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CHAIRMAN'S MESSAGE



**DATUK ABU HURAIRA
ABU YAZID**
CHAIRMAN

DEAR VALUED SHAREHOLDERS

On behalf of the Board of Directors (Board), 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 2021 (FY2021). Marking my first full year as the Chairman, I have had the privilege of working closely with my colleagues on the Board to uphold our stewardship of MISC's value creation journey as we pursue our aspiration of moving energy to build a better world.

CHALLENGING OPERATING ENVIRONMENT

2021 has been shaped by the challenges of going through a second year of the COVID-19 pandemic. Concerted national vaccination drives formed the main thrust of attempts to bring about an end to the pandemic. However, new virus variants caused further waves of infections which led to cycles of relaxation and reimposition of restrictions. Continued mobility restrictions and supply chain disruptions constrained oil demand as well as global industrial activities.

There was heightened global attention on climate change and a focus on the decarbonisation agenda. Rising expectations on this front made it imperative for organisations to rethink their future role in a net-zero economy. I am happy to share that MISC has been able to effectively manage both the shorter-term challenges of the pandemic to ensure its business continuity and stability, whilst at the same time focusing on the longer-term trends influencing the Group's business environment, to redefine the Group's direction as the world evolves towards a decarbonised future.



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OUR FINANCIAL PERFORMANCE

Despite facing another challenging year, MISC's financial performance and financial position have remained strong. The Group's strategy of focusing on long-term time charters has largely insulated us from the market volatility. In 2021, MISC's revenue increased by 13.5% to RM10,671.7 million. The Group recorded a profit before tax of RM1,774.6 million in 2021 compared to a loss before tax of RM123.6 million in 2020, as 2020's results included a one-off impact due to the unfavourable decision in relation to the Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL) arbitration.

The Group's financial position remained robust, with low gearing ratios and stable credit ratings. Our cash balance remains healthy at RM7,952.3 million, supported by the recurring cash flow generated from the Group's portfolio of long-term contracts.

CREATING VALUE FOR SHAREHOLDERS AND STAKEHOLDERS

For FY2021, the Board has declared a total dividend of 33.0 sen per share, maintaining a consistent level of dividend payout for the third year running. This is in accordance with our commitment to provide sustainable dividends to our shareholders. Despite the evolving challenges impacting the industry landscape, we continued to uphold the high standards of operational excellence in our services to our customers. The Group also stepped up on initiatives throughout its value chain of business partners and suppliers to ensure they practise the same high standards of integrity and ethics as MISC. As part of continuing efforts to safeguard the safety, health and well-being of our workforce, we implemented the COVID-19 Vaccination Programme to facilitate the vaccination of employees and their dependents. By the end of 2021, 99% of onshore employees and 90% of seafarers were fully vaccinated.

The Group has maintained its social stewardship by continuing the ALAM Cadet Sponsorship programme, whereby more than RM21.71 million has been spent towards providing maritime education and training for youths to ensure a sustainable talent pipeline for the maritime industry. Our ongoing Heart of the Ocean Programme includes the Mersing Islands Reef Conservation Initiative and the UMT-MMS Sea Turtle Conservation Initiative. This programme, implemented under the Biodiversity Conservation initiative of the MISC Sustainability Strategy, includes capacity building to improve sustainable tourism and elevate the socio-economic status of local communities. As a responsible corporate citizen, the Group has contributed RM268,750 through the MISC Disaster Fund to help with disaster recovery efforts in the wake of the disastrous floods that affected Malaysians in December 2021 as well as our continued support towards those affected by the pandemic.

KEY MESSAGES

CHAIRMAN'S MESSAGE



In December 2021, the Board approved the MISC 2050 long-range strategy which will guide the Group as we navigate towards a sustainable future come 2050 by diversifying into new business areas that address the issues of climate change and energy transition, namely the opportunity pillars of Renewable Energy and Waste-to-Value. In addition to this, and in line with its net-zero commitment to decarbonise the business, the Board has approved MISC's mid-term target of 50% greenhouse gas (GHG) intensity reduction by 2030 compared to a base year of 2008 for our shipping operations, and a longer-term commitment of net-zero GHG emissions by 2050.



ADDRESSING CLIMATE CHANGE AND LONG-TERM SUSTAINABILITY IN AN INTEGRATED MANNER

Acknowledging the threat of climate change, we are cognisant that maintaining the status quo is not an option, and the Group will have to transform its business model to remain resilient in the net-zero and circular economy of 2050. In December 2021, the Board approved the MISC 2050 long-range strategy which will guide the Group as we navigate towards a sustainable future come 2050 by diversifying into new business areas that address the issues of climate change and energy transition, namely the opportunity pillars of Renewable Energy and Waste-to-Value. In addition to this, and in line with its net-zero commitment to decarbonise the business, the Board has approved MISC's mid-term target of 50% greenhouse gas (GHG) intensity reduction by 2030 compared to the base year of 2008 for our shipping operations, and a longer-term commitment of net-zero GHG emissions by 2050. These developments reinforce the Group's approach of integrating sustainability considerations in its strategies, action plans and risk management.

