At 31.12.2019 RM'000
Corporation - 31 December 2019								
Ships								
Subject to operating lease as a lessor								
- ships in operation	5,275,533	342,274	8,582	(96,251)	–	(36,657)	5,493,481	4,403,005
Other property and equipment								
Freehold land	–	415	–	–	–	(2)	413	6,948
Freehold buildings	936	–	–	–	–	–	936	21,597
Motor vehicles	894	24	–	–	(545)	(4)	369	9
Furniture, fittings and equipment	14,895	3,816	–	(124)	(199)	(189)	18,199	15,163
Computer software and hardware	157,166	5,298	–	(209)	(523)	(1,754)	159,978	14,906
Projects in progress	–	–	–	–	–	–	–	222,684
	173,891	9,553	–	(333)	(1,267)	(1,949)	179,895	281,307
Right-of-use								
- office premise	26,693	13,865	–	–	–	(144)	40,414	42,161
	200,584	23,418	–	(333)	(1,267)	(2,093)	220,309	323,468
Grand total	5,476,117	365,692	8,582	(96,584)	(1,267)	(38,750)	5,713,790	4,726,473

* Reclassification out of PPE relates to capital expenditure which are reimbursable and reclassed to other receivables.

** Amount mainly relates to derecognition of previous dry docking / major spares upon capitalisation of replacement costs.

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14. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) The net carrying amounts of ships pledged as security for borrowings (Note 20(c)) are as follows:

	Group	
	2020 RM'000	2019 RM'000
Ships in operation	8,991,447	6,300,806

(b) The volatility of charter hire rates, expired charter contracts or contracts that are approaching the expiry date were identified as indications that the carrying amount of certain ships may be impaired. The indications of impairment identified for the Group's Marine & Heavy Engineering segment's other property, plant and equipment and right-of-use assets are disclosed in Note 5(a).

The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets, other property, plant and equipment and right-of-use assets during the financial year. The review led to the recognition of net impairment losses of RM321,160,000 (2019: RM195,335,000) and RM10,444,000 (2019: RM8,582,000) for the Group and the Corporation respectively, as disclosed in Note 5(a).

The recoverable amount was based on the higher of fair value less costs of disposal or value-in-use, and determined at the CGU of each asset.

Recoverable amount determined from value-in-use ("VIU")

As at the current financial year, the Group's recoverable amount for impaired other property, plant and equipment and right-of-use assets of its Marine & Heavy Engineering segment of RM1,795,583,000 was determined from the VIU calculations using cash flow projections discounted at rate ranging from 10.5% to 11.0%. Impairment losses of RM300,000,000 for the Group was recognised in the current financial year using this basis.

As at the end of the previous financial year, the Group's recoverable amount for impaired ships and right-of-use assets of RM21,877,000 was determined from the VIU calculations using cash flow projections discounted at rate 7.8%. Impairment losses of RM40,386,000 for the Group was recognised in the previous financial year using this basis.

Recoverable amount determined from fair value less costs of disposal

The fair values of certain ships and offshore floating assets were determined based on valuation performed by independent valuers based on comparable ships and offshore floating assets.

Impairment of RM21,160,000 (2019: RM154,949,000) and RM10,444,000 (2019: RM8,582,000) for the Group and the Corporation respectively were recognised using this basis.

Both fair value measurement and VIU were categorised as Level 3 fair value as defined in Note 2.3(z).

(c) Included in additions to the ships under construction and project-in-progress of the Group is finance costs capitalised during the year of RM73,655,000 (2019: RM67,245,000), including general borrowing costs.

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15. PREPAID LEASE PAYMENTS ON LAND AND BUILDINGS

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	219,843	212,988	3,566	3,730
Addition	–	14,300	–	–
Amortisation for the year (Note 5)	(7,359)	(7,405)	(100)	(124)
Currency translation differences	50	(40)	50	(40)
At 31 December	212,534	219,843	3,516	3,566
Analysed as:				
Leasehold land	209,018	216,277	–	–
Leasehold buildings	3,516	3,566	3,516	3,566
	212,534	219,843	3,516	3,566

Included in leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM209,018,000 (2019: RM216,277,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

16. INTANGIBLE ASSETS

	Group		
	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 January 2019	992,030	212,557	1,204,587
Currency translation differences	(9,855)	–	(9,855)
At 31 December 2019/1 January 2020	982,175	212,557	1,194,732
Currency translation differences	(15,547)	–	(15,547)
At 31 December 2020	966,628	212,557	1,179,185
Accumulated amortisation and impairment			
At 1 January 2019	162,501	185,205	347,706
Amortisation for the year (Note 5)	–	6,373	6,373
At 31 December 2019/1 January 2020	162,501	191,578	354,079
Amortisation for the year (Note 5)	–	5,884	5,884
At 31 December 2020	162,501	197,462	359,963
Net carrying amount			
At 31 December 2020	804,127	15,095	819,222
At 31 December 2019	819,674	20,979	840,653

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16. INTANGIBLE ASSETS (CONT'D.)

Impairment test for goodwill

(a) Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

	Group	
	2020 RM'000	2019 RM'000
Petroleum & Product Shipping	803,902	819,449
Offshore Business	225	225
	804,127	819,674

(b) The Group performed a review on the recoverable amount of goodwill during the financial year. Generally, the recoverable amounts are based on the higher of fair value less costs to sell or value-in-use for the CGUs to which the goodwill is allocated.

The recoverable amount of a CGU is determined using the value-in-use method, based on cash flow projections derived from financial projections approved by the management covering a five-year period. The discount rate used is based on the pre-tax weighted average cost of capital determined by the management.

Goodwill for the Petroleum & Product Shipping segment represents goodwill arising from acquisition of American Eagle Tanker Inc. ("AET"). An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing to the recoverable amount of the CGU, which was derived based on value-in-use calculations. The value-in-use is most sensitive to the following key assumptions:

(i) Risk adjusted discount rate used is 6.90% (2019: 6.90%). The discount rate reflects the current market assessment of the risks specific to the Petroleum & Product Shipping segment. This is the benchmark used by the management to assess operating performance and to evaluate future investments.

An increase of 1.81% (2019: 0.85%) or 181 (2019: 85) basis points in discount rate would result in recoverable amount that equates to the carrying amount of the CGU.

(ii) Terminal value and growth rate - The terminal value is based on expected cash flows for year 2025 into perpetuity with terminal year growth rate of 1.8% (2019: 2.0%). Terminal year charter rates are referenced to ten-year historical market rates.

A decrease of 9.66% (2019: 4.66%) or 966 (2019: 466) basis points in the charter rates in deriving at the terminal value would result in recoverable amount that equates to the carrying amount of the CGU.

The decrease in terminal growth rate is not sensitive towards the recoverable amount of the CGU.

(iii) Spot and time charter rates are estimated based on forecasts by industry research publications.

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17. INVESTMENTS IN SUBSIDIARIES

	Corporation	
	2020 RM'000	2019 RM'000
At 1 January	14,986,590	18,669,894
Additional investments in subsidiaries (Note a)	292,438	14,000
Liquidation of a subsidiary (Note b)	–	(3,438,308)
Impairment of investment in unquoted subsidiaries (Note 5(a))	(26,627)	(92,825)
Currency translation differences	(270,513)	(166,171)
At 31 December	14,981,888	14,986,590
Quoted shares	260,459	265,050
Unquoted shares	14,721,429	14,721,540
	14,981,888	14,986,590

Included in unquoted shares are preference shares of RM9,031,255,000 (2019: RM9,062,931,000) which bear interest ranging from 5.00% to 6.00% (2019: 3.00% to 6.00%) per annum.

(a) Additional investments in subsidiaries:

(i) During the current financial year, the Corporation had incorporated a new subsidiary, Magellan X Holdings (L) Pte Ltd ("Magellan X Holdings (L)"), under the Labuan Companies Act, 1990 with a total paid-up capital of RM292,438,000. The principal activities of Magellan X Holdings (L) is investment holding.

(ii) In the previous financial year, the Corporation increased its investment in Eaglestar Marine Holdings (L) Pte. Ltd. ("EMH") by RM14,000,000 in support of the subsidiary's debt capitalisation exercise via issuance of ordinary shares.

(b) In the previous financial year, the Corporation had initiated the liquidation of its wholly owned subsidiary, MTTI Sdn. Bhd. via members' voluntary winding up pursuant to Section 439(1)(b) of the Companies Act 2016. Subsequent to the liquidation commencement, the Corporation derecognised its investment in MTTI Sdn. Bhd. up to the amount of outstanding loan from MTTI Sdn. Bhd. in the previous financial year.

Details of the subsidiaries are disclosed in Note 40.

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), Asia LNG Transport Sdn. Bhd. ("ALT") and Asia LNG Transport Dua Sdn. Bhd. ("ALT 2") as shown below:

	MHB RM'000	ALT RM'000	ALT 2 RM'000	Others* RM'000	Total RM'000
2020					
NCI percentage of ownership interest and voting interest	33.5%	49.0%	49.0%		
Carrying amount of NCI as at 31 December	632,447	125,622	16,304	103,902	878,275
(Loss)/profit allocated to NCI for the year ended 31 December	(138,466)	(2,592)	(85)	14,379	(126,764)
2019					
NCI percentage of ownership interest and voting interest	33.5%	49.0%	49.0%		
Carrying amount of NCI as at 31 December	775,755	130,146	46,386	74,239	1,026,526
(Loss)/profit allocated to NCI for the year ended 31 December	(9,457)	(5,252)	8,567	16,054	9,912

* Other individually immaterial subsidiaries

Summarised financial information before intra-group elimination

	MHB RM'000	ALT RM'000	ALT 2 RM'000
As at 31 December 2020			
Non-current assets	1,897,783	83,224	64,132
Current assets	1,248,568	128,546	81,398
Non-current liabilities	(242,964)	–	–
Current liabilities	(937,684)	(1,471)	(235)
Net assets	1,965,703	210,299	145,295
Year ended 31 December 2020			
Revenue	1,566,750	42,040	–
(Loss)/profit for the year	(401,286)	9,815	(173)
Total comprehensive loss	(415,736)	(9,231)	(61,391)
Cash inflows/(outflows) from operating activities	136,062	29,199	(267)
Cash (outflows)/inflows from investing activities	(216,552)	2,612	(49,458)
Cash inflows from financing activities	57,630	–	–
Net (decrease)/increase in cash and cash equivalents	(22,860)	31,811	(49,725)

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Non-controlling interests in subsidiaries (cont'd.)

Summarised financial information before intra-group elimination (cont'd.)

	MHB RM'000	ALT RM'000	ALT 2 RM'000
As at 31 December 2019			
Non-current assets	2,034,854	104,007	15,783
Current assets	1,183,122	101,338	131,242
Non-current liabilities	(187,471)	–	–
Current liabilities	(649,068)	(917)	(146)
Net assets	2,381,437	204,428	146,879
Year ended 31 December 2019			
Revenue	1,009,541	37,562	161
(Loss)/profit for the year	(34,220)	5,204	19,396
Total comprehensive (loss)/income	(35,780)	(12,960)	15,880
Cash inflows/(outflows) from operating activities	123,852	13,186	(6,439)
Cash (outflows)/inflows from investing activities	(175,497)	(16,146)	89,195
Cash inflows from financing activities	124,015	–	–
Net increase/(decrease) in cash and cash equivalents	72,370	(2,960)	82,756

18. INVESTMENTS IN ASSOCIATES

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares outside Malaysia, at cost	325	331	124	124
Share of post-acquisition profit	686	455	–	–
Share of other post-acquisition reserves	(315)	(304)	–	–
Carrying amount of the investment	696	482	124	124

Details of the associates are disclosed in Note 41.

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19. INVESTMENTS IN JOINT VENTURES

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Unquoted shares in Malaysia, at cost	173,228	176,184	167,803	170,762
Unquoted shares outside Malaysia, at cost	221,280	176,124	24,195	24,622
	394,508	352,308	191,998	195,384
Share of post-acquisition profits	423,035	450,736	–	–
Share of other post-acquisition reserves	132,731	201,819	–	–
	950,274	1,004,863	191,998	195,384
Less: Accumulated impairment loss	(77,213)	(79,148)	–	–
Carrying amount of the investment	873,061	925,715	191,998	195,384

a) During the current financial year, the Corporation through its subsidiary, Asia LNG Transport Dua Sdn. Bhd. ("ALT Dua"), a 51%-owned subsidiary of the Corporation entered into a shareholders' agreement with Mitsubishi Corporation ("MC") and Nippon Yusen Kabushiki Kaisha ("NYK") for the acquisition of shares in Diamond LNG Shipping 5 Pte. Ltd. ("DLS5"), a company incorporated in Singapore, from NYK for a cash consideration of RM35,103,000. Subsequent thereto, DLS5 became a 50%-owned joint venture company of ALT Dua and 25% owned by MC and NYK respectively.

b) Pursuant to an Amended and Restated Shareholders' Agreement entered into on 7 December 2020 between SBM Holding Inc. S.A. ("SBM") and MISC Offshore Holdings (Brazil) Sdn. Bhd. ("MOHB"), a wholly-owned subsidiary of the Corporation, relating to the operation of joint venture companies for the ownership, conversion, chartering and operation of a Floating Production Storage and Offloading System "Espirito Santo" ("*FPSO Espirito Santo*"), a new company known as Brazilian Deepwater Production B.V. ("BDPBV") was incorporated under the laws of The Netherlands. BDPBV is a 49%-owned joint venture company of MOHB and its principal activity is chartering of Floating Production Storage and Offloading System. BDPBV is to replace the original chartering joint venture company named Brazilian Deepwater Production Limited, to own and charter the *FPSO Espirito Santo*. The total investment in BDPBV by the Group amounts to RM24,000.

c) During the current financial year, the Corporation had on 26 March 2020 completed the transfer of business from Diamond LNG Shipping 6 Ltd. ("DLS6 Bahamas"), a company incorporated in The Bahamas, to Diamond LNG Shipping 6 Pte. Ltd. ("DLS6 Singapore"), a company incorporated in Singapore. The business transfer is to align business ownership structure and optimise cost of operations. Subsequent thereto, DLS6 Singapore became a 50%-owned joint venture company of ALT Dua. The principal activity of DLS6 Singapore is owning and chartering of an LNG vessel. DLS6 Bahamas is to be dissolved thereafter.

d) The Group has discontinued recognising its share of losses in a joint venture as the share of losses exceeds the Group's interest in this joint venture. As such, the Group did not recognise its share of losses of this joint venture in the current year and the Group's cumulative share of unrecognised losses in this joint venture amounting to RM24,377,000 (2019: RM4,244,000).

e) In the previous financial year, the Corporation through its subsidiary, Asia LNG Transport Dua Sdn. Bhd. ("ALT Dua"), a 51%-owned subsidiary of the Corporation entered into a shareholders' agreement with MC and NYK for the acquisition of shares in DLS6 Bahamas, a company incorporated in The Bahamas, from NYK for a cash consideration of RM15,949,000. Subsequent thereto, DLS6 became a 50%-owned joint venture company of ALT Dua and 25% owned by MC and NYK respectively.

f) In the previous financial year, the Corporation entered into a shareholders agreement between the Corporation and Avenir LNG Limited ("Avenir") to incorporate a joint venture company. Pursuant to that, Future Horizon (L) Pte. Ltd. ("Future Horizon"), then a wholly-owned subsidiary of the Corporation had increased its issued and paid up capital by the issuance and allotment of new ordinary shares to the Corporation and Avenir. Upon completion of the allotment of shares, Future Horizon became a 51%-owned joint venture company of the Corporation. The total investment in Future Horizon by the Corporation amounts to RM42,000.

Details of the joint ventures are disclosed in Note 42.

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19. INVESTMENTS IN JOINT VENTURES (CONT'D.)

The material joint ventures are Malaysia Deepwater Floating Terminal (Kikeh) Limited ("MDFT") and Malaysia Vietnam Offshore Terminal (L) Limited ("MVOT").

The following tables summarise the financial information of the Group's material joint ventures, as adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in joint ventures.

The summarised financial information of the material joint ventures are as follows:

	MDFT RM'000	MVOT RM'000
As at 31 December 2020		
Non-current assets	823,678	713,825
Current assets	2	114,200
Cash and cash equivalents	10,505	214,498
Non-current liabilities	–	(907)
Current liabilities	(39,741)	(410,658)
Net assets	794,444	630,958
Year ended 31 December 2020		
Profit after taxation/total comprehensive income	196,479	65,471
Included in the total comprehensive income is:		
Revenue	403,806	301,542
Other income	74	209
Depreciation and amortisation	(201,049)	(248)
Interest income	37	254
Interest expenses	–	(146)
Income tax expense	(5,991)	(2,315)
As at 31 December 2019		
Non-current assets	1,034,353	274,491
Current assets	2	417,665
Cash and cash equivalents	227	51,065
Current liabilities	(61,178)	(165,022)
Net assets	973,404	578,199
Year ended 31 December 2019		
Profit after taxation/total comprehensive income	196,323	92,462
Included in the total comprehensive income is:		
Revenue	400,512	489,521
Other income	–	65
Depreciation and amortisation	(198,218)	(564)
Interest income	91	234
Income tax expense	(6,073)	(6,917)

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19. INVESTMENTS IN JOINT VENTURES (CONT'D.)

Group

	MDFT RM'000 (2020)	MVOT RM'000 (2020)	Others* RM'000 (2020)	Total RM'000 (2020)
Reconciliation of net assets to carrying amount				
As at 31 December				
Group's share of net assets	405,166	321,788	196,880	923,834
Elimination of unrealised (profits)/loss	(22,682)	2,089	(30,180)	(50,773)
Carrying amount in the statement of financial position	382,484	323,877	166,700	873,061
Group's share of results				
Year ended 31 December				
Group's share of profit after taxation/ total comprehensive income	103,285	34,097	291,400	428,782

	MDFT RM'000 (2019)	MVOT RM'000 (2019)	Others* RM'000 (2019)	Total RM'000 (2019)
Reconciliation of net assets to carrying amount				
As at 31 December				
Group's share of net assets	496,436	294,881	162,436	953,753
Elimination of unrealised profits	(25,762)	–	(2,276)	(28,038)
Carrying amount in the statement of financial position	470,674	294,881	160,160	925,715
Group's share of results				
Year ended 31 December				
Group's share of profit after taxation/ total comprehensive income	100,125	47,156	103,348	250,629

* Other individually immaterial joint ventures

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20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Other non-current financial assets

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Unquoted equity investments (Note 37)	63,498	65,137	63,483	65,122
Quoted equity investment (Note 37)	40,671	47,255	40,671	47,255
Total equity instruments	104,169	112,392	104,154	112,377
Long term receivables (Note 37)	103,546	113,511	–	–
Loans and advances:				
Subsidiaries	–	–	616,600	967,378
Associate	2,417	2,460	2,417	2,460
Joint venture	181,787	–	–	–
	184,204	2,460	619,017	969,838
Less:				
Impairment on loans to associate	(2,417)	(2,460)	(2,417)	(2,460)
Net loans and advances (Note 22)	181,787	–	616,600	967,378
Total long term receivables	285,333	113,511	616,600	967,378
Total other non-current financial assets	389,502	225,903	720,754	1,079,755

Long term receivables relate to a subsidiary's accrued revenue earned but not invoiced.

The loans and advances to subsidiaries are unsecured and bear interest ranging from 1.54% to 4.25% (2019: 3.00% to 4.70%) per annum.

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20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(b) Derivative liabilities

	Group 2020 RM'000	Group 2019 RM'000
Derivative liabilities		
Current:		
Forward currency contracts (i)	11,671	1,560
Non-current:		
Forward currency contracts (i)	7,572	–
Interest rate swaps ("IRS") - effective hedges (ii)	519,454	158,360

(i) As at 31 December 2020, the Group held forward currency contracts designated as hedges of future payments denominated in USD. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions. The notional amount of the currency hedging arrangement as at 31 December 2020 was RM596.9 million (2019: RM119.0 million).

(ii) The Group entered into IRS arrangements to hedge certain USD term loan facilities. Under these arrangements, the Group pays fixed interest rate ranging from 0.62% - 3.19% (2019: 1.79% - 3.19%) per annum and receives cash flows at floating rates. The IRS arrangements entered by the Group mature between year 2022 and year 2030 (2019: year 2022 and year 2030). The notional amount of the IRS arrangement as at 31 December 2020 was RM10.2 billion (2019: RM7.6 billion).

(c) Interest-bearing loans and borrowings

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Short term borrowings				
Secured:				
Term loans				
Fixed rate	1,070,032	750,408	–	–
Floating rate	408,467	1,425,203	–	–
Revolving credits	–	2,354,594	–	–
	1,478,499	4,530,205	–	–

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20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Short term borrowings				
Unsecured:				
Revolving credits	342,423	755,128	342,423	755,128
Loans from subsidiaries				
Fixed rate	–	–	167,548	113,099
Floating rate	–	–	59,323	737,910
Lease liabilities	184,601	314,148	14,384	13,875
	527,024	1,069,276	583,678	1,620,012
	2,005,523	5,599,481	583,678	1,620,012
Long term borrowings				
Secured:				
Term loans				
Fixed rate (Note 37)	9,293,628	7,009,714	–	–
Floating rate	1,683,865	219,012	–	–
	10,977,493	7,228,726	–	–
Unsecured:				
Revolving credit	292,738	–	–	–
Loans from subsidiaries				
Floating rate	–	–	625,522	–
Lease liabilities	164,632	323,966	15,537	29,908
	457,370	323,966	641,059	29,908
	11,434,863	7,552,692	641,059	29,908
Total borrowings				
Term loans	12,455,992	9,404,337	–	–
Revolving credits	635,161	3,109,722	342,423	755,128
Loans from subsidiaries	–	–	852,393	851,009
Lease liabilities	349,233	638,114	29,921	43,783
	13,440,386	13,152,173	1,224,737	1,649,920

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20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

The secured term loans and revolving credits are secured by mortgages over certain ships, together with charter agreements and insurance of the relevant assets as well as retention accounts. The carrying values of the ships pledged and retention accounts restricted for use are stated in Note 14(a) and Note 24 respectively.

The range of interest rates as at the reporting date of the above interest-bearing loans and borrowings are as follows:

	Group		Corporation	
	2020 %	2019 %	2020 %	2019 %
Fixed rate				
Term loans	1.85-4.44	2.90-4.44	–	–
Loans from subsidiaries	–	–	3.00	3.00
Lease liabilities	3.49-6.73	3.49-6.83	3.49	3.49
Floating rate				
Term loans	1.24-1.74	2.91-3.41	–	–
Revolving credits	0.89-1.59	2.48-2.91	0.89-1.39	2.48-2.66
Loans from subsidiaries	–	–	1.74	2.56

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

Changes in liabilities arising from financing activities:

	Group			
	Term Loans RM'000	Revolving Credits RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2020	9,404,337	3,109,722	638,114	13,152,173
Drawdown/additions	6,208,196	1,245,768	37,952	7,491,916
Repayment	(2,824,030)	(3,773,994)	(339,678)	(6,937,702)
Amortisation of upfront fees	18,102	3,429	–	21,531
Accretion of interest (Note 10(b))	–	–	23,376	23,376
Termination of lease contract	–	–	(12,593)	(12,593)
The effect of changes in foreign exchange rates	(350,613)	50,236	2,062	(298,315)
At 31 December 2020	12,455,992	635,161	349,233	13,440,386

	Corporation			
	Loans from subsidiaries RM'000	Revolving Credits RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2020	851,009	755,128	43,783	1,649,920
Drawdown/additions	770,366	735,303	–	1,505,669
Repayment	(756,311)	(1,152,114)	(15,208)	(1,923,633)
Accretion of interest (Note 10(b))	–	–	1,312	1,312
The effect of changes in foreign exchange rates	(12,671)	4,106	34	(8,531)
At 31 December 2020	852,393	342,423	29,921	1,224,737

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group			
	Term Loans RM'000	Revolving Credits RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2019	10,099,715	2,950,191	987,881	14,037,787
Drawdown/additions	5,388,187	187,111	178,866	5,754,164
Repayment	(5,992,531)	(1,500)	(489,946)	(6,483,977)
Amortisation of upfront fees	12,496	7,963	–	20,459
Transaction cost paid	(1,919)	–	–	(1,919)
Accretion of interest (Note 10(b))	–	–	42,112	42,112
Termination of lease contract	–	–	(75,465)	(75,465)
The effect of changes in foreign exchange rates	(101,611)	(34,043)	(5,334)	(140,988)
At 31 December 2019	9,404,337	3,109,722	638,114	13,152,173

	Corporation			
	Loans from subsidiaries RM'000	Revolving Credits RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2019	5,533,954	763,416	54,581	6,351,951
Drawdown/additions	859,944	–	2,429	862,373
Repayment	(2,093,029)	–	(15,051)	(2,108,080)
Liquidation of a subsidiary (Note 17)	(3,438,308)	–	–	(3,438,308)
Accretion of interest (Note 10(b))	–	–	1,763	1,763
The effect of changes in foreign exchange rates	(11,552)	(8,288)	61	(19,779)
At 31 December 2019	851,009	755,128	43,783	1,649,920

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

The following tables set out the carrying amounts of liabilities as at the reporting date and the remaining maturities of the Group's and the Corporation's financial instruments:

At 31 December 2020	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	1,070,032	1,652,809	980,424	1,024,157	1,039,984	4,596,254	10,363,660
Lease liabilities	184,601	106,504	28,661	6,264	6,053	17,150	349,233
	1,254,633	1,759,313	1,009,085	1,030,421	1,046,037	4,613,404	10,712,893
Floating rate							
Term loans	408,467	204,856	217,493	225,423	388,273	647,820	2,092,332
Revolving credits	342,423	292,738	–	–	–	–	635,161
	750,890	497,594	217,493	225,423	388,273	647,820	2,727,493
Total borrowings	2,005,523	2,256,907	1,226,578	1,255,844	1,434,310	5,261,224	13,440,386
Corporation							
Fixed rate							
Loans from subsidiaries	167,548	–	–	–	–	–	167,548
Lease liabilities	14,384	14,896	547	94	–	–	29,921
	181,932	14,896	547	94	–	–	197,469
Floating rate							
Revolving credits	342,423	–	–	–	–	–	342,423
Loans from subsidiaries	59,323	625,522	–	–	–	–	684,845
	401,746	625,522	–	–	–	–	1,027,268
Total borrowings	583,678	640,418	547	94	–	–	1,224,737

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

At 31 December 2019	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	750,408	789,246	1,364,861	678,489	720,761	3,456,357	7,760,122
Lease liabilities	314,148	189,740	67,914	36,554	6,382	23,376	638,114
	1,064,556	978,986	1,432,775	715,043	727,143	3,479,733	8,398,236
Floating rate							
Term loans	1,425,203	219,012	–	–	–	–	1,644,215
Revolving credits	3,109,722	–	–	–	–	–	3,109,722
	4,534,925	219,012	–	–	–	–	4,753,937
Total borrowings	5,599,481	1,197,998	1,432,775	715,043	727,143	3,479,733	13,152,173
Corporation							
Fixed rate							
Loans from subsidiaries	113,099	–	–	–	–	–	113,099
Lease liabilities	13,875	14,367	14,878	528	135	–	43,783
	126,974	14,367	14,878	528	135	–	156,882
Floating rate							
Revolving credits	755,128	–	–	–	–	–	755,128
Loans from subsidiaries	737,910	–	–	–	–	–	737,910
	1,493,038	–	–	–	–	–	1,493,038
Total borrowings	1,620,012	14,367	14,878	528	135	–	1,649,920

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(d) Finance lease receivables

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of ships and offshore floating assets by the Group and the Corporation.

The following table sets out maturity analysis of lease receivables, showing undiscounted lease payments to be received after the reporting date.

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Less than 1 year	2,180,922	2,333,665	146,305	149,291
1 to 2 years	2,025,787	2,210,340	146,305	148,884
2 to 3 years	2,042,492	2,066,592	146,305	148,884
3 to 4 years	1,972,797	2,085,346	146,706	148,884
4 to 5 years	1,885,547	2,014,173	146,305	149,291
More than 5 years	10,798,036	11,970,577	739,634	901,552
Total undiscounted lease payments	20,905,581	22,680,693	1,471,560	1,646,786
Unearned interest income	(5,804,875)	(6,211,906)	(469,788)	(555,519)
Net investment in lease	15,100,706	16,468,787	1,001,772	1,091,267

The following table sets out maturity analysis of the present value of lease receivables, showing the discounted lease payments to be received after the reporting date.

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Less than 1 year	1,282,856	1,387,678	75,514	71,840
1 to 2 years	1,201,506	1,345,722	81,227	76,845
2 to 3 years	1,291,937	1,281,873	87,372	82,659
3 to 4 years	1,301,989	1,377,393	94,406	88,912
4 to 5 years	1,293,091	1,392,280	101,126	96,070
More than 5 years	8,729,327	9,683,841	562,127	674,941
	15,100,706	16,468,787	1,001,772	1,091,267
Less: Impairment (Note 22)	(63,335)	(73,138)	(6,512)	(7,421)
	15,037,371	16,395,649	995,260	1,083,846

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(d) Finance lease receivables (cont'd.)

The following table sets out maturity analysis of the present value of lease receivables, showing the discounted lease payments to be received after the reporting date. (cont'd.)

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Analysed as:				
Due within 12 months (Note 22)	1,282,856	1,387,678	75,514	71,840
Due after 12 months (Note 22)	13,754,515	15,007,971	919,746	1,012,006
	15,037,371	16,395,649	995,260	1,083,846

The effective interest rate of the Group's finance lease receivables is between 3.75% to 7.60% (2019: 4.10% to 7.60%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM576,575,000 (2019: RM557,323,000).

The effective interest rate of the Corporation's finance lease receivables is 7.60% (2019: 7.60%). Included in minimum lease receivables is the estimated unguaranteed residual value of the leased assets of RM32,094,000 (2019: RM32,659,000).

As at the end of the financial year, the Group recognised additional finance lease receivables amounting to RM519,968,000 (2019: RM154,014,000) in relation to the delivery of a ship.

21. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
At cost	91,349	165,731

Inventories consist of bunkers, lubricants and raw materials. The cost of inventories recognised as cost of sales during the financial year of the Group was RM730,514,000 (2019: RM915,284,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

22. TRADE AND OTHER RECEIVABLES

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables				
Third parties	2,294,520	2,603,223	471,397	517,724
Fellow subsidiaries	104,405	73,147	2,512	28,733
Associates	26	44	26	44
Joint ventures	75,181	30,952	34,029	26,532
	2,474,132	2,707,366	507,964	573,033
Finance lease receivables (Note 20(d))	1,282,856	1,387,678	75,514	71,840
Due from customers on contracts (Note 23)	491,259	39,137	–	–
	4,248,247	4,134,181	583,478	644,873
Less: Impairment loss on trade receivables:				
Third parties	(604,492)	(641,334)	(303,467)	(355,655)
Joint ventures	(21,770)	(22,154)	(21,770)	(22,154)
	(626,262)	(663,488)	(325,237)	(377,809)
Trade receivables, net	3,621,985	3,470,693	258,241	267,064
Other receivables				
Amount due from related parties:				
Holding company	109	109	–	–
Subsidiaries	–	–	1,375,158	740,780
Fellow subsidiaries	69	9,297	–	–
Joint ventures	9,278	10,384	807	1,408
	9,456	19,790	1,375,965	742,188
Loans and advances:				
Subsidiaries	–	–	597,392	692,525
Deposits	11,425	10,058	2,276	2,315
Prepayments	1,592,105	193,875	1,288,542	6,765
Others	172,805	237,001	42,287	39,983
	1,785,791	460,724	3,306,462	1,483,776
Less: Impairment loss on other receivables:				
Third parties	(1,066)	(712)	(123)	(71)
Subsidiaries	–	–	(4,048)	(3,629)
	(1,066)	(712)	(4,171)	(3,700)
Other receivables, net	1,784,725	460,012	3,302,291	1,480,076
Total trade and other receivables	**5,406,710**	**3,930,705**	**3,560,532**	**1,747,140**
Add: Cash, deposits and bank balances (Note 24)	6,855,005	7,030,814	1,620,947	2,817,049
Add: Net loans and advances (Note 20(a))	181,787	–	616,600	967,378
Add: Long term receivables (Note 20(a))	103,546	113,511	–	–
Add: Long term finance lease receivables (Note 20(d))	13,754,515	15,007,971	919,746	1,012,006
Less: Due from customers on contracts (Note 23)	(491,259)	(39,137)	–	–
Less: Prepayments	(1,592,105)	(193,875)	(1,288,542)	(6,765)
Total financial assets carried at amortised cost	24,218,199	25,849,989	5,429,283	6,536,808

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) **Trade receivables**

The Group's normal trade credit terms with its customers range from 7 to 90 days (2019: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

(b) **Other receivables and amounts due from related parties**

The non-trade balances due from holding company, subsidiaries, associates and joint ventures arose in the normal course of business. Certain loans and advances to subsidiaries bear interest ranging from 1.54% to 4.70% (2019: 3.00% to 4.70%) per annum.

The ageing of trade receivables net of impairment (excluding amount due from customers on contracts and finance lease receivables) as at the end of the reporting period is analysed below:

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At net				
Current	677,020	952,764	161,194	165,440
Past due 1-30 days	178,894	186,832	2,405	26,418
Past due 31-60 days	104,425	38,806	11,402	2,349
Past due 61-90 days	129,480	26,783	1,824	1,017
Past due more than 90 days	758,051	838,693	5,902	–
	1,847,870	2,043,878	182,727	195,224

The movement in the allowance for impairment loss of trade, other and finance lease receivables during the year are as follows:

	Group		Corporation	
	Trade and Other Receivables RM'000	Finance Lease Receivables (Note 20(d)) RM'000	Trade and Other Receivables RM'000	Finance Lease Receivables (Note 20(d)) RM'000
At 1 January 2020	664,200	73,138	381,509	7,421
Impairment loss (Note 5)	34,563	–	13,915	–
Write back of impairment loss (Note 4)	–	(8,878)	(136)	(814)
Write off	(42,017)	–	(42,017)	–
Unwinding of discount on trade receivables (Note 10(a))	(18,821)	–	(18,821)	–
Currency translation differences	(10,597)	(925)	(5,042)	(95)
At 31 December 2020	627,328	63,335	329,408	6,512
At 1 January 2019	709,961	79,398	436,574	7,872
Impairment loss (Note 5)	36,839	–	22,019	–
Write back of impairment loss (Note 4)	–	(5,455)	–	(369)
Write off	(41,425)	–	(41,425)	–
Unwinding of discount on trade receivables (Note 10(a))	(16,477)	–	(16,477)	–
Currency translation differences	(24,698)	(805)	(19,182)	(82)
At 31 December 2019	664,200	73,138	381,509	7,421

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

23. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2020 RM'000	2019 RM'000
Construction contract costs incurred and recognised profits to date	4,967,569	4,174,689
Less: Progress billings	(4,491,705)	(4,141,545)
	475,864	33,144
Due from customers on contracts (Note 22)	491,259	39,137
Due to customers on contracts (Note 26)	(15,395)	(5,993)
	475,864	33,144

The movement of amount due from/(to) customers on contracts is as follows:

	Group	
	2020 RM'000	2019 RM'000
At the beginning of the year	33,144	218,880
Revenue recognised during the year (Note 3)	1,926,878	936,523
Progress billings during the year	(1,484,158)	(1,122,259)
At the end of the year	475,864	33,144

24. CASH, DEPOSITS AND BANK BALANCES

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	4,023,265	4,355,497	1,609,734	2,803,030
Cash and bank balances	1,840,120	1,561,907	42	86
Deposits with licensed banks	991,620	1,113,410	11,171	13,933
	6,855,005	7,030,814	1,620,947	2,817,049

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

24. CASH, DEPOSITS AND BANK BALANCES (CONT'D.)

To allow more efficient cash management for the Group and the Corporation, the Group's and the Corporation's cash and bank balances have, since 1 July 2013, been held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC").

Included in cash and bank balances and deposits with licensed banks of the Group is the retention account of RM1,303,393,000 (2019: RM1,289,730,000) which is restricted for use because of the requirement of loan covenants.

Included in cash with IFSSC and cash and bank balances of the Group and the Corporation are interest-bearing balances amounting to RM5,863,385,000 (2019: RM5,917,404,000) and RM1,609,776,000 (2019: RM2,803,116,000) respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 38.

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2020 RM'000	2019 RM'000
Ships and offshore floating assets	4,834	125,278

The movement during the financial year relating to non-current assets held for sale are as follows:

	Group	
	2020 RM'000	2019 RM'000
At 1 January	125,278	–
Write down (Note 5(a))	(10,216)	–
Transfer from ships and offshore floating assets (Note 14)	118,193	446,837
Disposals	(231,337)	(320,244)
Currency translation differences	2,916	(1,315)
At 31 December	4,834	125,278

In the current financial year, the Group has classified certain ships and offshore floating assets as held for sale with the intention of disposal in the immediate future.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

26. TRADE AND OTHER PAYABLES

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables				
Third parties	61,210	153,988	3,875	5,883
Subsidiaries	–	–	172,740	117,325
Holding company	10,430	6,824	9,914	6,567
Fellow subsidiaries	254	1,341	3	30
Accruals	1,033,681	982,004	132,798	266,642
Deferred income (Note 30)	194,939	102,626	–	–
Due to customers on contracts (Note 23)	15,395	5,993	–	–
	1,315,909	1,252,776	319,330	396,447
Other payables				
Amount due to related parties:				
Subsidiaries	–	–	305,112	339,311
Holding company	459	457	406	404
Fellow subsidiaries	690	6	–	4
Associates	965	965	–	–
Joint ventures	68,938	67,583	–	2,923
Accruals	533,919	562,075	46,912	40,867
Provisions (Note 26(c))	1,187,960	43,566	22,848	42,928
Others	400,413	259,160	329,130	174,045
	2,193,344	933,812	704,408	600,482
Total trade and other payables	**3,509,253**	**2,186,588**	**1,023,738**	**996,929**
Add: Total borrowings (Note 20(c))	13,440,386	13,152,173	1,224,737	1,649,920
Less: Due to customers on contracts (Note 23)	(15,395)	(5,993)	–	–
Less: Provisions (Note 26(c))	(1,187,960)	(43,566)	(22,848)	(42,928)
Less: Deferred income (Note 30)	(194,939)	(102,626)	–	–
Total financial liabilities carried at amortised cost	15,551,345	15,186,576	2,225,627	2,603,921

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

26. TRADE AND OTHER PAYABLES (CONT'D.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 14 to 90 days (2019: 14 to 90 days).

(b) Other payables and amounts due to related parties

The non-trade balances due to holding company, subsidiaries, fellow subsidiaries, associates and joint ventures arose in the normal course of business.

(c) Provisions

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	43,566	72,717	42,928	64,950
Arose during the year	1,215,213	–	–	–
Utilised	(20,803)	(28,665)	(20,169)	(21,541)
Currency translation differences	(50,016)	(486)	89	(481)
At 31 December	1,187,960	43,566	22,848	42,928

27. SHARE CAPITAL AND TREASURY SHARES

	Group and Corporation			
	Number of shares		Amount	
	Share Capital '000	Treasury Shares '000	Share Capital RM'000 (i)	Treasury Shares RM'000
At 1 January/31 December 2020	4,463,794	(47)	8,923,262	(271)
At 1 January/31 December 2019	4,463,794	(47)	8,923,262	(271)

(i) The Group has one issued special preference share of RM1.

The special preference share, which may only be held by the Ministry of Finance (Incorporated) ("MoF") or its successors or any Minister, representative, or any person acting on behalf of the Government of Malaysia, carries rights as provided in the Corporation's Constitution. Certain matters, in particular the alterations of specified Rules in the Constitution, require the prior approval of the holder of the special preference share.

The holder of the special preference share is not entitled to any dividend nor to participate in the capital distribution upon dissolution of the Corporation but shall rank for repayment in priority to all other shares. The share does not carry any right to vote at General Meetings but the holder is entitled to attend and speak at such meetings.

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31 December 2020

28. OTHER RESERVES

	Revaluation Reserve RM'000 28(a)	Capital Reserve RM'000 28(b)	Other Capital Reserve RM'000 28(c)	Statutory Reserve RM'000 28(d)	Hedging Reserve RM'000 28(e)	Currency Translation Reserve RM'000 28(f)	Total RM'000
Group							
At 1 January 2020	1,357	435,199	99,299	3,161	(159,929)	5,681,164	6,060,251
Currency translation differences:							
Group	–	–	–	–	–	(509,186)	(509,186)
Associate	–	–	–	–	–	(11)	(11)
Joint ventures	–	–	–	–	–	(11,503)	(11,503)
Fair value loss on cash flow hedges:							
Group	–	–	–	–	(387,618)	–	(387,618)
Joint ventures	–	–	–	–	(29,928)	–	(29,928)
At 31 December 2020	1,357	435,199	99,299	3,161	(577,475)	5,160,464	5,122,005
At 1 January 2019	1,357	435,199	99,299	3,161	2,956	6,042,032	6,584,004
Currency translation differences:							
Group	–	–	–	–	–	(353,608)	(353,608)
Associate	–	–	–	–	–	(1)	(1)
Joint ventures	–	–	–	–	–	(7,259)	(7,259)
Fair value loss on cash flow hedges:							
Group	–	–	–	–	(162,885)	–	(162,885)
At 31 December 2019	1,357	435,199	99,299	3,161	(159,929)	5,681,164	6,060,251

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

28. OTHER RESERVES (CONT'D.)

The nature and purpose of each category of reserves are as follows:

(a) **Revaluation reserve**

Revaluation reserve represents surplus arising from revaluation of certain freehold land.

(b) **Capital reserve**

Capital reserve represents reserve arising from bonus issue by subsidiaries.

(c) **Other capital reserve**

Other capital reserve represents the Group's share of its subsidiaries' reserve.

(d) **Statutory reserve**

Statutory reserve is maintained by overseas subsidiaries and joint ventures in accordance with the laws of the host countries.

(e) **Hedging reserve**

Hedging reserve represents the effective portion of the gain or loss on hedging instruments in the Group's cash flow hedges and includes the Group's share of hedging reserve of joint ventures.

(f) **Currency translation reserve**

Currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Corporation and foreign operations with different functional currencies from that of the Group's presentation currency.

29. DEFERRED TAX

	Group	
	2020 RM'000	2019 RM'000
At 1 January	(72,592)	(71,961)
Recognised in income statement (Note 11):		
In Malaysia	(128)	(229)
Outside Malaysia	(24,061)	78
	(24,189)	(151)
Currency translation differences	169	(480)
At 31 December	(96,612)	(72,592)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(104,433)	(103,499)
Deferred tax liabilities	7,821	30,907
	(96,612)	(72,592)

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29. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year, prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2020	99,086	21,573	120,659
Recognised in income statement:			
In Malaysia	(12,440)	–	(12,440)
Outside Malaysia	(2,412)	(19,668)	(22,080)
At 31 December 2020	84,234	1,905	86,139
At 1 January 2019	91,733	22,140	113,873
Recognised in income statement:			
In Malaysia	7,353	–	7,353
Outside Malaysia	–	(567)	(567)
At 31 December 2019	99,086	21,573	120,659

Deferred tax assets of the Group:

	Other payables RM'000	Tax losses, investment tax allowances and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2020	(17,480)	(154,641)	(21,130)	(193,251)
Recognised in income statement:				
In Malaysia	1,310	13,914	(2,912)	12,312
Outside Malaysia	–	–	(1,981)	(1,981)
Currency translation differences	69	–	100	169
At 31 December 2020	(16,101)	(140,727)	(25,923)	(182,751)
At 1 January 2019	(17,965)	(145,460)	(22,409)	(185,834)
Recognised in income statement:				
In Malaysia	372	(9,181)	1,227	(7,582)
Outside Malaysia	645	–	–	645
Currency translation differences	(532)	–	52	(480)
At 31 December 2019	(17,480)	(154,641)	(21,130)	(193,251)

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29. DEFERRED TAX (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unused tax losses	5,410,156	5,526,840	5,367,154	5,486,705
Unabsorbed capital allowances	39,714	33,507	–	–
Unabsorbed investment tax allowances	709,378	24,534	–	–
Other deductible temporary differences	5,931	170	–	–
	6,165,179	5,585,051	5,367,154	5,486,705

In Malaysia, the unused tax losses can be carried forward and available for use for 7 years starting from the year of assessment 2019. The unused tax losses of the Corporation relate to the loss making non-resident ships and can be utilised to offset against future taxable profits.

The unabsorbed capital allowances and unabsorbed investment tax allowances are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to tax law and tax guidance issued by the tax authority enacted at the reporting date.

Deferred tax assets have not been recognised for certain subsidiaries with recent history of losses.

30. DEFERRED INCOME

	Group	
	2020 RM'000	2019 RM'000
At 1 January	668,950	682,668
Recognised during the year in income statement	(404,167)	(100,296)
Advances received during the year	1,121,691	93,808
Currency translation differences	(41,075)	(7,230)
At 31 December	1,345,399	668,950
Current (Note 26)	194,939	102,626
Non-current	1,150,460	566,324
	1,345,399	668,950

Deferred income relates to time charter income paid in advance by customers.

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31. CASH FLOWS FROM INVESTING ACTIVITIES

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of ships, offshore floating assets and other property, plant and equipment	(5,108,280)	(2,160,987)	(105,121)	(169,222)
Loan to a subsidiary	–	–	(179,536)	–
Loan to a joint venture	(189,604)	–	–	–
Acquisition of a business	–	(130,283)	–	(130,283)
Dividend received from:				
Quoted and unquoted equity investments	1,087	1,572	1,087	1,703
Subsidiaries	–	–	1,382,324	1,283,518
Joint ventures	456,056	285,422	221,371	207,769
Net repayment of loans due from subsidiaries	–	–	833,129	711,179
Proceeds from disposal of ships, offshore floating assets and other property, plant and equipment and non-current assets classified as held for sale	497,847	373,684	–	–
Investment in a subsidiary	–	–	(292,438)	–
Investment in joint ventures	(50,547)	(15,991)	–	(42)
Interest received	81,293	126,181	29,004	54,041
Net fixed deposit (placement)/withdrawal	(5,874)	1,677	–	–
Payment of prepaid lease	–	(14,300)	–	–
Net cash (used in)/generated from investing activities	(4,318,022)	(1,533,025)	1,889,820	1,958,663

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32. CASH FLOWS FROM FINANCING ACTIVITIES

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
Drawdown of term loans	6,208,196	5,388,187	–	–
Drawdown of revolving credits	1,245,768	187,111	735,303	–
Drawdown of loans from subsidiaries	–	–	770,366	859,944
Repayment of term loans	(2,824,030)	(5,992,531)	–	–
Repayment of revolving credits	(3,773,994)	(1,500)	(1,152,114)	–
Repayment of loan due to subsidiaries	–	–	(756,311)	(2,093,029)
Dividends (Note 13)	(1,473,035)	(1,339,123)	(1,473,035)	(1,339,123)
Dividends paid to minority shareholders of subsidiaries	(3,000)	(3,000)	–	–
Interest paid	(414,747)	(492,700)	(28,013)	(128,597)
Payment of lease liabilities	(316,302)	(447,834)	(13,896)	(13,288)
Placement of cash pledged with bank - restricted	(37,563)	(1,071,301)	–	–
Net cash used in financing activities	(1,388,707)	(3,772,691)	(1,917,700)	(2,714,093)

33. RELATED PARTY DISCLOSURES

In addition to related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions. The directors are of the opinion that, unless otherwise stated, the transactions below have been entered into in the normal course of business at terms agreed between the parties during the financial year.

As the holding company is wholly owned by the MoF, the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

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33. RELATED PARTY DISCLOSURES (CONT'D.)

		Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
(a)	**Income from fellow subsidiaries**				
	Freight and charter hire revenue	2,174,576	2,006,230	724,723	676,772
	Fabrication services	1,088,599	530,094	–	–
	Finance lease income	344,699	355,117	–	–
	Offshore, maintenance and manpower services	129,246	168,057	49,448	53,459
	Marine and consultancy services	35,862	37,072	–	–
	Sungai Udang Port management	22,669	33,755	–	–
(b)	**Purchase from fellow subsidiaries**				
	Purchase of bunkers, lubricants, spare parts and other materials	(72,657)	(113,845)	(23,551)	(61,010)
	Purchase of service for rental of premises	(21,869)	(22,202)	(20,545)	(20,815)
	Fees for representation in the Board of Directors*	(469)	(528)	(469)	(528)
(c)	**Management fee from subsidiaries**				
	Fees for representation in the Board of Directors**	–	–	954	1,090
(d)	**Purchase of service for repairs, conversion of ships, drydocking and fabrication from a subsidiary**	–	–	(3,550)	(13,801)
(e)	**Purchase of ship operating and management services from a subsidiary**	–	–	(175,655)	(164,012)
(f)	**Government of Malaysia's related entities**				
	(i) **Provision of shipping and shipping related services**				
	Freight revenue	–	20,638	–	–
	(ii) **Purchase of goods and services**				
	Utilities	(28,680)	(31,157)	(4,687)	(5,341)

(g) **Compensation of key management personnel ("KMP")**

KMP are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Corporation, directly or indirectly, including any director of the Group and of the Corporation.

* Fees paid directly to PETRONAS in respect of directors who are appointees of the holding company.

** Fees received from subsidiaries in respect of directors who are appointees of the Corporation.

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33. RELATED PARTY DISCLOSURES (CONT'D.)

(g) Compensation of key management personnel ("KMP") (cont'd.)

The remuneration of directors and other members of key management during the financial year were as follows:

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors				
Directors' remuneration (Note 7)	4,924	4,617	4,370	4,089
Other key management personnel				
Salaries and benefits	29,816	26,599	10,658	8,057
Defined contribution plans	3,225	2,618	2,269	1,839
	33,041	29,217	12,927	9,896
Total compensation of KMP	37,965	33,834	17,297	13,985

34. COMMITMENTS

(a) Capital commitments

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment	6,630,173	4,102,834	3,029,744	1,654,503
Information and communication technology	7,298	9,857	4,352	7,359
Share of capital commitments of a joint venture	–	115,795	–	–
	6,637,471	4,228,486	3,034,096	1,661,862

(b) Operating lease commitments - Group and Corporation as lessor

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Future minimum rentals receivable:				
Not later than 1 year	3,385,275	3,262,255	837,299	883,291
Later than 1 year and not later than 5 years	10,412,559	9,837,459	2,545,628	2,580,322
Later than 5 years	9,274,854	9,973,111	3,998,741	4,750,789
	23,072,688	23,072,825	7,381,668	8,214,402

Operating lease income represent long-term lease arrangements with related and third parties for charter out of ships and offshore floating assets.

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35. CONTINGENT LIABILITIES

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Secured				
Bank guarantee extended to a third party	386	199	–	–
Unsecured				
Performance bond on contract and bank guarantees extended to third parties	362,105	411,271	1,238	2,513

The Corporation no longer discloses the corporate guarantees given to banks for credit facilities granted to subsidiaries as these would instead be accounted as financial liabilities if considered likely to crystalise.

36. SEGMENT INFORMATION

(a) Business segments

The operating segments of the Group are as follows:

(i) LNG Asset Solutions - provision of liquefied natural gas ("LNG") carrier services;

(ii) Petroleum & Product Shipping - provision of petroleum tanker and chemical tanker services;

(iii) Offshore Business - own, lease, operation and maintenance of offshore, floating, production and offloading terminals;

(iv) Marine & Heavy Engineering - marine repair, marine conversion and engineering and construction works; and

(v) Others - Integrated marine services, port & terminal services, maritime education & training and other diversified businesses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

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36. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

31 December 2020	LNG Asset Solutions RM'000	Petroleum & Product Shipping RM'000	Offshore Business RM'000	Marine & Heavy Engineering RM'000	Others RM'000	Total RM'000	Eliminations and Adjustments RM'000		Consolidated RM'000
REVENUE									
External sales	2,652,699	3,862,527	1,210,096	1,530,171	157,586	9,413,079	(11,845)		9,401,234
Inter-segment	–	1,022	78,352	37,444	1,303,037	1,419,855	(1,419,855)	A	–
	2,652,699	3,863,549	1,288,448	1,567,615	1,460,623	10,832,934	(1,431,700)		9,401,234
RESULTS									
Segment results	1,899,477	1,584,950	511,993	(43,355)	(156,212)	3,796,853	70,262	A	3,867,115
Other operating income	7,917	68,885	31,872	3,970	2,126,989	2,239,633	(2,097,952)	A	141,681
Depreciation	(766,602)	(1,187,637)	(5,884)	(66,914)	(34,414)	(2,061,451)	(29,519)		(2,090,970)
Amortisation of intangible assets	–	–	–	–	(5,884)	(5,884)	–		(5,884)
Amortisation of prepaid lease payments on land and buildings	–	–	–	(7,259)	(100)	(7,359)	–		(7,359)
Impairment provisions	(11,585)	–	(19,791)	(300,000)	–	(331,376)	–		(331,376)
Provision of litigation claims	–	–	(1,049,248)	–	–	(1,049,248)	–		(1,049,248)
Write off of trade receivables and loss on re-measurement of finance lease receivables	–	–	(846,229)	–	–	(846,229)	–		(846,229)
Net gain on disposal of ships and offshore floating assets	–	36,344	–	–	–	36,344	(11,209)		25,135
Finance income	50,215	3,024	27,876	13,479	103,884	198,478	(85,866)	A	112,612
Finance costs	(143,644)	(141,491)	(165,382)	(911)	(30,656)	(482,084)	114,000	A	(368,084)
Share of profit/(loss) of an associate and joint ventures	856	12,234	412,380	(189)	–	425,281	3,742		429,023
Loss before taxation									(123,584)
Taxation									(46,247)
Loss after taxation									(169,831)
Non-controlling interests									126,764
Net loss attributable to equity holders of the Corporation									(43,067)
ASSETS									
Ships	6,712,513	14,345,401	–	–	30,449 *	21,088,363	–		21,088,363
Offshore floating assets	–	–	51,308	–	–	51,308	–		51,308
Non-current assets classified as held for sale	–	11,807	4,834	–	–	16,641	(11,807)		4,834
Intangible assets	–	803,901	225	–	15,096	819,222	–		819,222
Investments in joint ventures	7,122	28,002	828,703	8,910	324	873,061	–		873,061
Finance lease receivables	5,577,143	–	9,460,228	–	–	15,037,371	–		15,037,371
Other assets (unallocated)								B	13,946,850
									51,821,009
LIABILITIES									
Interest-bearing loans and borrowings	3,082,297	6,268,913	4,415,461	257,128	406,929	14,430,728	(990,342)		13,440,386
Other liabilities (unallocated)								C	5,229,504
									18,669,890

* Included in the net book value of ships - others is Navy Auxiliary ship owned by the Corporation, *Bunga Mas 6*.

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36. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

31 December 2019	LNG Asset Solutions RM'000	Petroleum & Product Shipping RM'000	Offshore Business RM'000	Marine & Heavy Engineering RM'000	Others RM'000	Total RM'000	Eliminations and Adjustments RM'000		Consolidated RM'000
REVENUE									
External sales	2,582,056	4,302,936	980,785	936,523	174,142	8,976,442	(13,718)		8,962,724
Inter-segment	–	1,840	105,434	73,299	1,353,591	1,534,164	(1,534,164)	A	–
	2,582,056	4,304,776	1,086,219	1,009,822	1,527,733	10,510,606	(1,547,882)		8,962,724
RESULTS									
Segment results	1,823,227	1,613,646	515,160	24,365	(162,778)	3,813,620	56,909	A	3,870,529
Other operating income	46,454	24,912	17,075	1,155	1,913,961	2,003,557	(1,884,704)	A	118,853
Depreciation	(766,445)	(1,280,300)	(56,585)	(76,555)	(32,624)	(2,212,509)	(3,019)		(2,215,528)
Amortisation of intangible assets	–	–	–	–	(6,373)	(6,373)	–		(6,373)
Amortisation of prepaid lease payments on land and buildings	–	–	–	(7,280)	(125)	(7,405)	–		(7,405)
Impairment provisions	(28,594)	(116,890)	(69,459)	–	–	(214,943)	–		(214,943)
Net gain/(loss) on disposal of ships and offshore floating assets	17,614	(6,469)	(3,261)	–	–	7,884	–		7,884
Gain on acquisition of a business	23,731	–	–	–	–	23,731	–		23,731
Finance income	87,118	2,102	19,727	17,850	322,198	448,995	(279,746)	A	169,249
Finance costs	(159,142)	(200,988)	(198,631)	–	(215,667)	(774,428)	290,125	A	(484,303)
Share of profit of joint ventures	–	15,176	230,318	1,348	–	246,842	3,787		250,629
Profit before taxation									1,512,323
Taxation									(76,056)
Profit after taxation									1,436,267
Non-controlling interests									(9,912)
Net profit attributable to equity holders of the Corporation									1,426,355
ASSETS									
Ships	7,494,843	13,444,226	–	–	36,858 *	20,975,927	–		20,975,927
Offshore floating assets	–	–	82,357	–	–	82,357	–		82,357
Non-current assets classified as held for sale	–	110,391	14,887	–	–	125,278	–		125,278
Intangible assets	–	819,449	225	–	20,979	840,653	–		840,653
Investments in joint ventures	16,563	29,010	870,685	9,099	358	925,715	–		925,715
Finance lease receivables	5,501,110	–	10,894,539	–	–	16,395,649	–		16,395,649
Other assets (unallocated)								B	12,518,216
									51,863,795
LIABILITIES									
Interest-bearing loans and borrowings	3,411,205	6,051,298	4,317,341	189,476	1,302,610	15,271,930	(2,119,757)		13,152,173
Other liabilities (unallocated)								C	2,957,904
									16,110,077

* Included in the net book value of ships - others is Navy Auxiliary ship owned by the Corporation, *Bunga Mas 6*.

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36. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Note

A Inter-segment revenues and transactions are eliminated on consolidation.

B Other assets comprise the following items:

	2020 RM'000	2019 RM'000
Other property, plant and equipment	2,169,477	2,228,917
Prepaid lease payments on land and buildings	212,534	219,843
Investment in associates	696	482
Other non-current financial assets	389,502	225,903
Deferred tax assets	104,433	103,499
Inventories	91,349	165,731
Trade and other receivables (excluding finance lease receivables)	4,123,854	2,543,027
Cash, deposits and bank balances	6,855,005	7,030,814
	13,946,850	12,518,216

C Other liabilities comprise the following items:

	2020 RM'000	2019 RM'000
Trade and other payables	3,509,253	2,186,588
Provision for taxation	23,273	14,165
Deferred tax liabilities	7,821	30,907
Derivative liabilities	538,697	159,920
Deferred income	1,150,460	566,324
	5,229,504	2,957,904

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36. SEGMENT INFORMATION (CONT'D.)

(b) Geographical segments

Although the Group's four major business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operation comprise LNG Asset Solutions, Petroleum & Product Shipping, Offshore Business, Marine & Heavy Engineering and others.

The following table provides an analysis of the Group's revenue and carrying amount of assets by geographical segments:

	Malaysia RM'000	The Americas RM'000	Asia, Africa and Europe RM'000	Consolidated RM'000
31 December 2020				
Revenue	5,040,726	4,259,234	101,274	9,401,234
Assets	40,573,047	9,792,224	1,455,738	51,821,009
31 December 2019				
Revenue	4,570,446	4,302,936	89,342	8,962,724
Assets	42,306,314	8,504,938	1,052,543	51,863,795

(c) Information about major customers

Breakdown of revenue from major customers are as follows:

	2020 RM'000	2019 RM'000
Fellow subsidiaries:		
- PETRONAS Carigali Sdn. Bhd.	1,166,251	603,609
- PETRONAS LNG Sdn. Bhd.	1,165,600	1,088,252
- Malaysia LNG Sdn. Bhd.	982,609	951,989
	3,314,460	2,643,850
Third Parties:		
- Royal Dutch Shell PLC	538,887	381,495
- Sabah Shell Petroleum Company Limited	474,189	521,418
- Petróleo Brasileiro S.A. ("Petrobras")	281,744	222,457
- Equinor ASA	271,993	232,820
- Marine Well Containment Company	195,581	232,663
- BP PLC	190,893	180,031
- Trafigura Group Pte Ltd	177,753	68,766
- KOCH Shipping Pte Ltd	175,848	257,160
- Total SE	168,561	142,089
- PBF Energy Inc.	156,525	201,965
	2,631,974	2,440,864

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37. FAIR VALUE DISCLOSURES

Fair value information

The carrying amounts of cash, deposits and bank balances, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of floating rate loans and borrowings reasonably approximate their fair values as they are repriced to market interest rates on or near the reporting date.

The following table analyses assets and liabilities carried at fair value and those not carried at fair value, together with their fair values and carrying amounts shown in the statements of financial position.

	Note	Fair value of assets and liabilities carried at fair value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
At 31 December 2020					
Financial assets:					
Quoted equity investment	20(a)	40,671	–	–	40,671
Unquoted equity investments	20(a)	–	–	63,498	63,498
		40,671	–	63,498	104,169
Non-financial assets:					
Non-current assets classified as held for sale	25	–	–	4,834	4,834
Financial liabilities:					
Forward currency contracts	20(b)	–	(19,243)	–	(19,243)
Interest rate swaps designated as hedging instruments	20(b)	–	(519,454)	–	(519,454)
		–	(538,697)	–	(538,697)
At 31 December 2019					
Financial assets:					
Quoted equity investment	20(a)	47,255	–	–	47,255
Unquoted equity investments	20(a)	–	–	65,137	65,137
		47,255	–	65,137	112,392
Non-financial assets:					
Non-current assets classified as held for sale	25	–	–	125,278	125,278
Financial liabilities:					
Forward currency contracts	20(b)	–	(1,560)	–	(1,560)
Interest rate swaps designated as hedging instruments	20(b)	–	(158,360)	–	(158,360)
		–	(159,920)	–	(159,920)

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37. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

	Note	Fair value of financial instruments not carried at fair value				
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Group						
At 31 December 2020						
Financial assets:						
Long term receivables	20(a)	–	–	93,775	93,775	103,546
Finance lease receivables	20(d)	–	–	14,331,388	14,331,388	13,754,515
		–	–	14,425,163	14,425,163	13,858,061
Financial liabilities:						
Term loans						
- fixed rate	20(c)	–	(9,492,882)	–	(9,492,882)	(9,293,628)
At 31 December 2019						
Financial assets:						
Long term receivables	20(a)	–	–	96,453	96,453	113,511
Finance lease receivables	20(d)	–	–	15,364,445	15,364,445	15,007,971
		–	–	15,460,898	15,460,898	15,121,482
Financial liabilities:						
Term loans						
- fixed rate	20(c)	–	(6,460,927)	–	(6,460,927)	(7,009,714)

NOTES TO THE FINANCIAL STATEMENTS

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37. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

	Note	Fair value of assets and liabilities carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Corporation					
At 31 December 2020					
Financial assets:					
Quoted equity investment	20(a)	40,671	–	–	40,671
Unquoted equity investments	20(a)	–	–	63,483	63,483
		40,671	–	63,483	104,154
At 31 December 2019					
Financial assets:					
Quoted equity investment	20(a)	47,255	–	–	47,255
Unquoted equity investments	20(a)	–	–	65,122	65,122
		47,255	–	65,122	112,377

	Note	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Corporation						
At 31 December 2020						
Financial assets:						
Loans to subsidiaries	20(a)	–	595,789	–	595,789	616,600
Finance lease receivables	20(d)	–	–	809,877	809,877	919,746
		–	595,789	809,877	1,405,666	1,536,346
At 31 December 2019						
Financial assets:						
Loans to subsidiaries	20(a)	–	871,860	–	871,860	967,378
Finance lease receivables	20(d)	–	–	1,016,558	1,016,558	1,012,006
		–	871,860	1,016,558	1,888,418	1,979,384

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37. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

Transfers between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

Level 1 fair value measurements

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets that the entity can assess at the measurement date.

Level 2 fair value measurements

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly.

The following are descriptions of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Non-derivative financial liabilities

The fair value of the fixed rate loan and borrowings which is determined for disclosure purposes is calculated by discounting expected future cash flows at the market rate of interest at the end of the reporting period.

Level 3 fair value measurements

Level 3 fair value is estimated using unobservable inputs that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

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37. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

Level 3 fair value measurements (cont'd.)

The following table shows the information about fair value measurements using significant unobservable inputs within Level 3 of the fair value hierarchy:

	Group Fair value at 31 December 2020 RM'000	Group Fair value at 31 December 2019 RM'000	Corporation Fair value at 31 December 2020 RM'000	Corporation Fair value at 31 December 2019 RM'000	Valuation techniques	Unobservable inputs
Assets measured at fair value						
Non-current assets held for sale - Ships and offshore floating assets	4,834	125,278	–	–	Market comparable approach	Transacted comparable ships adjusted for the current condition of the assets/Sales price offered by potential buyers.
Financial assets not measured at fair value						
Long term receivables	93,775	96,453	–	–	Discounted cash flow method	Discounting expected future cash flows applying market rate of interest at the end of the reporting period.
Finance lease receivables	14,331,388	15,364,445	809,877	1,016,558	Discounted cash flow method	Discounting expected future cash flows applying latest estimated borrowing rate of the charterers.
	14,425,163	15,460,898	809,877	1,016,558		

An increase in market value of comparable assets used in the above valuation would result in an increase in the fair value and vice versa.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various risks that are related to its core business of shipowning, ship operating, other shipping related activities and services, owning and operating of offshore facilities and marine repair, marine conversion and engineering and construction works. These risks arise in the normal course of the Group's business.

The Group's Financial Risk Management Framework and Guidelines set the foundation for the establishment of effective risk management practices across the Group.

The Group's Financial Risk Management Policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the period under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

The following sections provide details regarding the Group's and the Corporation's exposure to the above-mentioned financial risks and the objectives, policies and processes in place to manage these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. As the Group has no significant long term interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposits and overnight placements. The Group's interest rate risk arises primarily from interest-bearing loans and borrowings.

Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group's interest rate risks arise from the volatility of the benchmark interest rates in USD, which is the Group's main borrowing currency.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. As at 31 December 2020, 79.2% (2019: 62.0%) and 14.0% (2019: 7.0%) of the Group's and the Corporation's total borrowings were fixed rate in nature. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps in which the Group agrees to exchange at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed upon notional principal amount.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Interest rate risk (cont'd.)

As at reporting date, the total notional principal amount of interest rate swaps of the Group is RM10.2 billion (2019: RM7.6 billion). The fixed interest rates relating to interest rate swaps at the reporting date ranges from 0.62% - 3.19% (2019: 1.79% - 3.19%) per annum.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Corporation's profit before taxation and equity via floating rate borrowings and interest rate swaps respectively.

	Increase/ (Decrease) in LIBOR basis points	Effect on profit before taxation (Decrease)/ Increase RM'000	Effect on other comprehensive income Increase/ (Decrease) RM'000
As at 31 December 2020			
Group			
USD - 3 Months LIBOR	+10	(2,308)	21,403
USD - 3 Months LIBOR	-10	2,308	(21,403)
Corporation			
USD - 3 Months LIBOR	+10	(1,071)	–
USD - 3 Months LIBOR	-10	1,071	–
As at 31 December 2019			
Group			
USD - 3 Months LIBOR	+70	(33,627)	26,436
USD - 3 Months LIBOR	-70	33,627	(26,436)
Corporation			
USD - 3 Months LIBOR	+70	(10,561)	–
USD - 3 Months LIBOR	-70	10,561	–

As at 31 December 2020, the Group's and the Corporation's exposure to the risk of changes in market interest rate relates primarily to the Group's and the Corporation's placement of deposits with licensed banks, cash and bank balances, loans to subsidiaries and associate, interest-bearing loans and borrowings and loans from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Interest rate risk (cont'd.)

The interest-bearing financial instruments of the Group and of the Corporation based on carrying amount, as at reporting date were as follows:

	Group		Corporation	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	991,620	1,113,410	11,171	13,933
Deposits with IFSSC	4,023,265	4,355,497	1,609,734	2,803,030
Loans and advances to subsidiaries	–	–	644,439	988,376
Financial liabilities				
Fixed rate borrowings	248,396	178,871	–	–
Floating rate borrowings (swapped to fixed rate)	10,115,264	7,581,251	–	–
Loans from subsidiaries	–	–	167,548	113,099
Floating rate instruments				
Financial assets				
Cash and bank balances	1,840,120	1,561,907	42	86
Loans and advances to subsidiaries	–	–	569,553	671,527
Financial liabilities				
Floating rate borrowings	2,727,493	4,753,937	342,423	755,128
Loans from subsidiaries	–	–	684,845	737,910

(b) Foreign currency risk

The currencies giving rise to this risk are primarily RM and USD.

Approximately 6% (2019: 4%) and 5% (2019: 4%) of the Group and the Corporation's revenue are denominated in currency other than the currency of the primary economic environment which the entities operate.

Approximately 7% (2019: 1%) and 16% (2019: 12%) of the Group and the Corporation's cost of sales are denominated in currency other than the currency of the primary economic environment which the entities operate.

The Group maintains a natural hedge, wherever possible, by borrowing in currencies that matches the future revenue streams to be generated from its investments.

During the financial year, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in USD for a subsidiary whose functional currency is RM. The forward currency contracts are being used to hedge the currency risk of the highly probable forecasted transactions. The cash flow hedges of the expected future receipts were assessed to be highly effective and a net unrealised loss of RM14,449,000 (2019: RM1,560,000) which represents the effective portion of the hedging relationship, is included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Foreign currency risk (cont'd.)

With all other variables held constant, the following table demonstrates the sensitivity of the Group's and the Corporation's profit before taxation to a reasonably possible change in the USD and RM exchange rates.

	2020			2019		
	Change in currency rate %	Effect on profit before taxation Increase/(Decrease) RM'000	Effect on other comprehensive loss Increase/(Decrease) RM'000	Change in currency rate %	Effect on profit before taxation Increase/(Decrease) RM'000	Effect on other comprehensive loss Increase/(Decrease) RM'000
Group						
USD/RM	+10%	3,000	48,695	+5%	3,370	5,863
	-10%	(3,000)	(48,695)	-5%	(3,370)	(5,863)
Corporation						
USD/RM	+10%	36,639	–	+5%	20,569	–
	-10%	(36,639)	–	-5%	(20,569)	–

The net unhedged financial receivables and payables and cash and bank balances of the Group and of the Corporation that are not denominated in their functional currencies are as follows:

	Net financial receivables/(payables) and cash and bank balances held in non-functional currencies					
Functional currency of Group entities	Ringgit Malaysia RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Euro RM'000	Singapore Dollar RM'000	Total RM'000
At 31 December 2020						
Ringgit Malaysia	–	76,599	–	(401)	4,120	80,318
United States Dollar	49,148	–	2,908	20,784	4,643	77,483
	49,148	76,599	2,908	20,383	8,763	157,801
At 31 December 2019						
Ringgit Malaysia	–	86,006	–	(333)	(447)	85,226
United States Dollar	(19,331)	–	5,851	26,318	44,604	57,442
	(19,331)	86,006	5,851	25,985	44,157	142,668
Functional currency of Corporation						
At 31 December 2020						
United States Dollar	(386,414)	–	836	24,262	(1,307)	(362,623)
At 31 December 2019						
United States Dollar	(427,451)	–	610	17,503	(250)	(409,588)

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Corporation will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group's and the Corporation's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and various other sources of funding.