ENHANCING OUR GOVERNANCE

In 2021, MISC deepened its risk governance focus through the inception of the Board Governance and Risk Committee (BGRC) by segregating the roles and responsibilities of the previous Board Audit and Risk Committee (BARC), which is now known as the Board Audit Committee (BAC). The decoupling of focus areas with separate committees has given Board members greater focus on project risk management, and other prevailing and emerging risks.

The Group adopted several recommendations of the Malaysian Code on Corporate Governance (MCCG) 2021 which further enhanced its corporate governance practices. Besides the inclusion of climate change action as part of the sustainability considerations the Board takes into account, MISC has stepped up on our Board diversity and inclusivity by bringing on board new members. Effective 1 January 2022, four out of 12 members consist of women, thus boosting female representation on the Board beyond the 30% threshold recommended by MCCG 2021.

UNSWERVING COMMITMENT TO ROBUST GOVERNANCE

During the year, MISC continued to augment the Board's composition by appointing new members who will bring their extensive knowledge, wisdom and experience to the Group. We bade farewell to Mr. Lim Beng Choon, who retired on 15 August 2021 after serving as an Independent Non-Executive Director (INED) for nine years. On behalf of MISC, I thank Beng Choon for his dedication and commitment in helping the Group pursue its value creation objectives. In his place, I welcome Mr. Chew Liong Kim, who was appointed as INED on 1 September 2021. We look forward to working closely with him, to gain from his fresh perspective and insight.

We also welcomed YM Dato' Tengku Marina binti Tunku Annuar as an INED on 1 January 2022. I am confident that Dato' Tengku Marina's extensive international experience and credentials will further augment the Board's ability to steer MISC on a path of sustainable growth. Changes were made within MISC's Board Committees, with the 1 January 2022 appointment of both Mr. Chew Liong Kim as a BAC Member and Datin Norazah binti Mohamed Razali as a Nomination and Remuneration Committee (NRC) Member, and we look forward to their contributions on this front.

DRIVING OUR TALENT AGENDA

Succession planning is an important agenda for MISC to ensure the strength of its leadership team and the availability of a ready pool of talent to drive its business ambitions. As the result of its robust succession planning programme and Leadership and Functional Competency Framework, MISC has developed a strong leadership bench possessing the required skills and competencies to execute its strategic priorities.

While the maritime sector is predominantly a male-dominated industry, MISC is committed to promoting and appointing women who possess the right calibre and skills in line with its dedicated pursuit of talent excellence, as demonstrated by the appointment of its first female Vice President of Human Resource Management, Puan Shariza binti Mohd Jaafar in 2021. MISC has also groomed Malaysia's first female Master Mariner, Captain Eezmaira Sazzea binti Shaharuzzaman, who started as a cadet with ALAM and in 2021 was appointed by Eaglestar to command the LNG carrier *Seri Bijaksana*.

INTERNATIONAL VALIDATIONS AND AWARDS

In acknowledgement of MISC's commitment to sustainability, the Group has received recognitions on several fronts for its industry-leading standards. 2021 marked the year of MISC's inaugural inclusion on the Dow Jones Sustainability Emerging Markets Index as global recognition of our ESG performance and leadership. Further reinforcing its ability to integrate sustainability into its operations and business practices, MISC was declared the Winner of the Waste Productivity & Materiality, Climate-Change & Emissions, and Land Use & Biodiversity categories at the Sustainable Business Awards (SBA) 2020/2021, where it also obtained the Significant Achievement award recognition for Stakeholder Management.

LOOKING AHEAD

The Board is committed to steering MISC towards a sustainable future that will create further value for shareholders and stakeholders. We will continue to maintain diligent oversight on all areas that are critical to ensure MISC's long-term business sustainability, and look forward to the Group's journey ahead as it reinvents itself to become a vital part of the circular economy of 2050.

IN APPRECIATION

Undoubtedly MISC's ability to weather the impacts of another challenging year was only possible with the continuing support of all our stakeholders. On behalf of the Group, I would like to extend our deepest appreciation to our shareholders, customers, business partners and financiers for their sustained support. The local and international authorities the Group has worked with have been critical in enabling business continuity, and we are indebted to them for their collaborations and support.

To all MISC employees, the Board members and I wish to thank you from the bottom of our hearts for demonstrating resilience and commitment through the challenges of the year and coming through on the organisation's goals. As for my fellow colleagues on the Board, I would like to extend my personal and sincere gratitude for devoting your time to share your valuable perspectives towards generating continuous growth for the Group.

We are confident that the spirit of collaboration we have fostered within the Group as well as with all our stakeholders will help us overcome future challenges in our voyage of value creation, towards a greener and sustainable future for all.

DATUK ABU HURAIRA ABU YAZID
CHAIRMAN