The Group and the Corporation have at their disposal cash and short term deposits amounting to RM5,545,089,000 (2019: RM5,740,435,000) and RM1,620,947,000 (2019: RM2,817,049,000) respectively. As at 31 December 2020, the Group and the Corporation have unutilised credit lines of RM5.6 billion (2019: RM2.6 billion) and RM4.8 billion (2019: RM2.6 billion) respectively, which could be used for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group and Corporation's financial liabilities as at the reporting date based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 - 2 years RM'000	More than 2 - 3 years RM'000	More than 3 - 4 years RM'000	More than 4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2020								
Group								
Interest-bearing loans and borrowings	13,091,153	14,701,919	2,169,294	2,453,773	1,448,353	1,466,618	1,608,131	5,555,750
Lease liabilities	349,233	363,425	189,874	107,216	31,819	9,028	8,116	17,372
Trade and other payables	2,110,959	2,110,959	2,110,959	–	–	–	–	–
	15,551,345	17,176,303	4,470,127	2,560,989	1,480,172	1,475,646	1,616,247	5,573,122
Corporation								
Interest-bearing loans and borrowings	1,194,816	1,224,818	1,224,818	–	–	–	–	–
Lease liabilities	29,921	30,013	14,427	14,943	549	94	–	–
Trade and other payables	1,000,890	1,000,890	1,000,890	–	–	–	–	–
	2,225,627	2,255,721	2,240,135	14,943	549	94	–	–
At 31 December 2019								
Group								
Interest-bearing loans and borrowings	12,514,059	13,921,576	5,620,465	1,250,822	1,570,393	847,147	864,238	3,768,511
Lease liabilities	638,114	685,392	338,246	186,147	96,258	29,799	7,804	27,138
Trade and other payables	2,034,403	2,034,403	2,034,403	–	–	–	–	–
	15,186,576	16,641,371	7,993,114	1,436,969	1,666,651	876,946	872,042	3,795,649
Corporation								
Interest-bearing loans and borrowings	1,606,137	1,652,192	1,652,192	–	–	–	–	–
Lease liabilities	43,783	46,231	15,184	15,184	15,184	543	136	–
Trade and other payables	954,001	954,001	954,001	–	–	–	–	–
	2,603,921	2,652,424	2,621,377	15,184	15,184	543	136	–

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31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

Group

Hedging activities

The Group entered into IRS to hedge the cash flow risk of floating interest rate on the term loans. The notional amount swapped as at 31 December 2020 was RM10.2 billion (2019: RM7.6 billion). The swaps are settled quarterly, consistent with the interest payment schedule of the loan.

The following table indicates the periods in which the cash flows are expected to occur for cash flow hedges as at 31 December 2020 and 31 December 2019:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 - 2 years RM'000	More than 2 - 3 years RM'000	More than 3 - 4 years RM'000	More than 4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2020								
Net cash outflows	(538,697)	(1,159,498)	(152,970)	(144,986)	(136,483)	(136,857)	(136,483)	(451,719)
At 31 December 2019								
Net cash outflows	(159,920)	(229,280)	(23,895)	(23,830)	(22,666)	(21,340)	(21,398)	(116,151)

The Group's hedging activities on the IRS are tested to be effective. During the year, the Group recognised in other comprehensive income a loss of RM378,011,000 (2019: loss of RM161,848,000) on the IRS of its subsidiaries due to market expectation of lower floating rates in comparison to the fixed rate under the IRS arrangements.

The Group's share of its joint ventures' in other comprehensive income a loss on IRS during the year was RM58,682,000 (2019: RMNil) due to market expectation of lower floating rates in comparison to the fixed rate under the IRS arrangements.

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (mainly trade receivables and finance lease receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets mentioned in Notes 20(a), 22 and 24, and is recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Receivables and contract assets

The Group and the Corporation determine concentrations of credit risk by monitoring the industry sector profile of their receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Corporation's trade receivables due from third parties at the reporting date are as follows:

	Group 2020 RM'000	Group 2019 RM'000	Corporation 2020 RM'000	Corporation 2019 RM'000
LNG Asset Solutions	152,155	168,031	155,545	144,919
Petroleum & Product Shipping	151,403	331,406	–	–
Offshore Business	1,133,410	1,126,964	12,385	17,150
Marine & Heavy Engineering	244,192	313,792	–	–
Others	8,868	21,696	–	–
	1,690,028	1,961,889	167,930	162,069

At reporting date, approximately 3.1% (2019: 2.6%) and 55.7% (2019: 83.8%) of the Group's and the Corporation's trade and other receivables were due from related parties.

The Group and the Corporation perform credit rating assessment of all its counterparties in order to measure ECL of trade receivables for all segments using the PETRONAS Credit Risk Rating System. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties, which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Receivables and contract assets (cont'd.)

The following table provides information about the exposure to credit risk and ECL for receivables and contract assets as at 31 December 2020 which are grouped together as they are expected to have similar risk nature.

	Group		
2020	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit risk rating			
Low risk rating	971,199	(578)	970,621
Medium risk rating	18,340,462	(439,584)	17,900,878
High risk rating	540,227	(250,501)	289,726
	19,851,888	(690,663)	19,161,225
Representing:			
Trade and other receivables (Note 22)	6,034,038	(627,328)	5,406,710
Finance lease receivables (Note 20(d))	13,817,850	(63,335)	13,754,515
	19,851,888	(690,663)	19,161,225

	Corporation		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit risk rating			
Medium risk rating	4,413,429	(91,057)	4,322,372
High risk rating	402,769	(244,863)	157,906
	4,816,198	(335,920)	4,480,278
Representing:			
Trade and other receivables (Note 22)	3,889,940	(329,408)	3,560,532
Finance lease receivables (Note 20(d))	926,258	(6,512)	919,746
	4,816,198	(335,920)	4,480,278

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Receivables and contract assets (cont'd.)

	Group		
2019	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit risk rating			
Low risk rating	1,072,864	(642)	1,072,222
Medium risk rating	18,064,097	(437,796)	17,626,301
High risk rating	539,053	(298,900)	240,153
	19,676,014	(737,338)	18,938,676
Representing:			
Trade and other receivables (Note 22)	4,594,905	(664,200)	3,930,705
Finance lease receivables (Note 20(d))	15,081,109	(73,138)	15,007,971
	19,676,014	(737,338)	18,938,676

	Corporation		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit risk rating			
Medium risk rating	2,705,116	(93,479)	2,611,637
High risk rating	442,960	(295,451)	147,509
	3,148,076	(388,930)	2,759,146
Representing:			
Trade and other receivables (Note 22)	2,128,649	(381,509)	1,747,140
Finance lease receivables (Note 20(d))	1,019,427	(7,421)	1,012,006
	3,148,076	(388,930)	2,759,146

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Effective 1 July 2013, cash and bank balances were held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC"). The centralisation of fund management allows more effective cash visibility and fund management of the Group, as well as minimise exposure to counterparty credit risk. The beneficiary of these financial assets remains with the Corporation. PETRONAS IFSSC, which functions as a treasury management platform, in turn, places all funds under management in licensed financial institutions with strong credit ratings globally and in Malaysia. In addition, a majority of the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with the Group's policy. The Group Treasury Investment Guideline defines the parameters within which the investment activities shall operate to achieve the Group's investment objective of preserving capital and generating optimal returns. In accordance with the guideline, investment of surplus funds are made only with highly credit rated counterparties.

The past due receivables balances are either secured by collaterals or relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

(e) Equity price risk

Equity price risk arises from the Group's investment in quoted equity shares listed on Bursa Malaysia. At the reporting date, the exposure to the security carried at fair value was RM40,671,000 (2019: RM47,255,000).

The following table demonstrates the indicative effects on the Group's and the Corporation's investment in quoted equity shares applying reasonably foreseeable market movements in the following index rates:

	Group and Corporation		
	Carrying value RM'000	Weighted average change in index rate %	Effect on profit before taxation Increase/ (Decrease) RM'000
2020			
Malaysian quoted equity shares	40,671	+10	4,067
Malaysian quoted equity shares	40,671	-10	(4,067)
2019			
Malaysian quoted equity shares	47,255	+15	7,088
Malaysian quoted equity shares	47,255	-15	(7,088)

This analysis assumes all other variables remain constant and that the price of the Group's quoted equity investment is perfectly correlated to the market index.

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39. CAPITAL MANAGEMENT

The Group, as an essential part of its capital management strategy, is committed towards achieving financial resilience and ensuring long-term business sustainability to a policy of financial prudence as outlined in the PETRONAS Group Corporate Financial Policy (formerly known as Group Corporate Financial Policy). The Group's capital structure consists of consolidated equity plus debt, defined as the current and long-term portions of the Group's debt.

The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds in order to meet financial obligations, support business growth and maximise shareholders' value. The Group monitors and maintains a prudent level of debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt and shareholders agreements and regulatory requirements if any.

There were no changes in the Group's approach to capital management during the year.

The debt to equity ratios of the Group and of the Corporation as at 31 December 2020 and 31 December 2019 are as follows:

		Group		Corporation	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short term borrowings	20(c)	2,005,523	5,599,481	583,678	1,620,012
Long term borrowings	20(c)	11,434,863	7,552,692	641,059	29,908
Gross debts		13,440,386	13,152,173	1,224,737	1,649,920
Cash, deposits and bank balances	24	6,855,005	7,030,814	1,620,947	2,817,049
Net debts		6,585,381	6,121,359	(396,210)	(1,167,129)
Total equity		33,151,119	35,753,718	23,928,856	23,921,238
Gross debt equity ratio		0.41	0.37	0.05	0.07
Net debt equity ratio		0.20	0.17	(0.02)	(0.05)

The gearing ratio is not governed by MFRS and its definition and calculation may vary from one group/company to another.

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40. SUBSIDIARIES AND ACTIVITIES

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
MISC Tankers Sdn. Bhd.	Malaysia	Investment holding and provision of management services	100	100
Puteri Intan Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Delima Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Nilam Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Zamrud Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Firus Sdn. Bhd.	Malaysia	Shipping	100	100
Seri Camellia (L) Private Limited	Malaysia	Shipping	100	100
Seri Cempaka (L) Private Limited	Malaysia	Shipping	100	100
Seri Cenderawasih (L) Private Limited	Malaysia	Shipping	100	100
Seri Cemara (L) Private Limited	Malaysia	Shipping	100	100
Seri Camar (L) Private Limited	Malaysia	Shipping	100	100
Asia LNG Transport Sdn. Bhd.	Malaysia	Shipowning and ship management	51	51
Asia LNG Transport Dua Sdn. Bhd.	Malaysia	Shipowning, ship management and investment holding	51	51
Puteri Intan Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Delima Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Nilam Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Zamrud Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Firus Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Mutiara Satu (L) Private Limited	Malaysia	Shipping	100	100
M.I.S.C. Nigeria Limited *	Nigeria	Dormant	60	60

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40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
MISC PNG Shipping Limited	Malaysia	Investment holding	100	100
Gas Asia Terminal (L) Pte. Ltd.	Malaysia	Development and ownership of LNG floating storage units	100	100
Portovenere and Lerici (Labuan) Private Limited	Malaysia	Investment holding	100	100
Portovenere and Lerici (Singapore) Pte. Ltd.	Singapore	Shipping	100	100
Polaris LNG One Pte. Ltd.	Singapore	Owning and operating LNG ships for transportation of LNG	100	100
Polaris LNG Two Pte. Ltd.	Singapore	Owning and operating LNG ships for transportation of LNG	100	100
Seri Everest (Singapore) Pte. Ltd.	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	–
Seri Elbert (Singapore) Pte. Ltd.	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	–
Seri Erlang (Singapore) Pte. Ltd.	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	–
Seri Emory (Singapore) Pte. Ltd.	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	–
Seri Emei (Singapore) Pte. Ltd.	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	–
Seri Emperor (Singapore) Pte. Ltd.	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	–
MISC Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Tanker Holdings (Bermuda) Limited	Bermuda	Investment holding	100	100

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40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
AET Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
AET Product Tankers Sdn. Bhd.	Malaysia	Shipowning and marine transportation services	100	100
AET Petroleum Tanker (M) Sdn. Bhd.	Malaysia	Shipowning and marine transportation services	100	100
AET Shipmanagement (Malaysia) Sdn. Bhd.	Malaysia	Ship management	100	100
AET Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	100
AET Inc. Limited	Bermuda	Shipowning and marine transportation services	100	100
Eaglestar Marine India Private Limited #	India	Provision of crew management services	100	100
AET Lightering Services LLC	The United States of America	Marine transportation services and lightering services	100	100
AET STS Limited Inc. *	Panama	Marine transportation services	100	100
AET Bermuda One Limited	Bermuda	Shipowning	100	100
AET Tankers Pte. Ltd. #	Singapore	Shipowning and marine transportation services	100	100
AET UK Limited #	United Kingdom	Management services and commercial management	100	100
AET Offshore Services Inc.	The United States of America	Lightering services	100	100
AET Agencies Inc.	The United States of America	Shipping agent and lightering services	100	100

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40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
AET Tankers India Private Limited #	India	Dormant	100	100
AET Azerbaijan Limited	Azerbaijan	Dormant	100	100
AET Singapore One Pte. Ltd. #	Singapore	Shipowning	100	100
AET Tanker Kazakhstan LLP	Kazakhstan	Dormant	100	100
AET Tankers (Suezmax) Pte. Ltd. #	Singapore	Shipowning	100	100
AET Shuttle Tankers Sdn. Bhd.	Malaysia	Shipowning	100	100
AET MCV Delta Sdn. Bhd.	Malaysia	Investment holding	100	100
AET MCV Alpha LLC	Republic of Marshall Islands	Shipowning	100	100
AET MCV Beta LLC	Republic of Marshall Islands	Shipowning	100	100
AET MCV Gamma LLC	Republic of Marshall Islands	Marine transportation services	100	100
AET Labuan One Pte. Ltd.	Malaysia	Shipowning	100	100
AET Brasil Servicos Maritimos Ltda. #	Brazil	Crew management services	100	100
AET Brasil Servicos STS Ltda. #	Brazil	Marine transportation services and lightering services	100	100
AET Sea Shuttle AS #	Norway	Shipowning and marine transportation services	95	95
Paramount Tankers Corp.	Republic of the Marshall Islands	Investment holding	100	100
Atenea Services S.A.	British Virgin Islands	Shipowning and marine transportation services	100	100
Hendham Enterprises Ltd.	British Virgin Islands	Shipowning and marine transportation services	100	100

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40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
Odley Worldwide Inc.	British Virgin Islands	Shipowning and marine transportation services	100	100
Oldson Ventures Ltd.	British Virgin Islands	Shipowning and marine transportation services	100	100
Twyford International Business Corp.	British Virgin Islands	Shipowning and marine transportation services	100	100
Zangwill Business Corp.	British Virgin Islands	Shipowning and marine transportation services	100	100
AET Labuan Pte. Ltd.	Malaysia	Investment holding	100	100
AET Bermuda Holdings Limited	Bermuda	Investment holding	100	100
AET Shuttle Tankers II Pte. Ltd. #	Singapore	Shipowning and marine transportation services	100	100
AET Singapore Holdings Pte. Ltd. #	Singapore	Investment holding	100	100
AET Pte. Ltd. #	Singapore	Investment holding	100	100
AET Sea Shuttle II AS #	Norway	Shipowning and marine transportation services	95	95
AET DP Shuttle Pte. Ltd. #	Singapore	Shipowning and marine transportation services	100	–
AET DP Shuttle II Pte. Ltd. #	Singapore	Shipowning and marine transportation services	100	–
AET Shuttle Tankers III Pte. Ltd. #	Singapore	Shipowning and marine transportation services	100	–
AET Malaysia One Sdn. Bhd.	Malaysia	Investment holding	100	–
MISC Offshore Holdings (Brazil) Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC do Brasil Servicos de Energia Ltda	Brazil	Dormant	100	100

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40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
FPSO Ventures Sdn. Bhd.	Malaysia	Provision of operations and maintenance of FPSO, FSO, MOPU and fixed facilities and management consultancy to the oil and gas industry	51	51
MISC Offshore Floating Terminals (L) Ltd.	Malaysia	Owning offshore floating terminals	100	100
Malaysia Offshore Mobile Production (Labuan) Ltd.	Malaysia	Owning mobile offshore production units	100	100
MISC Offshore Floating Terminals Dua (L) Limited	Malaysia	Owning offshore floating terminals	100	100
Malaysia Offshore Mobile Production Dua (Labuan) Ltd.	Malaysia	Provision of professional services to oil and gas industry	100	100
Gumusut-Kakap Semi-Floating Production System (L) Limited	Malaysia	Ownership and leasing of semi-submersible floating production system	100	100
Mekar Bergading Offshore Floating (L) Limited	Malaysia	Owning, operation and maintenance of FSO vessels	100	100
MISC Offshore (USA) LLC	The United States of America	Providing support services in the bidding and execution of offshore deepwater FPSO projects	100	100
MISC Offshore (Singapore) Pte. Ltd. #	Singapore	Owning and leasing of FPSO unit	100	100
MISC Offshore (Americas) Holdings Pte. Ltd.	Malaysia	Investment holding	100	–
MISC Serviços de Petróleo do Brasil Ltda.	Brazil	To operate and maintain marine units for the exploration and production of oil and natural gas in Brazil and to provide any services related to such activities	100	–
MISC Offshore Services Pte. Ltd.	Singapore	Provision of operations and maintenance services for deepwater offshore assets	100	100

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40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
Malaysia Marine and Heavy Engineering Holdings Berhad ^	Malaysia	Investment holding	66.5	66.5
Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE")	Malaysia	Provision of oil and gas engineering and construction works, marine conversion and repair services	66.5	66.5
MMHE LNG Sdn. Bhd.	Malaysia	Dormant	66.5	66.5
Techno Indah Sdn. Bhd.	Malaysia	Dormant	66.5	66.5
MMHE International Sdn. Bhd.	Malaysia	Dormant	66.5	66.5
MMHE EPIC Marine & Services Sdn. Bhd.	Malaysia	Provision of repair services and dry docking of marine vessels	46.6	46.6
Malaysia Marine and Heavy Engineering Saudi Limited	Saudi Arabia	Provision of engineering, procurement, construction, installation and commissioning services for offshore and onshore facilities	66.5	66.5
MHS Integrated Engineering Sdn. Bhd.	Malaysia	Plant turnaround and shutdown maintenance	59.9	–
Eaglestar Marine Holdings (L) Pte. Ltd.	Malaysia	Provision of integrated marine services and investment holding	100	100
Eaglestar Shipmanagement (L) Pte. Ltd.	Malaysia	Provision of ship management and marine related services	100	100
Eaglestar Marine (S) Pte. Ltd. #	Singapore	Hiring of personnel	100	100
Eaglestar Marine B.V.	Netherlands	Provision of marine and procurement services	100	100
Eaglestar Shipmanagement (USA) LLC	The United States of America	Provision of ship management and marine related services	100	100
Eaglestar Shipmanagement (S) Pte. Ltd. #	Singapore	Provision of ship management and marine related services	100	100

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40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
Eaglestar Shipmanagement GAS (S) Pte. Ltd. #	Singapore	Provision of ship management and marine related services	100	–
Eaglestar Shipmanagement Ventures (S) Pte. Ltd. #	Singapore	Provision of ship management and marine related services	100	–
Magellan X Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	100
Magellan X Pte. Ltd. #	Singapore	Providing support services in the development of digital products and solutions	100	100
CHORD X Pte. Ltd. #	Singapore	Providing data-driven solutions for maritime and industrial machinery application	100	100
SOL-X Pte. Ltd. #	Singapore	Providing health, safety, security, operations and workflow management solutions	100	100
Spares CNX Pte. Ltd. #	Singapore	Providing inventory management and procurement systems	100	100
MISC Maritime Education Group Sdn. Bhd. (formerly known as Magellan X Holdings Sdn. Bhd.)	Malaysia	Dormant	100	100
Malaysian Maritime Academy Sdn. Bhd.	Malaysia	Education and training for seamen and maritime personnel	100	100
MISC Ship Management Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Enterprises Holdings Sdn. Bhd.	Malaysia	In Member's Voluntary Liquidation	100	100
MISC Agencies Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Agencies (Netherlands) B.V. *	Netherlands	Property owning	100	100
MISC Berhad (UK) Limited	United Kingdom	Commercial operation	100	100

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40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
MISC Agencies India Private Limited *	India	In liquidation	60	60
MISC Ferry Services Sdn. Bhd.	Malaysia	Dormant	100	100
MISC International (L) Ltd.	Malaysia	Investment holding	100	100
MISC Capital (L) Ltd.	Malaysia	Special purpose vehicle for financing arrangement	100	100
MTTI Sdn. Bhd.	Malaysia	In Member's Voluntary Liquidation	100	100
MISC Maritime Services Sdn. Bhd.	Malaysia	Provision of maritime services and consultancy and maritime audit	100	100
Sungai Udang Port Sdn. Bhd.	Malaysia	Operation and management of Sungai Udang Port	100	100

* Audited by firms of auditors other than Ernst & Young
# Audited by affiliates of Ernst & Young PLT Malaysia
^ Listed on the Main Board of Bursa Malaysia Securities Berhad

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41. ASSOCIATES AND ACTIVITIES

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
Nikorma Transport Limited	Nigeria	LNG transportation	30	30
Eaglestar Marine (Philippines) Corporation	Philippines	Provision of crew management services	24	24
MISC Agencies Lanka (Pvt) Limited	Sri Lanka	In liquidation	40	40

42. JOINT ARRANGEMENTS AND ACTIVITIES

(a) Joint ventures and activities

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
Western Pacific Shipping Ltd. ****	Bermuda	Providing shipping solutions for LNG project requirements and other general shipping requirements of Papua New Guinea	60	60
Diamond LNG Shipping 6 Ltd. ***	The Bahamas	Owning, chartering and operating of vessel	–	25.5
Future Horizon (L) Pte. Ltd. ****	Malaysia	Carrying on LNG carriage and LNG bunkering operations	51	51
Diamond LNG Shipping 5 Pte. Ltd. ****	Singapore	Owning and chartering LNG vessel	25.5	–
Diamond LNG Shipping 6 Pte. Ltd. ****	Singapore	Owning and chartering LNG vessel	25.5	–
ELS Lightering Services S.A. ****	Uruguay	Lightering services	50	50
Akudel S.A. ****	Uruguay	Lightering activity	49	49
Cawerty S.A. ****	Uruguay	Lightering activity	49	49
Zascul S.A. ****	Uruguay	Lightering activity	49	49

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42. JOINT ARRANGEMENTS AND ACTIVITIES (CONT'D.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
Lifisol S.A. ****	Uruguay	Provision of oil spill prevention and response services	50	50
Ship Service S.A. ****	Uruguay	Ship management services	50	50
Malaysia Vietnam Offshore Terminal (L) Ltd. ****	Malaysia	FSO owner	51	51
Vietnam Offshore Floating Terminal (Ruby) Ltd. ***	Malaysia	FPSO owner	40	40
SBM Systems Inc.***	Switzerland	FPSO owner	49	49
FPSO Brasil Venture S.A.***	Switzerland	Investment and offshore activities	49	49
SBM Operacoes Ltda. ***	Brazil	Operating and maintaining FPSO terminals	49	49
Operacoes Maritimas em Mar Profundo Brasileiro Ltda. ***	Brazil	Operation and maintenance of FPSO	49	49
Brazilian Deepwater Floating Terminals Ltd. ***	Bermuda	Construction of FPSO	49	49
Brazilian Deepwater Production Ltd. ***	Bermuda	Chartering of FPSO	49	49
Brazilian Deepwater Production Contractors Ltd. ***	Bermuda	Operation and maintenance of FPSO	49	49
Malaysia Deepwater Floating Terminal (Kikeh) Ltd. ****	Malaysia	FPSO owner	51	51
Malaysia Deepwater Production Contractors Sdn. Bhd. ****	Malaysia	Operating and maintaining FPSO terminal	51	51
Brazilian Deepwater Production B.V. ***	Netherlands	Chartering of FPSO	49	–

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42. JOINT ARRANGEMENTS AND ACTIVITIES (CONT'D.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2020	2019
MMHE-TPGM Sdn. Bhd. ****	Malaysia	Dormant	39.9	39.9
MMHE-ATB Sdn. Bhd. ***	Malaysia	Dormant	26.6	26.6
Technip MHB Hull Engineering Sdn. Bhd. ****	Malaysia	Dormant	33.3	33.3
SL-MISC International Line Co. Ltd. ***	Sudan	In liquidation	49	49
MISC Shipping Services UAE (LLC) ***	United Arab Emirates	Dormant	49	49

*** Even though the Group holds less than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

**** Even though the Group holds 50% or more than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

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42. JOINT ARRANGEMENTS AND ACTIVITIES (CONT'D.)

(b) Joint operations

Details of the Group's joint operations are as follows:

Name	Effective interest held by the Group (%) 2020	2019
Technip MMHE (Malikai) Joint Venture	33	33
Technip MMHE (SK316) Joint Venture	33	33
Technip MMHE (Kasawari) Joint Venture	40	40

Technip MMHE (Malikai) Joint Venture, Technip MMHE (SK316) Joint Venture and Technip MMHE (Kasawari) Joint Venture are unincorporated joint ventures between the subsidiary, MMHE and Technip Geoproduction (M) Sdn. Bhd. to undertake specific engineering, procurement and construction, installation and commissioning projects.

43. SIGNIFICANT EVENTS

(a) Material litigation

(i) Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC")

We refer to previous announcements made by MISC Berhad ("MISC or the Corporation") in respect of the Arbitration Proceedings commenced by the Corporation's wholly-owned subsidiary, GKL against SSPC.

As announced on 10 April 2020, the Arbitral Tribunal has issued its Award on 8 April 2020 ("Award") which found, among others, as follows:

1) That GKL's claim in relation to the achievement of Handover Completion under the Contract was rejected and the Arbitral Tribunal decided that Handover Completion did not occur prior to 11 October 2014;

2) In relation to GKL's claims for Variation Works, GKL was awarded:

a. USD222,132,575.60;

b. That an amount of USD88,791,006.17 is deducted from USD222,132,575.60 being manpower costs incurred by way of the Variation Works for rectification of defects (which the Tribunal held GKL to be liable for);

c. That the remainder sum of USD133,341,569.49 is converted to an Additional Lease Rate and represents a reduction from the Additional Lease Rate awarded by the Adjudication Awards. The new Additional Lease Rate is payable from the date of the Award. The base rate is unaffected by the Award and will continue for the Fixed Term.

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43. SIGNIFICANT EVENTS (CONT'D.)

(a) Material litigation (cont'd.)

(i) Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC") (cont'd.)

3) SSPC was awarded the following sums:

a. USD236,378,824.46 for defects rectification work (inclusive of USD15,000,000.00 for Liquidated Damages);

b. USD88,317,146.13 as a refund for overpayment of the Additional Lease Rate originally awarded in the Adjudication Proceedings for the period of April 2014 to January 2020 due to the reduction of the Additional Lease Rate as set out in Item 2(c) above;

c. Applicable interest up to the date of the Award;

d. Costs of USD12,746,570.70;

e. Interest at 6.65% on the sums awarded in the Award from the date of the Award until payment.

4) SSPC is entitled to set-off the above claims against moneys owed by SSPC to GKL under the Contract, including but not limited to the lease rate.

5) Any GST payable pursuant to the Goods and Services Tax Act 2014 to be accounted by the parties.

GKL is advised that it has legal grounds to challenge the Award and on 7 July 2020, GKL has filed the following court applications:

(i) an Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 ("**Setting Aside OS**"); and

(ii) a Notice of Application for an injunction to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Arbitral Award dated 8 April 2020 ("**Injunction NOA**").

Setting Aside OS and Injunction NOA

On 6 October 2020, GKL withdrew the Injunction NOA on the basis that a statutory stay of enforcement is automatically imposed on SSPC upon GKL's application to set aside SSPC's Award enforcement.

On 9 October 2020, the Court gave further directions for Parties' to exchange affidavits which have been duly exhausted. Parties are prepared for the hearing, pending the outcome of an interim application to transfer the proceedings to another court filed by SSPC.

SSPC's ex-parte application for enforcement of the Award

GKL has filed its application to set aside the ex-parte Order on 27 July 2020 and to transfer these proceedings to the same court hearing GKL's OS. Directions in respect of the setting aside application will be given once the transfer application has been determined.

Hearing of GKL's setting aside application is expected within Quarter 2 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

43. SIGNIFICANT EVENTS (CONT'D.)

(a) Material litigation (cont'd.)

(ii) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and EA Technique (M) Berhad ("EAT")

MMHE, a subsidiary of the Group, had on 27 September 2019 received a Notice of Arbitration from EAT for a number of claims in relation to the contract entered into by MMHE in June 2015 for the Provision of Demolition, Refurbishment and Conversion of Donor Vessel into a Floating, Storage and Offloading Facility for Full Development Project, North Malay Basin, hereinafter referred to as the "Conversion Contract".

During the period of the contract, MMHE issued Additional Work Orders ("AWOs") to EAT, claiming for payments for work done. Disputes and differences have arisen between the parties over the valuation of the invoices and AWOs issued.

On 22 June 2019, EAT and MMHE entered into an agreement via a Letter of Undertaking ("LOU") to settle the sums due under the invoices and AWOs. Under the LOU, the parties agreed to perform a joint review of the claims made by MMHE over a specified period. However, both parties were unable to reach an amicable settlement and as a result thereof, EAT initiated arbitration proceedings against MMHE to resolve the disputes.

MMHE received the Final Award dated 10 November 2020 on 11 November 2020 on the arbitration proceedings. The Arbitral Tribunal ordered EAT to pay MMHE a total of USD29.5 million and costs in the sum of RM4.7 million (together with interest at 5% per annum from date of Award to the date of full payment). Under the Final Award, MMHE is not liable to pay any sum to EAT.

On 4 December 2020, EAT applied to the Tribunal to make a determination on certain defences in respect of specific AWOs which the Tribunal had allegedly omitted to address in the Final Award and to make corrections to the Final Award pursuant to Section 35 of the Arbitration Act 2005 ("Correction Application"). The Arbitral Tribunal invited submissions from the parties in respect of the Correction Application and on 12 January 2021, the Tribunal dismissed EAT's Correction Application.

On 14 December 2020, EAT applied to Court to refer questions of law arising from the Final Award pursuant to Section 42 of the Arbitration Act 2005 ("Reference Application"). On 8 February 2021, MMHE applied to Court to summarily dispose the Reference Application pursuant to Order 14A of the Rules of Court 2012 ("Summary Disposal Application"). In that circumstances, the Court directed for the Summary Disposal Application to be disposed first before the Reference Application.

On 26 January 2021, EAT applied to Court to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005 ("Setting Aside Application"). MMHE informed the Court that it would be filing an application for EAT to pay the sum awarded to MMHE into Court pending the disposal of the Setting Aside Application. In that circumstances, the Court directed for the Payment into Court and Transfer Applications to be disposed first before the Setting Aside Application.

As of the date of this report, the Reference Application and Setting Aside Application and the interlocutory proceedings filed thereunder are still ongoing.

In parallel to the Arbitration, MMHE also referred part of its claim in the Arbitration to Adjudication proceedings pursuant to the Construction Industry Payment and Adjudication Act 2012 ("CIPAA"). In the 1st Adjudication Decision dated 27 May 2019, the Adjudicator awarded MMHE the sum of USD21.5 million. In the 2nd Adjudication Decision dated 2 December 2019, the Adjudicator awarded MMHE the sum of USD6.1 million.

EAT has applied to set aside and/or stay the 1st and 2nd Adjudication Decision and MMHE has applied to register and enforce the Adjudication decisions in High Court. The High Court, on 1 June 2020, dismissed EAT's Setting Aside Application and allowed MMHE's Enforcement Application for the 1st Adjudication Decision. The Court on 27 October 2020 dismissed EAT's application to stay the 1st Adjudication Decision CIPAA Award.

On 2 July 2020, EAT served to MMHE sealed Notices of Appeal to the Court of Appeal dated 26 June 2020, seeking to appeal against the High Court's decision in dismissing the 1st Setting Aside Application and allowing MMHE's 1st Enforcement Application. EAT's appeal is fixed for Hearing on 6 July 2021.

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43. SIGNIFICANT EVENTS (CONT'D.)

(a) Material litigation (cont'd.)

(ii) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and EA Technique (M) Berhad ("EAT") (cont'd.)

In view that MMHE was successful in respect of 1st Setting Aside and/or Stay and the 1st Enforcement Application, MMHE, on 2 November 2020, presented a Winding Up Petition against EAT. In turn, EAT filed an Affidavit to oppose the Winding Up Petition and also filed an application to strike out the Winding Up Petition. Both the Winding Up Petition as well as EAT's striking out application will be heard on 3 March 2021.

In respect of the setting aside, stay and enforcement applications for the 2nd Adjudication Decision, the hearing was initially fixed on 24 February 2021 but has been subsequently vacated by the Court in view of the extended Movement Control Order. Parties are in the midst of fixing a replacement hearing date.

As legal proceedings are still ongoing, MMHE is of the opinion that the amount granted in the Final Award is not yet certain and have not recognised any additional income from the Final Award in the current financial year.

(iii) Kebabangan Petroleum Operating Company Sdn Bhd ("KPOC") v MMHE

MMHE, a subsidiary of the Group, had on 14 March 2019 received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claims that MMHE was and is in breach of the contract in respect of the appointed supplier of the valves per the contract. The actual valves procured were claimed to be defective and thus KPOC has suffered substantial loss and damage.

Pursuant to the Statement of Claims by KPOC dated 13 October 2019, total claims of approximately RM93.2 million were made in relation to as loss and damage in respect of the valves procured by MMHE.

The arbitration has commenced with evidentiary hearing concluded on 19 January 2021. The Tribunal directed KPOC and MMHE to file and exchange written submission on or before 2 March 2021 and then to file and exchange reply submission on or before 2 April 2021. Both are to file and exchange their rebuttal submission purely responsive on cost on or before 9 April 2021.The Tribunal will then hear the oral submissions on 14 April 2021.

Apart from the Arbitration, MMHE reserves its right to pursue any other legal actions as may be permitted under Malaysian law, including, if appropriate, to seek indemnity from the ultimate supplier of the said valves.

MMHE is of the view that it has a fair chance to defend against KPOC's claims and therefore has not made any provisions in respect of this claim.

(b) Impact of the COVID-19 pandemic

The COVID-19 pandemic has not materially affected the financial performance, financial position, cash flows and liquidity of LNG Asset Solutions and Offshore Business segments in the current financial year.

However, the Petroleum & Product Shipping segment's financial performance in the second half of the financial year was affected by the lower freight rates due to the impact of the pandemic on global oil demand.

Additionally, the Marine & Heavy Engineering business was also impacted by the COVID-19 pandemic. The brief shutdown of yard operations, prolonged border control measures and the introduction of Standard Operating Procedures ("SOPs") under the new normal have resulted in extended duration to the segment's on-going heavy engineering projects and lower repair jobs in the marine segment. As a result, the segment recorded an impairment loss on the property, plant and equipment and right-of-use assets of RM300.0 million and suffered direct and indirect costs associated to COVID-19 in the current financial year. The assumptions used in the impairment assessment is disclosed in Note 14 to the financial statements.

In terms of receipts from customers, the Group has not experienced significant increase in receivables turnover days in the current financial year as a result of the pandemic.

As at 31 December 2020, the Group recorded net current asset position of RM6,808.2 million and cash, deposits and bank balances of RM6,855.0 million. Accordingly, the Group has the ability to continue as a going concern as of the date of this report.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of MISC Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Corporation, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Corporation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 319 to 465.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Corporation as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Corporation in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Corporation for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Corporation as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Key audit matters	How we addressed the key audit matters
Impairment of goodwill - *(Refer to Note 16 - Intangible assets, to the financial statements)* The Group is required to perform annual impairment test of cash generating units ("CGUs") or groups of CGUs to which goodwill has been allocated. The Group estimated the recoverable amount of its CGUs or groups of CGUs to which the goodwill is allocated based on value-in-use ("VIU"). Estimating the VIU of CGUs or groups of CGUs involves estimating the future cash inflows and outflows and discounting them at an appropriate rate. Included in the Group's goodwill as at 31 December 2020 of RM803.9 million is goodwill relating to the Petroleum & Product Shipping segment. We focused on the impairment review of the goodwill relating to this segment as it represents more than 99% of the Group's goodwill as at 31 December 2020 and significant judgements were involved in the terminal value and growth rate of the expected cash flows as well as the determination of an appropriate discount rate, which may cause possible variations in the recoverable amount of the CGU to which the goodwill has been allocated.	Our audit procedures included, among others evaluating the assumptions and methodologies used by the Group, in particular the assumptions to which the recoverable amount of the CGUs are most sensitive such as the terminal value of the expected cash flows, the growth rate as well as the discount rate used. We have assessed and tested the key assumptions used by management to estimate the projected cash flows for the CGUs as follows: (a) obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs or groups of CGUs; (b) evaluated, with the involvement of our internal valuation specialist the appropriateness of methodology and approach applied and the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset; (c) evaluated the terminal value and growth rate of the expected cash flows; and (d) assessed the sensitivity of the goodwill balance to changes in the discount rate, terminal value and growth rate of cash flows. In addition, we also evaluated the adequacy of the disclosures of each key assumption on which the Group has based its cash flow projections and to which the recoverable amount is most sensitive, as disclosed in Note 16 to the financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of non-current assets – *(Refer to Note 14 - Ships, offshore floating assets and other property, plant and equipment, to the financial statements)* The Group is required to perform impairment test of CGU whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. (i) <u>Other property, plant and equipment</u> Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") Group is in a loss-making position and the carrying amount of MHB Group's net assets exceeds its market capitalisation, thereby indicating potential impairment of MHB Group's non-current assets. Accordingly, the Group estimated the recoverable amount of the property, plant and equipment and right-of-use assets of MHB Group using VIU based on cash flow projections derived from budgets approved by management covering a five year period including terminal value. Estimating the VIU involves estimating the future cash inflows and outflows and discounting them at an appropriate discount rate. MHB Group recorded a total impairment loss of RM300 million during the current financial year. This impairment review was significant to our audit because the assessment process is complex and is based on assumptions that are highly judgemental.	Our audit procedures included, among others evaluating the assumptions and methodologies used by the Group, in particular those relating to the discount rate and projected cash flows for the CGU. The areas that involved significant audit effort and judgement were the assessment of the probability of securing the future revenue contracts, possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate. Our procedures to assess management's impairment testing included the following: (a) obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs; (b) enquired with business development teams to obtain an understanding of the status of negotiations and the likelihood of securing the revenue contracts for contracts above our testing threshold, including timing of commencement and expected value of revenue contracts; (c) evaluated the reasonableness of the estimated profits to be derived from those revenue contracts above our testing threshold by comparing the estimated margins with the actual margins achieved by MHB Group in previous years; and (d) assessed, with the involvement of our internal valuation specialist the appropriateness of the methodology and approach applied and the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of non-current assets – *(Refer to Note 14 - Ships, offshore floating assets and other property, plant and equipment, to the financial statements) (cont'd.)* ii) <u>Ships and right-of-use assets of in-chartered ships</u> In addition, continued volatility of charter hire rates and certain ships' contracts which have expired or are approaching expiry were also identified by management as indicators that the carrying amount of certain ships and right of use assets may be impaired. Accordingly, the Group and the Corporation estimated the recoverable amount of the ships using the higher of fair value less costs of disposal ("FVLCS") and VIU. For recoverable amount that is based on FVLCS, the Group engaged independent valuers to assess the fair value of the ships. The Group and the Corporation recorded a total impairment loss of RM21.2 million and RM10.4 million respectively during the current financial year. This impairment review was significant to our audit because the assessment process is based on assumptions that are highly judgemental.	Our audit procedures to assess management's impairment testing based on VIU included the following: (a) obtained an understanding of the relevant internal controls over estimating the VIU of the CGUs or groups of CGUs; (b) assessed the assumptions of future charter hire rates by comparing to the terms and conditions stipulated in the time charter party agreements entered into with the lessee, in particular the daily charter hire rates; (c) assessed whether the assumptions on the operating costs are supportable when compared to the past trends; and (d) evaluated, with the involvement of our internal valuation specialist the appropriateness of the methodology and approach applied and the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset. Our audit procedures to assess management's impairment testing based on FVLCS are as follows: (a) considered the independence, competence, capabilities and objectivity of the external valuers; and (b) obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the ships and assessed whether such methodology is consistent with those used in the industry. In addition, we also evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based on its cash flow projections and to which the CGU's recoverable amount is most sensitive, as disclosed in Note 14 to the financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Recognition of revenue and cost of construction and marine projects – *(Refer to Note 3 - Revenue and Note 23 - Due from/(to) customers on contracts, to the financial statements)* A significant proportion of the Group's revenues and profits are derived from long-term construction and marine projects which span more than one accounting period. The Group uses the percentage-of-completion ("POC") method in accounting for the revenue of these long-term contracts. The stage of completion is measured by reference to the physical completion of the contracts. Cost is recognised based on actual costs incurred to date. We focused on this area because management applies significant judgement and estimates in determining the stage of physical completion in respect of heavy engineering and marine projects and in estimating total estimated project costs.	In addressing this area of audit focus, we obtained an understanding of the relevant internal controls over the accuracy and timing of revenue and cost recognised in the financial statements, including controls performed by the management in estimating total project costs, profit margin and POC of projects. In addition, we also performed the following: (a) obtained an understanding of the relevant internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls performed by the management in estimating budgeted project costs, estimated project margins and stage of physical completion; (b) read all key contracts to obtain an understanding of the specific terms and conditions; (c) agreed contract sum to the original signed customer contracts and/or approved variation orders; (d) reviewed management meeting minutes to obtain an understanding of the performance and status of the projects above our testing threshold; (e) reviewed management's budgeted project costs to ensure adequacy of costs to complete; (f) assessed the reasonableness of inputs used in the determination of POC in light of supporting evidence such as engineers' reports in relation to marine projects and signed progress reports by third party for heavy engineering projects; (g) considered the historical accuracy of management's budgeted project margins in assessing the reasonableness of estimated margins of similar projects; (h) assessed and ensured that actual project costs are appropriately accrued and supported by documentary evidences, such as work completion reports and material acceptance certificates, which represent activities performed to date; (i) reperformed the calculations of the revenue based on the POC method and where applicable, considered the implications of any changes in estimates; and (j) evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Contingent liability – *(Refer to Note 43(a)(i) – Significant Events - Material litigation - Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC"), to the financial statements)* We focused on this area as the eventual outcome of claims is uncertain and the positions taken by the Directors are based on the application of material judgement and estimation. Accordingly, unexpected adverse outcomes could significantly impact the Group's reported profit and statement of financial position.	In addressing this area of audit focus, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available. We have performed the following: (a) Obtained and reviewed the relevant correspondences in relation to Arbitration and Litigation cases; (b) Compared the opinion provided by the Group's external legal counsel against management's assessment on the measurement and/or disclosures for the contingent liability; (c) Considered the independence, reputation and capabilities of the external legal counsel; (d) Obtained legal confirmations from the Group's external legal counsel; and (e) Considered whether the Group's disclosures of the application of judgement in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

Information other than the financial statements and auditors' report thereon

The directors of the Corporation are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report, but does not include the financial statements of the Group and of the Corporation and our auditors' report thereon. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Corporation does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Corporation, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Corporation or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the directors for the financial statements

The directors of the Corporation are responsible for the preparation of financial statements of the Group and of the Corporation that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Corporation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Corporation, the directors are responsible for assessing the Group's and the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Corporation or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Corporation as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Corporation, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Corporation or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Corporation, including the disclosures, and whether the financial statements of the Group and of the Corporation represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Corporation for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 40 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ismed Darwis Bin Bahatiar
02921/04/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2021

SECTION 11

ADDITIONAL INFORMATION

MISC GROUP STRUCTURE

As at 24 February 2021

** Excluding Dormant Companies and Companies in Liquidation*

LNG ASSET SOLUTIONS

- 100% MISC Tankers Sdn. Bhd. *(Investment Holding and Provision of Management Services*
  - 100% • Puteri Delima Sdn. Bhd. *(Shipping)*
  - 100% • Puteri Firus Sdn. Bhd. *(Shipping)*
  - 100% • Puteri Intan Sdn. Bhd. *(Shipping)*
  - 100% • Puteri Nilam Sdn. Bhd. *(Shipping)*
  - 100% • Puteri Zamrud Sdn. Bhd. *(Shipping)*
  - 100% • Seri Camellia (L) Private Limited *(Shipping)*
  - 100% • Seri Cenderawasih (L) Private Limited *(Shipping)*
  - 100% • Seri Cempaka (L) Private Limited *(Shipping)*
  - 100% • Seri Camar (L) Private Limited *(Shipping)*
  - 100% • Seri Cemara (L) Private Limited *(Shipping)*
- 100% Puteri Delima Satu (L) Pte. Ltd. *(Shipping)*
- 100% Puteri Firus Satu (L) Pte. Ltd. *(Shipping)*
- 100% Puteri Nilam Satu (L) Pte. Ltd. *(Shipping)*
- 100% Puteri Intan Satu (L) Pte. Ltd. *(Shipping)*
- 100% Puteri Mutiara Satu (L) Pte. Ltd. *(Shipping)*
- 100% Puteri Zamrud Satu (L) Pte. Ltd. *(Shipping)*
- 100% Portovenere and Lerici (Labuan) Private Limited *(Investment Holding)*
  - 100% • Portovenere and Lerici (Singapore) Pte. Ltd. *(Shipping)*
  - 100% • Polaris LNG One Pte. Ltd. *(Owning and Operating LNG ships for the Transportation of LNG)*
  - 100% • Polaris LNG Two Pte. Ltd. *(Owning and Operating LNG ships for the Transportation of LNG)*
  - 100% • Seri Everest (Singapore) Pte. Ltd. *(Owning and Operating VLEC for the Transportation of Liquefied Ethane and/or Liquefied Petroleum Gas)*
  - 100% • Seri Elbert (Singapore) Pte. Ltd. *(Owning and Operating VLEC for the Transportation of Liquefied Ethane and/or Liquefied Petroleum Gas)*
  - 100% • Seri Erlang (Singapore) Pte. Ltd. *(Owning and Operating VLEC for the Transportation of Liquefied Ethane and/or Liquefied Petroleum Gas)*
  - 100% • Seri Emory (Singapore) Pte. Ltd. *(Owning and Operating VLEC for the Transportation of Liquefied Ethane and/or Liquefied Petroleum Gas)*
  - 100% • Seri Emei (Singapore) Pte. Ltd. *(Owning and Operating VLEC for the Transportation of Liquefied Ethane and/or Liquefied Petroleum Gas)*
  - 100% • Seri Emperor (Singapore) Pte. Ltd. *(Owning and Operating VLEC for the Transportation of Liquefied Ethane and/or Liquefied Petroleum Gas)*
- 100% MISC PNG Shipping Limited *(Investment Holding)*
  - 60% • Western Pacific Shipping Limited *(Providing Shipping Solutions for LNG Project Requirements and Other General Shipping Requirements of Papua New Guinea)*
- 100% Gas Asia Terminal (L) Pte. Ltd. *(Development and Ownership of LNG FSU)*
- 51% Future Horizon (L) Pte. Ltd. *(Carrying on LNG Carriage and LNG Bunkering Operations)*
- 51% Asia LNG Transport Sdn. Bhd. *(Shipowning and Ship Management)*
- 51% Asia LNG Transport Dua Sdn. Bhd. *(Shipowning, Ship Management and Investment Holding)*
  - 25.5% • Diamond LNG Shipping 5 Pte. Ltd. *(Owning and Chartering LNG vessel)*
  - 25.5% • Diamond LNG Shipping 6 Pte. Ltd. *(Owning and Chartering LNG Vessel)*
- 30% Nikorma Transport Limited *(LNG Transportation)*

PETROLEUM & PRODUCT SHIPPING

- 100% MISC Tanker Holdings Sdn. Bhd. *(Investment Holding)*
  - 100% • MISC Tanker Holdings (Bermuda) Limited *(Investment Holding)*
    - 100% • AET Tanker Holdings Sdn. Bhd. *(Investment Holding)*
      - 100% • AET Pte. Ltd. *(Investment Holding)*
        - 100% • AET Singapore Holdings Pte. Ltd. *(Investment Holding)*
          - 100% • AET Shuttle Tankers II Pte. Ltd. *(Shipowning and Marine Transportation Services)*
          - 100% • AET Labuan Pte. Ltd. *(Investment Holding)*
            - 100% • AET Shuttle Tankers Sdn. Bhd. *(Shipowning)*
          - 100% • AET UK Limited *(Management Services and Commercial Management)*
            - 95% • AET Sea Shuttle AS *(Shipowning and Marine Transportation Services)*
            - 95% • AET Sea Shuttle II AS *(Shipowning and Marine Transportation Services)*
          - 100% • AET DP Shuttle Pte. Ltd. *(Shipowning and Marine Transportation Services)*
          - 100% • AET DP Shuttle II Pte. Ltd. *(Shipowning and Marine Transportation Services)*
          - 100% • AET Shuttle Tankers III Pte. Ltd. *(Shipowning and Marine Transportation Services)*
        - 100% • AET Bermuda Holdings Limited *(Investment Holding)*
          - 100% • AET Tankers Pte. Ltd. *(Shipowning and Marine Transportation Services)*
            - 100% • AET Singapore One Pte. Ltd. *(Shipowning)*
          - 100% • AET Inc. Limited *(Shipowning and Marine Transportation Services)*
            - 100% • AET Labuan One Pte. Ltd. *(Shipowning)*
            - 100% • AET Bermuda One Limited *(Shipowning)*
            - 100% • AET STS Limited Inc. *(Marine Transportation Services)*
          - 100% • AET Tankers (Suezmax) Pte. Ltd. *(Shipowning)*
          - 100% • AET MCV Gamma L.L.C. *(Marine Transportation services)*
          - 100% • AET Agencies Inc. *(Shipping Agent and Lightering Services)*
            - 100% • AET Offshore Services Inc. *(Lightering Services)*
          - 100% • AET Lightering Services L.L.C. *(Marine Transportation Services and Lightering Services)*
          - 50% • ELS Lightering Services S.A. *(Lightering Services)*
            - 49% • Akudel S.A. *(Lightering Activity)*
              - 49% • Cawerty S.A. *(Lightering Activity)*
              - 49% • Zascul S.A. *(Lightering Activity)*
            - 50% • Lifisol S.A. *(Provision of Oil Spill Prevention and Response Services)*
          - 50% • Ship Service S.A. *(Ship Management Services)*
          - 100% • Paramount Tankers Corp. *(Investment Holding)*
            - 100% • Atenea Services S.A. *(Shipowning and Marine Transportation Services)*
            - 100% • Hendham Enterprises Ltd *(Shipowning and Marine Transportation Services)*
            - 100% • Odley Worldwide Inc. *(Shipowning and Marine Transportation Services)*
            - 100% • Oldson Ventures Ltd *(Shipowning and Marine Transportation Services)*
            - 100% • Twyford International Business Corp. *(Shipowning and Marine Transportation Services)*
            - 100% • Zangwill Business Corp. *(Shipowning and Marine Transportation Services)*
        - 100% • AET Holdings (L) Pte. Ltd. *(Investment Holding)*
          - 100% • AET Petroleum Tanker (M) Sdn. Bhd. *(Shipowning and Marine Transportation Services)*
          - 100% • AET Malaysia One Sdn. Bhd. *(Investment Holding)*
            - 100% • AET Brasil Servicos Maritimos Ltda *(Crew Management Services)*
            - 100% • AET Brasil Servicos STS Ltda *(Marine Transportation Services and Lightering Services)*
          - 100% • AET MCV Delta Sdn. Bhd. *(Investment Holding)*
            - 100% • AET MCV Alpha L.L.C. *(Shipowning)*
            - 100% • AET MCV Beta L.L.C. *(Shipowning)*
          - 100% • AET Product Tankers Sdn. Bhd. *(Shipowning and Marine Transportation Services)*

/// Leadership / Governance / Financial Statements / Additional Information / Annual General Meeting /////

MISC Berhad / Integrated Annual Report 2020

MISC GROUP STRUCTURE

As at 24 February 2021

** Excluding Dormant Companies and Companies in Liquidation*

OFFSHORE BUSINESS

100% MISC Offshore Holdings (Brazil) Sdn. Bhd. *(Investment Holding)*
- 100% MISC Offshore (USA) LLC *(Providing Support Services in the Bidding and Execution of Offshore Deepwater FPSO Projects)*
- 49% SBM Systems Inc. *(FPSO Owner)*
- 49% FPSO Brasil Venture S.A. *(Investment and Offshore Activities)*
  - 49% SBM Operacoes Ltda. *(Operating and Maintaining FPSO Terminals)*
- 49% Brazilian Deepwater Floating Terminals Limited *(Construction of FPSO)*
- 49% Brazilian Deepwater Production B.V. *(Chartering of FPSO)*
- 49% Brazilian Deepwater Production Limited *(Chartering of FPSO)*
- 49% Brazilian Deepwater Production Contractors Limited *(Operation and Maintenance of FPSO)*
  - 49% Operacoes Maritimas em Mar Profundo Brasileiro Ltda. *(Operation and Maintenance of FPSO)*

100% MISC Offshore (Americas) Holdings Pte. Ltd. *(Investment Holding)*
- 100% MISC Offshore (Singapore) Pte. Ltd. *(Owning and Leasing of FPSO unit)*
- 100% MISC Offshore Services Pte. Ltd. *(Provision of Operations and Maintenance Services for Deepwater Offshore Assets)*
  - 100% MISC Servicos de Petroleo do Brasil Ltda. *(To Operate and Maintain Marine Units for the Exploration and Production of Oil and Natural Gas in Brazil and to Provide Any Services Related to Such Activities)*

100% MISC Offshore Floating Terminals (L) Limited *(Owning Offshore Floating Terminals)*

100% MISC Offshore Floating Terminals Dua (L) Limited *(Owning Offshore Floating Terminals)*

100% Malaysia Offshore Mobile Production (Labuan) Ltd. *(Owning Mobile Offshore Production Units)*

100% Malaysia Offshore Mobile Production Dua (Labuan) Ltd. *(Provision of Professional Services to Oil and Gas Industry)*

100% Gumusut-Kakap Semi-Floating Production System (L) Limited *(Owning and Leasing of Semi-Submersible Floating Production System)*

51% Malaysia Vietnam Offshore Terminal (L) Limited *(FSO Owner)*

51% Malaysia Deepwater Floating Terminal (Kikeh) Limited *(FPSO Owner)*

51% Malaysia Deepwater Production Contractors Sdn. Bhd. *(Operating and Maintaining FPSO Terminals)*

51% FPSO Ventures Sdn. Bhd. *(Provision of Operations and Maintenance of FPSO, FSO, MOPU and Fixed Facilities, and Management Consultancy to the Oil and Gas Industry)*

40% Vietnam Offshore Floating Terminal (Ruby) Ltd. *(FPSO Owner)*

100% Mekar Bergading Offshore Floating (L) Limited *(Owning, Operation and Maintenance of FSO vessels)*

MARINE & HEAVY ENGINEERING

66.5% Malaysia Marine and Heavy Engineering Holdings Berhad** *(Investment Holding)*
- 66.5% Malaysia Marine and Heavy Engineering Sdn. Bhd. *(Provision of Oil and Gas Engineering and Construction Works, Marine Conversion and Repair Services)*
  - 66.5% Techno Indah Sdn. Bhd. *(Sludge Disposal Management)*
  - 46.6% MMHE EPIC Marine & Services Sdn. Bhd. *(Provision of Repair Services and Dry Docking of Marine Vessels)*
  - 66.5% Malaysia Marine and Heavy Engineering Saudi Limited *(Provision of Engineering, Procurement, Construction, Installation and Commissioning Services for Offshore and Onshore Facilities)*
  - 59.9% MHS Integrated Engineering Sdn. Bhd. *(Plant Turnaround and Shutdown Maintenance)*

** Listed on the Main Market of Bursa Malaysia Securities Berhad

INTEGRATED MARINE SERVICES

100% Eaglestar Marine Holdings (L) Pte. Ltd. *(Provision of Integrated Marine Services and Investment Holding)*
- 100% Eaglestar Shipmanagement (L) Pte. Ltd. *(Provision of Ship Management and Marine Related Services)*
- 100% Eaglestar Marine (S) Pte. Ltd. *(Hiring of Personnel)*
- 100% Eaglestar Shipmanagement (S) Pte. Ltd. *(Provision of Ship Management and Marine Related Services)*
  - 100% Eaglestar Shipmanagement (USA) LLC *(Provision of Ship Management and Marine Related Services)*
- 100% Eaglestar Shipmanagement GAS (S) Pte. Ltd. *(Provision of Ship Management and Marine Related Services)*
- 100% Eaglestar Shipmanagement Ventures (S) Pte. Ltd. *(Provision of Ship Management and Marine Related Services)*
- 100% Eaglestar Marine B.V. *(Provision of Marine and Procurement Services)*
- 100% MISC Ship Management Sdn. Bhd. *(Investment Holding)*
- 100% AET Shipmanagement (Malaysia) Sdn. Bhd. *(Shipping Management)*
  - 100% Eaglestar Marine India Private Limited *(Provision of Crew Management Services)*
  - 24% Eaglestar Marine (Philippines) Corporation (Formerly known as Eagle Star Crew Management Corporation) *(Provision of Crew Management Services)*

MARITIME EDUCATION & TRAINING

100% Malaysian Maritime Academy Sdn. Bhd. *(Education and Training for Seamen and Maritime Personnel)*

PORT MANAGEMENT & MARITIME SERVICES

100% MISC Maritime Services Sdn. Bhd. *(Provision of Maritime Services and Consultancy and Maritime Audit)*
- 100% Sungai Udang Port Sdn. Bhd. *(Operation and Management of Sungai Udang Port)*

DIGITAL VENTURES

100% Magellan X Holdings (L) Pte Ltd *(Investment Holding)*
- 100% Magellan X Pte. Ltd. *(Providing Support Services in the Development of Digital Products and Solutions)*
  - 100% SOL-X Pte. Ltd. *(Providing Health, Safety, Security, Operations and Workflow Management Solutions)*
  - 100% Spares CNX Pte. Ltd. *(Providing Inventory Management and Procurement Systems)*
  - 100% CHORD X Pte. Ltd. *(Providing Data-driven Solutions for Maritime and Industrial Machinery Application)*

OTHERS

100% MISC Capital (L) Limited *(Special Purpose Vehicle for Financing Arrangement)*

100% MISC International (L) Limited *(Investment Holding)*

100% MISC Agencies Sdn. Bhd. *(Investment Holding)*
- 100% MISC Agencies (Netherlands) B.V. *(Property Owning)*
- 100% MISC Berhad (UK) Limited *(Commercial Operations)*

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

As at 31 December 2020

NO	LOCATION	DESCRIPTION	TENURE & YEAR LEASE EXPIRES	AREA IN SQ FT	EXISTING USE	AGE OF BUILDING/ LAND (YEARS)	APPROX NBV (RM'000)
1	PTD 22805 Mukim Plentong Johor Bahru	Land, shipyard	Leasehold/2073	13,115,306	Marine repair, marine conversion, heavy engineering fabrication yard, ancillary facilities and office buildings	41	41,425
2	PTD 11549 Mukim Plentong Johor Bahru	Land, shipyard	Leasehold/2075	522,720		45	762
3	PTD 101363 Mukim Plentong Johor Bahru	Land	Leasehold/2039	2,567,862	Storage area	11	15,153
4	PTD 65615 Mukim Plentong Johor Bahru	Land	Leasehold/2044	698,266	Staff quarters	37	1,902
5	PTD 65618 Mukim Plentong Johor Bahru	Land	Leasehold/2044	587,624	Staff quarters	37	1,601
6	PTD 65619 Mukim Plentong Johor Bahru	Land	Leasehold/2044	128,502	Staff quarters	37	350
7	PTD 65616 Mukim Plentong Johor Bahru	Land	Leasehold/2044	169,884	Vacant	37	463
8	PTD 65617 Mukim Plentong Johor Bahru	Land	Leasehold/2044	374,180	Vacant	37	1,019
9	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor (erected on land 1 and 2 above)	Warehouse, workshops and office buildings	Leasehold/2073/2075	1,956,881	Marine repair, marine conversion, heavy engineering fabrication yard, ancillary facilities and office buildings	43	1,233,896
10	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on land 4 to 6 above)	4-storey residential flats	Leasehold/2044	383,559	Staff quarters	42	2,147
11	PTD 71056 Mukim Plentong Johor Bahru	Land, yard	Leasehold/2045	1,524,600	Heavy engineering fabrication yard, ancillary facilities and office buildings	35	37,300
12	PTD 109040 Mukim Plentong Johor Bahru	Land, building	Leasehold/2053	217,800	Workshop, ancillary facilities and site office	27	5,911
13	PTD 200290 Mukim Plentong Johor Bahru	Land, yard	Leasehold/2052	2,424,158	Workshop, ancillary facilities and office buildings	12	68,088

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

As at 31 December 2020

NO	LOCATION	DESCRIPTION	TENURE & YEAR LEASE EXPIRES	AREA IN SQ FT	EXISTING USE	AGE OF BUILDING/ LAND (YEARS)	APPROX NBV (RM'000)
14	PTD 22768 Mukim Plentong Johor Bahru	Land	Leasehold/2040	435,600	Storage area	40	9,971
15	LOT 51611 Mukim Plentong Johor Bahru	Land, yard	Leasehold/2045	173,514	Ancillary facilities and storage area	24	4,245
16	PTD 110760 Mukim Plentong Johor Bahru	Land, building	Leasehold/2052	205,603	Workshop, ancillary facilities and office buildings	27	5,433
17	PTD 110758 Mukim Plentong Johor Bahru	Land, building	Leasehold/2052	59,242	Cabin office and warehouse	27	1,648
18	PTD 233477 Mukim Plentong Johor Bahru	Land, yard	Leasehold/2079	333,197	Heavy engineering fabrication yard and ancillary facilities	2	13,636
19	Lot 76, Mukim Kuala Sungai Baru Alor Gajah, Melaka	Building	Leasehold/2046	13,474	Accommodation, meeting facilities and storage	12	–
20	Lot 1516, Mukim Kuala Sungai Baru (Kampus Alam, Batu 31 Kampung Tanjung Dahan Kuala Sungai Baru, Melaka)	Building	Leasehold/2046	24,210	Post sea hostel	10	–
21	Lot 32988, Mukim Dengkil (No. 3505 Jalan Teknokrat 5 Cyberjaya, Selangor)	Land, building	Freehold	58,652	Vacant	18	27,510
22	305, The Collonades Porchester Square Bayswater, London W2 6AS	Apartment	Leasehold/2073	1,200	Accommodation	29	3,516
23	Galveston, Texas, USA	Land, building	Freehold	290,415	Workboats, dockage & lightering support operation	52	21,180
24	Rivium 1e straat 42, 2909 LE Capelle ann den IJssel Netherlands	Land, building	Freehold	21,140	Office	23	6,197

LIST OF VESSELS AND ASSETS

As at 31 December 2020

LNG CARRIERS: EXISTING (OWNED)

Class	Total	Vessel	Built	Age	Yard	Cargo Capacity (cbm)	DWT	Flag
Medium-Small LNG	3	Aman Sendai	1997	23	NKK, Tsu, Japan	18,930	10,975	Malaysia
		Portovenere	1997	23	Sestri Cantieri Navali SpA, Genoa	65,262	35,760	Singapore
		Lerici	1998	22	Sestri Cantieri Navali SpA, Genoa	65,299	35,760	Singapore
Puteri Class	5	Puteri Intan	1994	26	Chantiers de l'Atlantique, France	130,300	73,519	Malaysia
		Puteri Delima	1995	25	Chantiers de l'Atlantique, France	130,404	73,519	Malaysia
		Puteri Nilam	1995	25	Chantiers de l'Atlantique, France	130,363	73,519	Malaysia
		Puteri Zamrud	1996	24	Chantiers de l'Atlantique, France	130,358	73,519	Malaysia
		Puteri Firus	1997	23	Chantiers de l'Atlantique, France	130,294	73,519	Malaysia
Puteri Satu Class	6	Puteri Intan Satu	2002	18	Mitsubishi Heavy Industries, Japan	137,489	75,849	Malaysia
		Puteri Delima Satu	2002	18	Mitsui Engineering & Shipbuilding Co., Japan	137,601	75,929	Malaysia
		Puteri Nilam Satu	2003	17	Mitsubishi Heavy Industries, Japan	137,585	76,124	Malaysia
		Puteri Zamrud Satu	2004	16	Mitsui Engineering & Shipbuilding Co., Japan	137,590	76,144	Malaysia
		Puteri Firus Satu	2004	16	Mitsubishi Heavy Industries, Japan	137,617	76,197	Malaysia
		Puteri Mutiara Satu	2005	15	Mitsui Engineering & Shipbuilding Co., Japan	137,595	76,229	Malaysia
Seri A Class	5	Seri Alam	2005	15	Samsung Heavy Industries Co. Ltd., Korea	145,572	83,482	Malaysia
		Seri Amanah	2006	14	Samsung Heavy Industries Co. Ltd., Korea	145,709	83,400	Malaysia
		Seri Anggun	2006	14	Samsung Heavy Industries Co. Ltd., Korea	145,731	83,395	Malaysia
		Seri Angkasa	2006	14	Samsung Heavy Industries Co. Ltd., Korea	145,700	83,407	Malaysia
		Seri Ayu	2007	13	Samsung Heavy Industries Co. Ltd., Korea	145,659	83,365	Malaysia
Seri B Class	5	Seri Bakti	2007	13	Mitsubishi Heavy Industries, Japan	152,945	90,065	Malaysia
		Seri Begawan	2007	13	Mitsubishi Heavy Industries, Japan	153,024	89,902	Malaysia
		Seri Bijaksana	2008	12	Mitsubishi Heavy Industries, Japan	152,888	89,953	Malaysia
		Seri Balhaf	2009	11	Mitsubishi Heavy Industries, Japan	157,721	91,201	Malaysia
		Seri Balqis	2009	11	Mitsubishi Heavy Industries, Japan	157,611	91,198	Malaysia

LIST OF VESSELS AND ASSETS

As at 31 December 2020

LNG CARRIERS: EXISTING (OWNED)

Class	Total	Vessel	Built	Age	Yard	Cargo Capacity (cbm)	DWT	Flag
Seri C Class	5	Seri Camellia	2016	4	Hyundai Heavy Industries, Korea	150,547	84,333	Malaysia
		Seri Cenderawasih	2017	3	Hyundai Heavy Industries, Korea	150,447	84,333	Malaysia
		Seri Cempaka	2017	3	Hyundai Heavy Industries, Korea	150,445	84,311	Malaysia
		Seri Camar	2018	2	Hyundai Heavy Industries, Korea	150,444	84,295	Malaysia
		Seri Cemara	2018	2	Hyundai Heavy Industries, Korea	150,526	84,333	Malaysia
TOTAL	**29**					**3,881,656**	**2,197,535**	

LNG FLOATERS: EXISTING (OWNED)

Class	Total	Vessel	Built	Age	Yard	Cargo Capacity (cbm)	DWT	Flag
Floating Storage Unit (FSU)	2	FSU Tenaga Satu	2012	8	Malaysia Marine and Heavy Engineering, Malaysia	130,075	–	Malaysia
		FSU Tenaga Empat	2012	8	Keppel Shipyard, Singapore	130,006	–	Malaysia
TOTAL	**2**					**260,081**	**–**	

ETHANE CARRIER: EXISTING (OWNED)

Class	Total	Vessel	Built	Age	Yard	Cargo Capacity (cbm)	DWT	Flag
Seri E Class	1	Seri Everest	2020	0	Samsung Heavy Industries Co. Ltd., Korea	98,156	59,642	Singapore
TOTAL	**1**					**98,156**	**59,642**	

LNG BUNKER VESSEL: EXISTING (IN-CHARTERED)

Class	Total	Vessel	Built	Age	Yard	Cargo Capacity (cbm)	DWT	Flag
LBV	1	Avenir Advantage	2020	0	Keppel Offshore & Marine (Nantong)	7,454	4,346	Malaysia
TOTAL	**1**					**7,454**	**4,346**	

NEWBUILDINGS

Class	Total	Vessel	Built	Age	Yard	Cargo Capacity (cbm)	DWT	Flag
LNG Carrier	2	Hull No. 2364	2023		Samsung Heavy Industries	174,000	87,400	TBC
		Hull No. 2365	2023		Samsung Heavy Industries	174,000	87,400	TBC
TOTAL	**2**					**348,000**	**174,800**	
LNG Carrier*	2	Hull No. 8030*	2021		Hyundai Samho Heavy Industries	174,000	83,742	TBC
		Hull No. 8031*	2021		Hyundai Samho Heavy Industries	174,000	83,742	TBC
TOTAL	**2**					**348,000**	**167,484**	

* Jointly owned with Mitsubishi-NYK

LIST OF VESSELS AND ASSETS

As at 31 December 2020

PETROLEUM AND PRODUCT VESSELS (OWNED)

Type	Total	Vessel	Built	Age	Yard	DWT	Flag
VLCC	9	Bunga Kasturi Empat	2007	13.7	Universal Shipbuilding Corporation	300,325	Malaysia
		Bunga Kasturi Lima	2007	13.3	Universal Shipbuilding Corporation	300,246	Malaysia
		Bunga Kasturi Enam	2008	12.8	Universal Shipbuilding Corporation	299,319	Malaysia
		Eagle Vancouver	2013	8.0	Daewoo Shipbuilding and Marine Engineering	311,922	Singapore
		Eagle Varna	2013	7.8	Daewoo Shipbuilding and Marine Engineering	311,922	Singapore
		Eagle Verona	2013	7.3	Daewoo Shipbuilding and Marine Engineering	320,122	Isle of Man
		Eagle Versailles	2013	7.1	Daewoo Shipbuilding and Marine Engineering	320,122	Isle of Man
		Eagle Victoria	2016	4.1	Hyundai Heavy Industries (Gunsan)	299,392	Singapore
		Eagle Venice	2016	4.2	Hyundai Heavy Industries (Gunsan)	300,342	Singapore
Suezmax	6	Eagle San Antonio	2012	8.7	Samsung Heavy Industries	157,850	Singapore
		Eagle San Diego	2012	8.5	Samsung Heavy Industries	157,850	Singapore
		Eagle San Juan	2012	8.3	Samsung Heavy Industries	157,850	Singapore
		Eagle San Pedro	2012	8.2	Samsung Heavy Industries	157,850	Singapore
		Eagle San Franciso	2018	2.9	Hyundai Heavy Industries	157,512	Malta
		Eagle San Jose	2018	2.9	Hyundai Heavy Industries	157,512	Malta

/// Leadership / Governance / Financial Statements / Additional Information / Annual General Meeting //////

LIST OF VESSELS AND ASSETS

As at 31 December 2020

PETROLEUM AND PRODUCT VESSELS (OWNED)

Type	Total	Vessel	Built	Age	Yard	DWT	Flag
Aframax	27	Eagle Toledo	2003	17.8	Imabari Shipbuilding Company Limited	107,092	Singapore
		Eagle Tucson	2003	17.5	Imabari Shipbuilding Company Limited	107,123	Singapore
		Eagle Tampa	2003	17.4	Imabari Shipbuilding Company Limited	107,123	Singapore
		Eagle Turin	2008	12.9	Imabari Shipbuilding Company Limited	107,123	Singapore
		Bunga Kelana 7	2004	17.0	Samsung Heavy Industries	105,194	Malaysia
		Bunga Kelana 8	2004	16.8	Samsung Heavy Industries	105,174	Malaysia
		Bunga Kelana 9	2004	16.4	Samsung Heavy Industries	105,200	Malaysia
		Bunga Kelana 10	2004	16.3	Samsung Heavy Industries	105,274	Malaysia
		Eagle Torrance	2007	13.4	Imabari Shipbuilding Company Limited	107,123	Singapore
		Eagle Kuching	2009	11.2	Tsuneishi Shipbuilding	107,481	Singapore
		Eagle Kuantan	2010	10.8	Tsuneishi Shipbuilding	107,481	Singapore
		Eagle Kangar	2010	10.5	Tsuneishi Shipbuilding	107,481	Singapore
		Eagle Klang	2010	10.2	Tsuneishi Shipbuilding	107,481	Singapore
		Eagle Kinabalu	2011	10.0	Tsuneishi Shipbuilding	107,481	Singapore
		Eagle Kinarut	2011	9.7	Tsuneishi Shipbuilding	107,481	Singapore
		Eagle Louisiana	2011	9.6	Tsuneishi Shipbuilding	107,481	Marshall Islands
		Eagle Texas	2011	9.3	Tsuneishi Shipbuilding	107,481	Marshall Islands
		Eagle Hanover	2010	10.6	Sungdong Shipbuilding and Marine Engineering	114,014	Isle of Man
		Eagle Hamilton	2010	10.5	Sungdong Shipbuilding and Marine Engineering	114,022	Isle of Man
		Eagle Helsinki	2010	10.4	Sungdong Shipbuilding and Marine Engineering	114,164	Isle of Man
		Eagle Hatteras	2010	10.2	Sungdong Shipbuilding and Marine Engineering	114,164	Isle of Man
		Eagle Halifax	2010	10.1	Sungdong Shipbuilding and Marine Engineering	114,164	Isle of Man
		Paramount Hydra	2011	10.0	Sungdong Shipbuilding and Marine Engineering	114,164	Isle of Man
		Eagle Barcelona	2018	2.9	Samsung Heavy Industries	113,327	Singapore
		Eagle Brisbane	2018	2.8	Samsung Heavy Industries	113,327	Singapore
		Eagle Brasilia	2018	2.0	Samsung Heavy Industries	113,416	Singapore
		Eagle Bintulu	2018	1.9	Samsung Heavy Industries	113,049	Malaysia

LIST OF VESSELS AND ASSETS

As at 31 December 2020

PETROLEUM AND PRODUCT VESSELS (OWNED)							
Type	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**DWT**	**Flag**
DP2 Shuttle Tanker	10	Eagle Paraiba	2012	8.6	Samsung Heavy Industries	105,153	Malaysia
		Eagle Parana	2012	8.5	Samsung Heavy Industries	105,153	Malaysia
		Eagle Barents	2015	5.8	Samsung Heavy Industries	119,690	Bahamas
		Eagle Bergen	2015	5.7	Samsung Heavy Industries	120,657	Bahamas
		Eagle Blane	2020	0.9	Samsung Heavy Industries	128,427	NIS
		Eagle Balder	2020	0.8	Samsung Heavy Industries	128,442	NIS
		Eagle Petrolina	2020	0.6	Samsung Heavy Industries	153,227	Singapore
		Eagle Paulinia	2020	0.5	Samsung Heavy Industries	153,352	Singapore
		Eagle Paraiso	2020	0.3	Samsung Heavy Industries	153,265	Singapore
		Eagle Passos	2020	0.1	Samsung Heavy Industries	153,291	Singapore
Panamax	1	Bunga Kenanga	2000	20.5	Samsung Heavy Industries	73,096	Malaysia
LR2	2	Eagle Le Havre	2017	3.5	Hyundai Heavy Industries (Gunsan)	113,905	French
		Eagle Lyon	2017	3.4	Hyundai Heavy Industries (Gunsan)	113,808	Singapore
WORKBOATS (OWNED)							
Workboats	4	AET Innovator	2011	9.1	Leevac Industries, LLC	1,475	USA
		AET Excellence	2012	8.9	Leevac Industries, LLC	1,475	USA
		AET Partnership	2012	8.7	Leevac Industries, LLC	1,475	USA
		AET Responsibility	2012	8.4	Leevac Industries, LLC	1,475	USA
Total Owned	**59**					**8,291,585**	

PETROLEUM AND PRODUCT VESSELS (IN-CHARTERED)							
VLCC	2	Eagle Virginia	2002	18.9	Hyundai Heavy Industries	306,999	Singapore
		Eagle Vermont	2002	18.3	Hyundai Heavy Industries	299,999	Singapore
Aframax	2	Yasa Golden Marmara	2008	12.9	Mitsui Engineering & Shipbuilding Company Limited	110,769	Marshall Islands
		Yasa Golden Dardanelles	2008	12.5	Mitsui Engineering & Shipbuilding Company Limited	110,828	Marshall Islands
Chemical Products	4	Bunga Laurel	2010	10.7	Fukuoka Shipyard	19,992	Panama
		Bunga Lavender	2010	10	Fukuoka Shipyard	19,997	Panama
		Bunga Lilac	2011	9.7	Fukuoka Shipyard	19,992	Panama
		Bunga Lily	2011	9.4	Fukuoka Shipyard	19,991	Panama

LIST OF VESSELS AND ASSETS

As at 31 December 2020

PETROLEUM AND PRODUCT VESSELS (IN-CHARTERED)							
Type	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**DWT**	**Flag**
LR2 Clean Product	3	Dubai Harmony	2005	15.5	Samsung Heavy Industries	115,340	Liberia
		Dubai Hope	2005	15.6	Samsung Heavy Industries	115,340	Liberia
		Dubai Horizon	2006	15.0	Samsung Heavy Industries	115,341	Liberia
Workboats	3	Josephine K Miller	2009	11.2	Houma Shipyard	675	USA
		Annabelle Miller	2009	11.2	Master Boat Builders, Inc., Coden, AL	1,261	USA
		NS Loreto	2007	14.0	Maclaren IC Estaleiros e Servicos S.A.	1,557	USA
Total In-chartered	**14**					**1,258,081**	
JV							
Workboat	3	Els Maite	1975	46.0	Zigler Shipyard	1,023	Uruguay
		Olivia	2008	13.0	Candies Shipbuilders, LLC	1,227	Uruguay
		Didi K	2008	12.7	Guangzhou Hangtong Shipbuilding & Shipping Company Limited	1,371	Uruguay
Total JV owned	**3**					**3,621**	
TOTAL	**76**						

NEWBUILDINGS							
DP2 Shuttle Tanker		HN 2296*	2021		Samsung Heavy Industries	152,700	Singapore
DP2 Shuttle Tanker		HN 3195	2021		Hyundai Heavy Industries	153,000	TBC
DP2 Shuttle Tanker		HN 3196	2022		Hyundai Heavy Industries	153,000	TBC
DP2 Shuttle Tanker		HN 3197	2022		Hyundai Heavy Industries	153,000	TBC
DP2 Shuttle Tanker		HN 2375	2022		Samsung Heavy Industries	155,000	TBC
DP2 Shuttle Tanker		HN 2376	2022		Samsung Heavy Industries	155,000	TBC
DP2 Shuttle Tanker		HN 2377	2022		Samsung Heavy Industries	155,000	TBC
VLCC		HN 2388	2022		Samsung Heavy Industries	298,700	TBC
VLCC		HN 2389	2022		Samsung Heavy Industries	298,700	TBC
Total Newbuildings	**9**					**1,674,100**	

* HN 2296 (named as Eagle Pilar) was delivered to AET on 6 January 2021

LIST OF VESSELS AND ASSETS

As at 31 December 2020

OFFSHORE FLOATING PRODUCTION SYSTEMS						
Type	**Total**	**Facility**	**Built**	**Yard**	**Design Production Capacity (bpd)**	**Storage Capacity (bbls)**
Floating Production Storage and Offloading (FPSO)		FPSO Bunga Kertas	2004	Malaysia Marine and Heavy Engineering, Malaysia	30,000	619,000
		FPSO Kikeh*	2007	Malaysia Marine and Heavy Engineering, Malaysia	120,000	2,000,000
		FPSO Espirito Santo*	2009	Keppel Shipyard, Singapore	100,000	2,020,000
		FPSO Ruby II**	2010	Malaysia Marine and Heavy Engineering, Malaysia	39,000	745,000
		FPSO Cendor	2014	Malaysia Marine and Heavy Engineering, Malaysia	35,000	745,000
		MAMPU 1	2015	Malaysia Marine and Heavy Engineering, Malaysia	10,000	350,000
TOTAL	**6**				**334,000**	**6,479,000**
Floating Storage and Offloading (FSO)		FSO Puteri Dulang	1991	Mitsubishi Heavy Industries, Japan	–	873,847
		FSO Orkid**	2009	Malaysia Marine and Heavy Engineering, Malaysia	–	777,504
		FSO Benchamas 2	2018	Malaysia Marine and Heavy Engineering, Malaysia	–	650,000
		FSO Mekar Bergading	2018	Malaysia Marine and Heavy Engineering, Malaysia	–	710,100
		FSO Golden Star**	2020	Malaysia Marine and Heavy Engineering, Malaysia	–	793,566
TOTAL	**5**				**–**	**3,805,017**
Mobile Offshore Production Unit (MOPU)		MOPU SATU Contract expired	2010	Malaysia Marine and Heavy Engineering, Malaysia	20,000	–
		MOPU DUA Contract expired	2011	Malaysia Marine and Heavy Engineering, Malaysia	20,000	–
TOTAL	**2**				**40,000**	**–**
Semi-Submersible Floating Production System (Semi-FPS)		Gumusut Kakap	2013	Malaysia Marine and Heavy Engineering, Malaysia	150,000	–
TOTAL	**1**				**150,000**	**–**
TOTAL OFFSHORE FLOATING FACILITIES	**14**					

UNDER CONVERSION						
Floating Production Storage and Offloading (FPSO)	1	Mero 3 FPSO	TBC	Yantai CIMC Raffles Offshore Limited	180,000	1,400,000
TOTAL	**1**				**180,000**	**1,400,000**

* Jointly owned with SBM Offshore

** Jointly owned with Petroleum Technical Services Corporation (PTSC)

STATISTICS ON SHAREHOLDINGS

As at 24 February 2021

Total Number of Issued Shares	:	4,463,793,103*
Class of Share	:	Ordinary shares
Voting Right	:	One vote per ordinary share held

** Inclusive of 47,400 treasury shares*

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital#
Less than 100	826	9.64	8,007	0.00
100 - 1,000	2,554	29.82	1,634,607	0.04
1,001 - 10,000	3,487	40.71	13,611,400	0.30
10,001 - 100,000	1,012	11.82	34,234,555	0.77
100,001 to less than 5% of issued shares	683	7.97	1,439,135,123	32.24
5% and above of issued shares	3	0.04	2,975,122,011	66.65
Total	**8,565**	**100.00**	**4,463,745,703**	**100.00**

 # Excludes 47,400 ordinary shares bought back by the Company and held as treasury shares as at 24 February 2021

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

No.	Name of Directors	No. of Shares			
		Direct Interest	%	Indirect Interest	%
1	Datuk Abu Huraira Abu Yazid	–	–	–	–
2	Yee Yang Chien	–	–	–	–
3	Dato' K Sekhar S Krishnan	–	–	–	–
4	Dato' Ab. Halim Mohyiddin	–	–	–	–
5	Lim Beng Choon	–	–	–	–
6	Datuk Nasarudin Md Idris	–	–	–	–
7	Dato' Rozalila Abdul Rahman	–	–	–	–
8	Mohd Yusri Mohamed Yusof	–	–	–	–
9	Liza Mustapha	–	–	–	–
10	Datin Norazah Mohamed Razali	–	–	–	–
11	Mohammad Suhaimi Mohd Yasin	–	–	–	–

STATISTICS ON SHAREHOLDINGS

As at 24 February 2021

DIRECTORS' SHAREHOLDINGS IN RELATED CORPORATIONS

Malaysia Marine and Heavy Engineering Holdings Berhad

		No. of Shares			
No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Dato' Ab. Halim Mohyiddin	5,000	0.00	–	–
2	Datuk Nasarudin Md Idris	10,000	0.00	–	–

PETRONAS Gas Berhad

		No. of Shares			
No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Dato' Ab. Halim Mohyiddin	5,000	0.00	–	–
2	Datuk Nasarudin Md Idris	3,000	0.00	–	–

KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust

		No. of Stapled Securities			
No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Datuk Nasarudin Md Idris	5,000	0.00	–	–

PETRONAS Chemicals Group Berhad

		No. of Shares			
No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Dato' Ab. Halim Mohyiddin	5,000	0.00	5,000^	0.00
2	Datuk Nasarudin Md Idris	10,000	0.00	–	–
3	Mohd Yusri Mohamed Yusof	29,000	0.00	–	–
4	Mohammad Suhaimi Mohd Yasin	6,000	0.00	–	–

^ *Disclosure made pursuant to Section 59(11)(c) of the Companies Act 2016 in relation to interests held by his spouse*

SUBSTANTIAL SHAREHOLDERS

		No. of Shares			
No.	Name of Substantial Shareholders	Direct Interest	%#	Indirect Interest	%#
1	Petroliam Nasional Berhad	2,276,583,900	51.00	–	–
2	Employees Provident Fund Board	506,212,311	11.34	–	–
3	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	244,067,800	5.47	–	–

Excludes 47,400 ordinary shares bought back by the Company and held as treasury shares as at 24 February 2021

STATISTICS ON SHAREHOLDINGS

As at 24 February 2021

30 LARGEST SHAREHOLDERS AS AT 24 FEBRUARY 2021

No.	Name of Shareholders	No. of Shares	%#
1	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	2,276,583,900	51.00
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	454,470,311	10.18
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	244,067,800	5.47
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	203,199,400	4.55
5	STATE FINANCIAL SECRETARY SARAWAK	67,466,667	1.51
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (1)	57,000,000	1.28
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (464016811369)	51,891,800	1.16
8	PENANG DEVELOPMENT CORPORATION	50,800,000	1.14
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	35,612,600	0.80
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	33,207,960	0.74
11	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	30,427,600	0.68
12	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	29,868,200	0.67
13	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	25,447,000	0.57
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	25,030,100	0.56
15	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	24,175,020	0.54
16	PERTUBUHAN KESELAMATAN SOSIAL	22,902,600	0.51
17	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 - DIDIK	22,421,300	0.50
18	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	22,143,896	0.50
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	21,987,600	0.49
20	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	21,982,702	0.49

STATISTICS ON SHAREHOLDINGS

As at 24 February 2021

30 LARGEST SHAREHOLDERS AS AT 24 FEBRUARY 2021 (CONT'D.)

No.	Name of Shareholders	No. of Shares	%#
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	16,569,900	0.37
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR NORGES BANK (FI 17)	15,426,282	0.35
23	PERMODALAN NASIONAL BERHAD	15,304,400	0.34
24	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	14,975,400	0.34
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	13,900,360	0.31
26	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	12,862,140	0.29
27	HSBC NOMINEES (ASING) SDN BHD JPMBL SA FOR ROBECO CAPITAL GROWTH FUNDS	12,842,000	0.29
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMBDALI) (419455)	10,667,200	0.24
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	10,536,800	0.24
30	MINISTER OF FINANCE AKAUN JAMINAN PINJAMAN KERAJAAN PERSEKUTUAN	10,000,000	0.22
	TOTAL	**3,853,770,938**	**86.33**

Excludes 47,400 ordinary shares bought back by the Company and held as treasury shares as at 24 February 2021

LIST OF ABBREVIATIONS

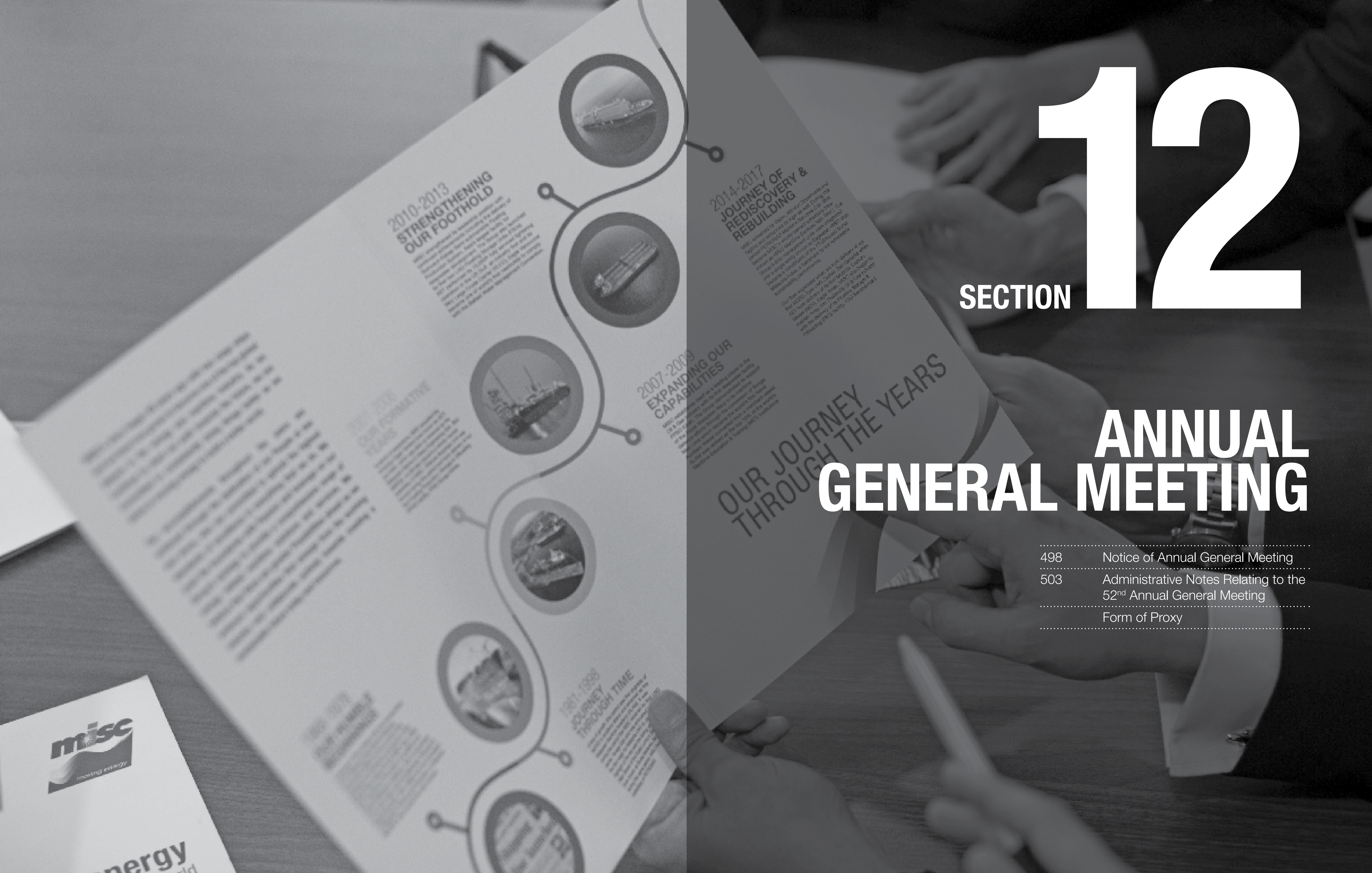
ABC	Anti-Bribery and Corruption
ABMS	Anti-Bribery Management System (ISO 37001:2016)
ACAs	Agreed Corrective Actions
AGM	Annual General Meeting
AIAP	Annual Internal Audit Plan
AIP	Approval In Principle
ALAM	Akademi Laut Malaysia
ALT	Asia LNG Transport Sdn. Bhd.
ALT 2	Asia LNG Transport Dua Sdn. Bhd.
API	American Petroleum Institute
Avenir	Avenir LNG Limited
AWO	Additional Work Orders
BAC	Board Audit Committee
BARC	Board Audit and Risk Committee
bbls	Barrels
BCM	Business Continuity Management
BCP	Business Continuity Planning
BGRC	Board Governance and Risk Committee
Board	The Board of Directors of MISC Berhad
bpd	Barrels per day
boe	Barrels of oil equivalent
Bursa Securities	Bursa Malaysia Securities Berhad
BWTS	Ballast Water Treatment System
CAPEX	Capital expenditure
cbm	Cubic metre
CDG	Corporate Disclosure Guidelines
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFP	PETRONAS Corporate Financial Policy
CG	Corporate governance
CGU	Cash generating unit
CM	Crisis Management
CMP	Crisis Management Plan
CoBE	Code of Conduct and Business Ethics
Company/Corporation	MISC Berhad
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CPA	Certified Public Accountant
CPP	Central processing platform
CPP-MRU	Central processing platform-mercury removal unit
CRPS	Cumulative redeemable preferences shares
CSA	Chamber of Shipping of America
CSR	Corporate Social Responsibility
DD3	Dry Dock 3
DGI	Diamond Gas International Pte. Ltd.
DLS6	Diamond LNG Shipping 6 Ltd.
DPST	Dynamic positioning shuttle tanker
DWT	Deadweight tonnage
ECL	Expected credit loss
EEDI	Energy Efficiency Design Index
EIR	Effective interest rate
EPC	Engineering, procurement and construction
EPCC	Engineering, procurement, construction and commissioning
EPCIC	Engineering, procurement, construction, installation and commissioning
EPCICODD	Engineering, procurement, construction, installation, commissioning, operations & maintenance, decommissioning and demobilisation
ERM	Enterprise risk management
ESG	Environmental, social and governance
EU	European Union
FCF	PETRONAS Financial Control Framework
FID	Final investment decision
FLNG	Floating liquefied natural gas
FPS	Floating production system
FPSO	Floating production, storage and offloading
FSO	Floating, storage and offloading
FSRU	Floating storage regasification unit
FSU	Floating storage unit
Future Horizon	Future Horizon (L) Pte. Ltd.
FVLCS	Fair value less costs of disposal

LIST OF ABBREVIATIONS

FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FY2019	Financial year ended 31 December 2019
FY2020	Financial year ended 31 December 2020
FY2021	Financial year ending 31 December 2021
GHG	Greenhouse gas
GHSSE	Group Health, Safety, Security and Environment
GIA	Group Internal Audit
GKL	Gumusut-Kakap Semi-Floating Production System (L) Limited
GMF	Global Maritime Forum
Group	MISC Berhad and its subsidiaries, associates and joint ventures
HR	Human Resource
HSE	Health, safety and environment
HSSE	Health, safety, security and environment
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
IFSSC	PETRONAS Integrated Financial Shared Services Centre
ILO	International Labour Organisation
IMO	International Maritime Organisation
INEDs	Independent Non-Executive Directors
IOT	Internet of things
IRS	Interest rate swaps
ISO	International Organization for Standardization
JDP	Joint Development Project
KAM	Key Audit Matters
KPI	Key performance indicator
KPOC	Kebabangan Petroleum Operating Company Sdn. Bhd.
KRI	Key risk indicator
KYC	Know Your Customer
L2P	LNG-to-power
LBV	LNG bunker vessel
LCSC	Legal, Corporate Secretarial and Compliance
LNG	Liquefied natural gas
LNGC	LNG carrier
LOA	Limits of authority
LTI	Lost time injury
LTIF	Lost time injury frequency
MACN	Maritime Anti-Corruption Network
MaMPU	Marginal Marine Production Unit
MASA	Malaysia Shipowners' Association
MC	Management Committee
MCO	Movement control order
MCCG 2017	Malaysian Code on Corporate Governance 2017
MCV	Modular capture vessel
MET	Maritime education and training
MFRS	Malaysian Financial Reporting Standards
MHB	Malaysia Marine & Heavy Engineering Holdings Berhad
MIA	Malaysian Institute of Accountants
MICPA	Malaysian Institute of Certified Public Accountants
MISC/MISC Group	MISC Berhad and its subsidiaries, associates and joint ventures
MMHE	Malaysia Marine & Heavy Engineering Sdn. Bhd.
MMLR	Main Market Listing Requirements
MMS	MISC Maritime Services Sdn. Bhd.
MOPU	Mobile offshore production unit
MRV	Monitoring, reporting and verification
MSOSH	Malaysian Society for Occupational Safety and Health
MVOT	Malaysia Vietnam Offshore Terminal (L) Limited
NEDs	Non-Executive Directors
NINEDs	Non-Independent Non-Executive Directors
NOCs	National oil companies

LIST OF ABBREVIATIONS

NOx	Nitrogen oxides
NRC	Nomination and Remuneration Committee
NYK	Nippon Yusen Kabushiki Kaisha
OCIMF	Oil Companies International Marine Forum
ODS	Ozone Depleting Substance
OPEC	Organization of the Petroleum Exporting Countries
OSH	Occupational safety and health
OSVIS	Offshore Support Vessel Inspection System
OVID	Offshore Vessel Inspection Database
P&I	Protection and indemnity
PCSB	PETRONAS Carigali Sdn. Bhd.
PDPA	Personal Data Protection Act
Petrobras	Petróleo Brasileiro S.A.
PETRONAS	Petroliam Nasional Berhad
PETRONAS Group	PETRONAS and its subsidiaries
PPE	Property, plant and equipment
PRA	Project Risk Assessment
PRM	PETRONAS Resiliency Model
PRT	Pandemic Response Team
PSC	Port State Control
RM	Ringgit Malaysia
RMC	Risk Management Committee
ROACE	Return on average capital employed
RPT	Related party transaction
RRPT	Recurrent related party transaction
SICDA	Securities Industry (Central Depositories) Act 1991
SIRE	Ship Inspection Report
SOP	Standard operating procedure
SORMIC	Statement on Risk Management and Internal Control
SOx	Sulphur oxides
SRA	Social Risk Assessment
SSPC	Sabah Shell Petroleum Limited
STCW	Standards of Training, Certification and Watchkeeping
TBC	To be confirmed
TCFD	Task Force on Climate-related Financial Disclosures
TCP	Time Charter Party
TMS	Talent Management System
TOR	Terms of reference
TRCF	Total recordable case frequency
UCUA	Unsafe Condition Unsafe Act
UNSDG	United Nation's Sustainable Development Goals
USD	United States Dollar
VIS	Vessel Inspection System
VIU	Value-in-use
VLCC	Very large crude carrier
VLEC	Very large ethane carrier
WBC	Whistleblowing Committee
WFH	Work from home



SECTION 12

ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifty-Second Annual General Meeting ("52nd AGM") of MISC Berhad ("MISC" or "the Company") will be held fully virtual and entirely via Remote Participation and Electronic Voting ("RPEV") facilities at the Broadcast Venue located at Conference Room 2, Level 17, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Malaysia on Wednesday, 21 April 2021 at 10.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who retire pursuant to Rule 21.7 of the Company's Constitution and, being eligible, offer themselves for re-election:

(i)	Datuk Abu Huraira Abu Yazid	**Ordinary Resolution 1**
(ii)	Datin Norazah Mohamed Razali	**Ordinary Resolution 2**
(iii)	Encik Mohammad Suhaimi Mohd Yasin	**Ordinary Resolution 3**

3. To re-elect the following Directors who retire by rotation pursuant to Rule 21.8 of the Company's Constitution and, being eligible, offer themselves for re-election:

(i)	Dato' Ab. Halim Mohyiddin	**Ordinary Resolution 4**
(ii)	Dato' Rozalila Abdul Rahman	**Ordinary Resolution 5**
(iii)	Mr. Lim Beng Choon	**Ordinary Resolution 6**

4. To approve the payment of Directors' fees (inclusive of benefits-in-kind) up to an amount of RM2,280,000.00 from 22 April 2021 until the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 7**

5. To re-appoint Ernst & Young PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

As Special Business

To consider and, if thought fit, to pass the following resolution, with or without modifications:

6. **Proposed renewal of authority for MISC to purchase its own shares of up to 10% of its prevailing total number of issued shares at any time ("Proposed Share Buy-Back Renewal")** **Ordinary Resolution 9**

"THAT subject to compliance with the Companies Act, 2016 ("Act"), MISC's Constitution, and all prevailing laws, rules, regulations, orders, guidelines and requirements which may be applicable from time to time by Bursa Malaysia Securities Berhad ("Bursa Securities") and/or any other relevant regulatory authority, approval and authority be and are hereby given to the Directors of the Company, to the extent permitted by law, to purchase such number of ordinary shares in MISC ("MISC Shares") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the best interest of the Company, provided that the maximum aggregate number of MISC Shares which may be purchased and/or held by the Company shall not exceed 10% of its prevailing total number of issued shares at any time, and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the amount of the retained earnings of the Company for the time being;

THAT the Directors be and are hereby authorised to deal with the MISC Shares so purchased, at their discretion, in the following manner:

(i) cancel the MISC Shares so purchased; or

(ii) retain the MISC Shares so purchased as treasury shares which may be dealt with in accordance with Section 127(7) of the Act; or

(iii) retain part of the MISC Shares so purchased as treasury shares and cancel the remainder of the MISC Shares,

or in any other manner as may be prescribed by the Act, all applicable laws, regulations and guidelines applied from time to time by Bursa Securities and/or any other relevant authority for the time being in force and that the authority to deal with the purchased MISC Shares shall continue to be valid until all the purchased MISC Shares have been dealt with by the Directors of the Company;

THAT the authority conferred by this resolution shall be effective immediately upon the passing of this resolution and shall continue to be in force until the earlier of:

(i) the conclusion of the Fifty-Third Annual General Meeting of MISC ("53rd AGM"); or

(ii) the expiration of the period within which the 53rd AGM is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of MISC in a general meeting.

AND THAT the Directors of the Company be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its own shares."

7. To transact any other business for which due notice has been given.

By Order of the Board

Ausmal Kardin (LS 0009383) (SSM PC No. 201908001749)
Noridah Khamis (LS 0010240) (SSM PC No. 201908001731)
Company Secretaries
23 March 2021
Kuala Lumpur

/// Annual General Meeting / Additional Information / Financial Statements / Governance / Leadership ///////
MISC Berhad / Integrated Annual Report 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Ordinary Business

1. **Audited Financial Statements for the financial year ended 31 December 2020**
   This Agenda item is meant for discussion only as Section 340(1) of the Companies Act, 2016 does not require the Audited Financial Statements to be formally approved by the shareholders. As such, this Agenda item is not put forward for voting.

2. **Re-election of Directors who retire pursuant to Rule 21.7 of the Company's Constitution**
   Rule 21.7 provides that a Director appointed in addition to the existing Directors or to fill a casual vacancy, shall hold office until the next following Annual General Meeting of the Company when he/she shall retire and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

   The Board has endorsed the Nomination and Remuneration Committee's recommendation that the Directors who retire in accordance with Rule 21.7 of the Company's Constitution are eligible to stand for re-election. The profiles of the retiring Directors are set out in the Profiles of Board of Directors on pages 241 to 251 (inclusive) of the Company's Integrated Annual Report 2020.

3. **Re-election of Directors who retire by rotation pursuant to Rule 21.8 of the Company's Constitution**
   Rule 21.8 provides that one-third of the Directors of the Company for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third, shall retire from office and that each Director shall retire at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the Annual General Meeting at which he/she retires. The Directors to retire at such Annual General Meeting shall be the Directors who have been longest in office and the length of time a Director has been in office shall be computed from his/her last appointment or election.

   The Board has endorsed the Nomination and Remuneration Committee's recommendation that the Directors who retire in accordance with Rule 21.8 of the Company's Constitution are eligible to stand for re-election. The profiles of the retiring Directors are set out in the Profiles of Board of Directors on pages 241 to 251 (inclusive) of the Company's Integrated Annual Report 2020.

   Subject to the passing of the Ordinary Resolution 6 and taking cognizance of MISC's Board Charter on the maximum tenure of Independent Non-Executive Directors of up to nine (9) years, Mr. Lim Beng Choon has expressed his intention to retire in due course upon his tenure of service reaches a cumulative term of nine (9) years.

4. **Payment of Directors' Fees (inclusive of Benefits-in-kind)**
   Pursuant to Section 230(1) of the Companies Act 2016, the shareholders' approval is sought for the proposed payment of Directors' fees (inclusive of Benefits-in-kind) to the Non-Executive Directors ("NEDs") for the period from 22 April 2021 until the conclusion of the next Annual General Meeting of the Company which is estimated to be RM2,280,000.00. The calculation is based on the estimated number of scheduled and/or Special Board and Board Committees' Meetings from 22 April 2021, being the day after the 52nd AGM until the conclusion of the next Annual General Meeting and on the assumption that all NEDs will remain in office until the next Annual General Meeting with one (1) new Independent NED assumed to be appointed after Mr. Lim Beng Choon retires in due course. The resolution is to facilitate payments of the Directors' Fees (inclusive of Benefits-in-kind) for the financial year 2021/2022.

   The Board will seek shareholders' approval at the next Annual General Meeting in the event the proposed Directors' Fees (inclusive of Benefits-in-kind) is insufficient.

   Please refer to pages 260 to 274 of the Corporate Governance Overview Statement in the Company's Integrated Annual Report 2020 for details of the Directors' Fees and Benefits-in-kind for the financial year ended 31 December 2020.

Explanatory Notes on Special Business

1. **Proposed Share Buy-Back Renewal**
   Ordinary Resolution 9, as proposed under item 6, if passed, will renew the authority granted by the shareholders at the last Annual General Meeting. The renewed authority will allow the Company to purchase its own shares of up to 10% of its prevailing total number of issued shares at any time. The renewed authority, unless revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting, will expire at the conclusion of the 53rd AGM of the Company or the expiration of the period within which the 53rd AGM is required by law to be held, whichever occurs first.

   Further information on the Proposed Share Buy-Back Renewal is set out in the statement dated 23 March 2021.

Notes:

1. Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327 (2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue of the AGM and in accordance with Rule 18.14 of the Company's Constitution which allows a general meeting to be held at more than one venue, using any technology or method that enables the members of the Company to participate and to exercise the members' right to speak and vote at the general meeting. As **NO SHAREHOLDERS/PROXIES/CORPORATE REPRESENTATIVES** should be physically present at or admitted to the Broadcast Venue on the day of the AGM, all members are urged to attend the 52nd AGM remotely via meeting platform https://web.lumiagm.com. For further information on the "Remote Participation and Electronic Voting ("RPEV")", kindly refer to the Administrative Notes relating to the 52nd AGM.

2. Only depositors whose names appear in the Record of Depositors as at 14 April 2021 shall be entitled to attend, speak and vote at the meeting.

3. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, participate, speak and vote at the meeting.

4. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy.

5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

7. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.

NOTICE OF ANNUAL GENERAL MEETING

8. The Form of Proxy must be signed by the appointer of the proxy, or his attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

9. The completed Form of Proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at G Floor or 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, **not less than forty-eight (48) hours** before the time appointed for the holding of the 52nd AGM, or in the event the 52nd AGM is adjourned, not less than twenty-four (24) hours before the time appointed for the taking of the poll at the adjourned 52nd AGM.

   Alternatively, the proxy appointment can also be lodged electronically via "Boardroom Smart Investor Portal" at https://boardroomlimited.my before the Form of Proxy submission cut-off time as mentioned above. For further information on the "Electronic Lodgement of Form of Proxy", kindly refer to note 16 of the Administrative Notes relating to the 52nd AGM.

10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 52nd AGM will be put to vote by poll.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADMINISTRATIVE NOTES RELATING TO THE 52ND ANNUAL GENERAL MEETING

misc moving energy

Registration No. 196801000580 (8178-H)
(Incorporated in Malaysia)

As part of the safety measures to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of shareholders of MISC Berhad ("the Company" or "MISC"), the Board of Directors of MISC ("Board") has decided that the 52nd Annual General Meeting ("52nd AGM") of MISC shall be held fully virtual and entirely via Remote Participation and Electronic Voting ("RPEV") facilities on the date, time and at the Broadcast Venue, as follows:

Date	:	Wednesday, 21 April 2021
Time	:	10.00 a.m.
Broadcast Venue	:	MISC Berhad Conference Room 2 Level 17, Menara Dayabumi Jalan Sultan Hishamuddin 50050 Kuala Lumpur Malaysia
Meeting Platform	:	https://web.lumiagm.com
Mode of Communication	:	1) Type text in the meeting platform. The Messaging window facility will be opened concurrently with the Virtual Meeting Portal, i.e. one (1) hour before the AGM, which is from **9.00 a.m. on Wednesday, 21 April 2021**. 2) Email questions in advance to MISC Investor Relations at investor.relations@miscbhd.com in relation to the agenda items for 52nd AGM, commencing from 23 March 2021 and in any event no later than **Monday, 19 April 2021 at 10.00 a.m**. For further details on mode of communication, please refer to note 11 of this Administrative Notes.

Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue of the AGM and in accordance with Rule 18.14 of the Company's Constitution which allows a general meeting to be held at more than one venue, using any technology or method that enables the members of the Company to participate and to exercise the members' right to speak and vote at the general meeting. As **NO SHAREHOLDERS/PROXIES/CORPORATE REPRESENTATIVES** should be physically present at or admitted to the Broadcast Venue on the day of the AGM, all members are urged to attend the 52nd AGM remotely via meeting platform https://web.lumiagm.com.

ADMINISTRATIVE NOTES RELATING TO THE 52ND ANNUAL GENERAL MEETING

VOTING PROCEDURE

Poll Voting

1. The voting at the 52nd AGM will be conducted by poll in accordance with Paragraph 8.29A of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

2. MISC has appointed Boardroom Share Registrars Sdn. Bhd. ("Boardroom") as Poll Administrator to conduct the poll by way of electronic voting ("e-Voting") and SKY Corporate Services Sdn Bhd as Scrutineers to verify the poll results.

3. For the purposes of this AGM, e-Voting will be carried out via personal smart mobile phones, tablets, personal computers or laptops.

4. Members and proxies are required to use one (1) of the following methods to vote remotely:

   (i) launch **Lumi AGM** by scanning the QR code given to you in the email along with your remote participation User ID and Password; or

   (ii) access to **Lumi AGM** via website URL https://web.lumiagm.com/.

5. Please note that polling will only commence after announcement of poll open by the Chairman and until such time when the Chairman announces the closure of poll.

6. Upon closing of the poll session by the Chairman, the Scrutineers will verify the poll result reports and thereafter announce the results, followed by the Chairman's declaration whether the resolutions put to vote are duly passed.

7. You must ensure that you are connected to the internet at all times in order to participate and vote remotely when the 52nd AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the AGM is maintained. Kindly note that the quality of the connectivity to Virtual Meeting Portal for live webcast as well as for remote online voting is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.

Remote Participation and Electronic Voting ("RPEV")

8. Please note that the RPEV facilities is available to **(i) individual members; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees**.

9. If you wish to participate in the meeting, you will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.

ADMINISTRATIVE NOTES RELATING TO THE 52ND ANNUAL GENERAL MEETING

10. Kindly follow the steps below on how to request for login ID and password.

Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only)

[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 – Submit Request for Remote Participation User ID and Password.]

a. Access website https://boardroomlimited.my
b. Click <<**Login**>> and click <<**Register**>> to sign up as a user.
c. Complete registration and upload softcopy of MyKad (front and back) or Passport in JPEG or PNG format.
d. Please enter a valid email address and wait for email verification from Boardroom.
e. Your registration will be verified and approved within one (1) business day and email notification will be provided to you.

Step 2 – Submit Request for Remote Participation User ID and Password

[Note: The registration for remote access will be opened on 23 March 2021]

Individual Members

- Login to https://boardroomlimited.my using your User ID and Password given above.
- Select "**VIRTUAL MEETING**" from main menu and select the correct Corporate Event "**MISC BERHAD FIFTY-SECOND (52nd) VIRTUAL ANNUAL GENERAL MEETING**".
- Read and agree to the terms & conditions.
- Enter your CDS Account Number and thereafter submit your request.

Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees

- Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.
- Please provide a copy of the Corporate Representative's or Proxy Holder's MyKad (front and back) or Passport in JPEG or PNG format as well as his/her email address.

a. You will receive a notification from Boardroom that your request has been received and is being verified.
b. Upon system verification of your registration against the **AGM's Record of Depositors as at 14 April 2021**, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
c. You will also receive your remote access User ID and Password along with the email from Boardroom if your registration is approved.
d. Please note that the closing date and time to submit your request is by **Monday, 19 April 2021 at 10.00 a.m.**

Step 3 – Login to Virtual Meeting Portal

[Note: Please note that the quality of the connectivity to Virtual Meeting Portal for live webcast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

a. The Virtual Meeting Portal will be opened for login starting one (1) hour before the commencement of AGM, which is from **9.00 a.m. on Wednesday, 21 April 2021**.
b. Please follow the steps given to you in the email along with your remote access User ID and Password to login to the Virtual Meeting Portal *(Refer to Step 2(c) above)*.
c. The steps given will also guide you on how to view live webcast, ask questions and vote.
d. The live webcast will end and the Messaging window (for asking questions) will be disabled once the Chairman announces the closure of the AGM.
e. You can then logout from the Virtual Meeting Portal.

ADMINISTRATIVE NOTES RELATING TO THE 52ND ANNUAL GENERAL MEETING

MODE OF COMMUNICATION

11. You may email your questions in advance in relation to the agenda items for 52nd AGM to MISC Investor Relations at investor.relations@miscbhd.com commencing from 23 March 2021. The collection of questions will be closed at the same time as the proxy submission i.e. no later than **Monday, 19 April 2021 at 10.00 a.m**.

    If you have any question for the Chairman/Board during the AGM, you may submit your question using the Messaging window facility which will be opened concurrently with the Virtual Meeting Portal, i.e. one (1) hour before the AGM, which is from **9.00 a.m. on Wednesday, 21 April 2021**.

    The Chairman/Board will endeavor to respond to relevant questions during the Questions and Answers Session at the AGM. If there is time constraint, the responses to relevant questions will be published on the Company's website at the earliest possible, after the AGM.

PROXY

12. Members who are unable to participate remotely in the AGM are encouraged to appoint the Chairman of the Meeting or their proxy to vote on their behalf.

LODGEMENT OF FORM OF PROXY

13. Please deposit your completed Form of Proxy at the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at **G Floor or 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia**, not less than forty-eight (48) hours before the time appointed for the holding of the 52nd AGM, i.e. latest by **Monday, 19 April 2021 at 10.00 a.m**.

14. Alternatively, the proxy appointment can also be lodged electronically via "Boardroom Smart Investor Portal" at https://boardroomlimited.my not less than forty-eight (48) hours before the time appointed for the holding of the 52nd AGM, i.e. latest by **Monday, 19 April 2021 at 10.00 a.m**. For further information, kindly refer to the "Electronic Lodgement of Form of Proxy" below.

15. The lodging of the Form of Proxy will not preclude you from personally participating remotely and voting at the 52nd AGM should you subsequently wish to do so.

    Should you wish to personally participate remotely in the AGM, kindly register your intention to participate remotely via Boardroom's website at https://boardroomlimited.my *(Refer to note 10 - Steps 1 to 3 above)*. Please note that upon your registration to personally participate remotely in the AGM, your earlier proxy appointment will be deemed revoked. Alternatively, please write in to bsr.helpdesk@boardroomlimited.com to revoke your earlier proxy appointment no later than **Tuesday, 20 April 2021 at 10.00 a.m**.

ADMINISTRATIVE NOTES RELATING TO THE 52ND ANNUAL GENERAL MEETING

Electronic Lodgement of Form of Proxy

16. Kindly read and follow the guidelines below.

Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only) *[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 – eProxy Lodgement.]* a. Access website https://boardroomlimited.my b. Click <<**Login**>> and click <<**Register**>> to sign up as a user. c. Complete registration and upload softcopy of MyKad (front and back) or Passport in JPEG or PNG format. d. Please enter a valid email address and wait for email verification from Boardroom. e. Your registration will be verified and approved within one (1) business day and email notification will be provided to you.
Step 2 – eProxy Lodgement a. Access website https://boardroomlimited.my b. Login with your User ID and Password given above. c. Go to "**E-PROXY LODGEMENT**" and browse the Meeting List for "**MISC BERHAD FIFTY-SECOND (52nd) VIRTUAL ANNUAL GENERAL MEETING**" and click "**APPLY**". d. Read the terms & conditions and confirm the Declaration. e. Enter your CDS Account Number and indicate the number of securities. f. Appoint your proxy(ies) or the Chairman of the Meeting and enter the required particulars for your proxy(ies). g. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your votes. h. Review and confirm your proxy(ies) appointment. i. Click submit. j. Download or print the eProxy Form acknowledgement.

INTEGRATED ANNUAL REPORT 2020 AND CORPORATE GOVERNANCE REPORT

17. The MISC Integrated Annual Report 2020 and Corporate Governance Report are available on Bursa Malaysia Berhad's website at www.bursamalaysia.com under Company Announcements of MISC Berhad and also at MISC Berhad's website at www.misc.com.my/investor-relations.

18. Collection of the printed copies of the MISC Integrated Annual Report 2020 during the 52nd AGM is not available as the AGM will be held fully virtual and entirely via RPEV facilities. Printed copies of the MISC Integrated Annual Report 2020 are available by way of your requisition by completing the Requisition Form and returning the completed Requisition Form to the designated address.

ENQUIRY

19. Should you have any enquiry prior to the AGM or if you wish to request for technical assistance to participate the AGM, please contact Boardroom team during office hours (8.30 a.m. to 5.30 p.m.):

    Boardroom Share Registrars Sdn. Bhd.
    Simon Chin Sie Koon / Mohd Syauqi Malakan
    Tel: +603 7890 4700
    Email: bsr.helpdesk@boardroomlimited.com

ADMINISTRATIVE NOTES RELATING TO THE 52ND ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Form of Proxy

Registration No. 196801000580 (8178-H)
(Incorporated in Malaysia)

CDS Account No. :	No. of Shares Held:

I/We ______________________________ (Full name in block letters)

NRIC/Passport/Company No. : ______________ of ______________________________

______________________________ (Full address)

being a member/members of **MISC BERHAD**, do hereby appoint ______________________________

______________________________ (Full name in block letters as per identity card/passport)

NRIC/Passport No. : ______________ of ______________________________

______________________________ (Full address)

______________ (Contact No.) ______________ (Email address)

and/or failing him/her ______________________________

______________________________ (Full name in block letters as per identity card/passport)

NRIC/Passport No. : ______________ of ______________________________

______________________________ (Full address)

______________ (Contact No.) ______________ (Email address)

and failing the abovenamed proxies, the Chairman of the Meeting, *as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Fifty-Second Annual General Meeting ("52nd AGM") of the Company to be held fully virtual and entirely via Remote Participation and Electronic Voting ("RPEV") facilities at the Broadcast Venue located at Conference Room 2, Level 17, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Malaysia on Wednesday, 21 April 2021 at 10.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

RESOLUTIONS	NO.	FOR	AGAINST
Re-election of Datuk Abu Huraira Abu Yazid as Director pursuant to Rule 21.7 of the Company's Constitution.	Ordinary Resolution 1		
Re-election of Datin Norazah Mohamed Razali as Director pursuant to Rule 21.7 of the Company's Constitution.	Ordinary Resolution 2		
Re-election of Encik Mohammad Suhaimi Mohd Yasin as Director pursuant to Rule 21.7 of the Company's Constitution.	Ordinary Resolution 3		
Re-election of Dato' Ab. Halim Mohyiddin as Director pursuant to Rule 21.8 of the Company's Constitution.	Ordinary Resolution 4		
Re-election of Dato' Rozalila Abdul Rahman as Director pursuant to Rule 21.8 of the Company's Constitution.	Ordinary Resolution 5		
Re-election of Mr. Lim Beng Choon as Director pursuant to Rule 21.8 of the Company's Constitution.	Ordinary Resolution 6		
To approve the payment of Directors' fees (inclusive of benefits-in-kind) up to an amount of RM2,280,000.00 from 22 April 2021 until the conclusion of the next Annual General Meeting of the Company.	Ordinary Resolution 7		
Re-appointment of Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 8		
Proposed Share Buy-Back Renewal.	Ordinary Resolution 9		

Please indicate with an "X" in the space whether you wish your votes to be cast for or against the resolutions. In the absence of such specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this _____ day of ____________ 2021

The proportions of my/our shareholding to be represented by my/our proxies are as follows :

	No. of shares	Percentage
First Proxy		
Second Proxy		
Total		100%

____
Signature(s)/Common Seal of Member(s)

Contact No.: ______________

Email address: ______________

Notes:

1. Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327 (2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue of the AGM and in accordance with Rule 18.14 of the Company's Constitution which allows a general meeting to be held at more than one venue, using any technology or method that enables the members of the Company to participate and to exercise the members' right to speak and vote at the general meeting. As **NO SHAREHOLDERS/PROXIES/CORPORATE REPRESENTATIVES** should be physically present at or admitted to the Broadcast Venue on the day of the AGM, all members are urged to attend the 52nd AGM remotely via meeting platform https://web.lumiagm.com. For further information on the "Remote Participation and Electronic Voting ("RPEV")", kindly refer to the Administrative Notes relating to the 52nd AGM.

2. Only depositors whose names appear in the Record of Depositors as at 14 April 2021 shall be entitled to attend, speak and vote at the meeting.

3. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, participate, speak and vote at the meeting.

4. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy.

5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

7. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.

8. The Form of Proxy must be signed by the appointer of the proxy, or his attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

9. The completed Form of Proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at G Floor or 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, **not less than forty-eight (48) hours** before the time appointed for the holding of the 52nd AGM, or in the event the 52nd AGM is adjourned, not less than twenty-four (24) hours before the time appointed for the taking of the poll at the adjourned 52nd AGM.

   Alternatively, the proxy appointment can also be lodged electronically via "Boardroom Smart Investor Portal" at https://boardroomlimited.my before the Form of Proxy submission cut-off time as mentioned above. For further information on the "Electronic Lodgement of Form of Proxy", kindly refer to note 16 of the Administrative Notes relating to the 52nd AGM.

10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 52nd AGM will be put to vote by poll.

MISC Berhad

Annual General Meeting
21 April 2021

STAMP

Boardroom Share Registrars Sdn. Bhd.
G Floor or 11th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
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