

# SUSTAINABILITY

ANCHORING SUSTAINABILITY @ MISC

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**CAPTAIN RAJA SAGER MUNIANDY**  
Vice President,  
Group Health, Safety, Security and  
Environment

“ Sustainability is an imperative element that is embedded within our business strategy. Our sustainability strategic priorities pave the roadmap for us to deliver long-term value and positive impact to the environment, our employees and society. As part of our strategy, building collaborative relationships and innovative partnerships with our key stakeholders will enhance our commitment on decarbonisation, circular economy, health and safety, talent excellence and, last but not least, our values and business ethics. ”

## OUR JOURNEY SO FAR

Focusing on sustainability will better position us to manage our environment, social and governance (ESG) risks, pursue opportunities for increasing efficiency, enter new markets, as well as enhance our reputation and position in our industry. 2021 marks 10 years since we launched our Sustainability Framework back in 2012.

We have made good progress since we began taking a more focused approach towards managing our sustainability performance in the past decade. Our key sustainability milestones and achievements includes:

- 2012**
  - Launched the MISC Sustainability Framework
  - Established the Sustainability Steering Committee
- 2014**
  - Received the Best First-time Reporting Awards at MASRA 2015
  - Became a constituent of FTSE4Good Bursa Malaysia
- 2015**
  - Refreshed the MISC Vision and Mission Statement
- 2016**
  - Developed the MISC Sustainability Strategy 2016-2020
- 2017**
  - Set carbon emissions reduction target
  - Embarked on the Integrated Reporting journey
  - Launched the MISC Group Sustainability Website
- 2018**
  - Renewed fleet with better energy-efficiency vessels
  - Established MISC Group Human Rights Commitment and Modern Slavery Policy
- 2019**
  - Mapped our strategic priorities alignment with the UNSDGs
  - Participated in Dow Jones Sustainability Index (DJSI)
  - Established Flagship Biodiversity Programme
  - Joined Getting to Zero Coalition
  - Received Sustainable Business Awards 2019
    - » Best - Business Responsibility and Ethics and United Nations Sustainable Development Goals (UNSDG)
    - » Special Recognition - Strategy and Sustainability Management
  - Took delivery of first LNG dual-fuel vessel
- 2020**
  - Developed Sustainability Strategy 2021-2025
  - Established Sea Turtle Conservation Programme
  - Participated in Carbon Disclosure Project (CDP)
  - Received recognition at the Prime Minister Hibiscus Award (PMHA) for Notable Achievement in Environmental Performance
- 2021 - February 2022**
  - Established Board Governance and Risk Committee to provide focused Board oversight on sustainability
  - Signatory to Neptune Declaration on Seafarer Wellbeing
  - Embarked and became a supporter of Task Force on Climate-related Financial Disclosures (TCFD)
  - Pledged Net-Zero GHG Emissions Commitment by 2050
  - Renewed GHG Intensity targets for 2030
  - Renewed Getting to Zero Coalition - Call for Action Pledge
  - Member of Climate Governance Malaysia
  - Established MISC Group Ship Recycling Policy
  - Established MISC Group Diversity and Inclusion Statement
  - Received Sustainable Business Awards 2020/21
    - » Winner - Waste Productivity & Materiality, Climate Change & Emissions, Land Use & Biodiversity
    - » Special Achievement - Stakeholder Management
  - Became constituent of Dow Jones Sustainability Emerging Markets Index

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**GOVERNANCE**

Strong governance is important to MISC in delivering sustainable value and trust to our stakeholders and fostering a culture of strong business integrity. This contributes to our ability to sustain our commitment to the highest standards of governance and reinforce our business ethics and culture. This is also demonstrating our commitment to effective governance and ethical decision making in relations to ESG.

**Our Governance Structure**

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 the Board Governance & Risk Committee (BGRC), Management Committee (MC), Health, Safety, Security and Environment (HSSE) Council, Corporate Sustainability department and custodians for each of the strategic initiatives.

 More details of our Sustainability Governance can be found in our Sustainability Report.

**ESG-related Remuneration**  
In 2021, our Board endorsed ESG (including climate-related) metrics into operational performance indicators and strategic initiatives as part of our management remuneration scorecard for the year 2022.

**Sustainability Governance Structure**



**STAKEHOLDER ENGAGEMENT**

We believe that active stakeholder engagement is a key part of our business approach, given the dynamic social, economic and regulatory landscape in which we operate. At MISC, we engage with our key stakeholders through a variety of means tailored to the nature of the relationship, from industry regulators to members of the local communities, in both formal and informal settings. Hence, various methods of engagement are required to handle their specific areas of interest. In 2021, we established a structured stakeholder engagement process and a stakeholder-inclusive approach to creating value.

 Details on how we respond to our key stakeholders can be found in Our Stakeholders section on page 66.

**MATERIAL MATTERS**

MISC has conducted a robust evaluation to assess the ESG aspects most material to the business. Our materiality assessment conformed to international frameworks, standards and other operating environment factors. The assessment featured detailed benchmarking of peer organisations and research on current and emerging sustainability trends. This includes matters that could impact the Group's value drivers, competitive position, and long-term shareholder value creation.

These material topics are then reviewed annually and validated by various levels of our sustainability governance. We refined our materiality topics based on internal and external feedback received, developments in the industry and operating environment relevant to the maritime sector, emerging ESG trends, as well as stakeholder expectations.

 Elaboration on how we define our material matters and materiality matrix can be found in Our Material Matters on page 62.

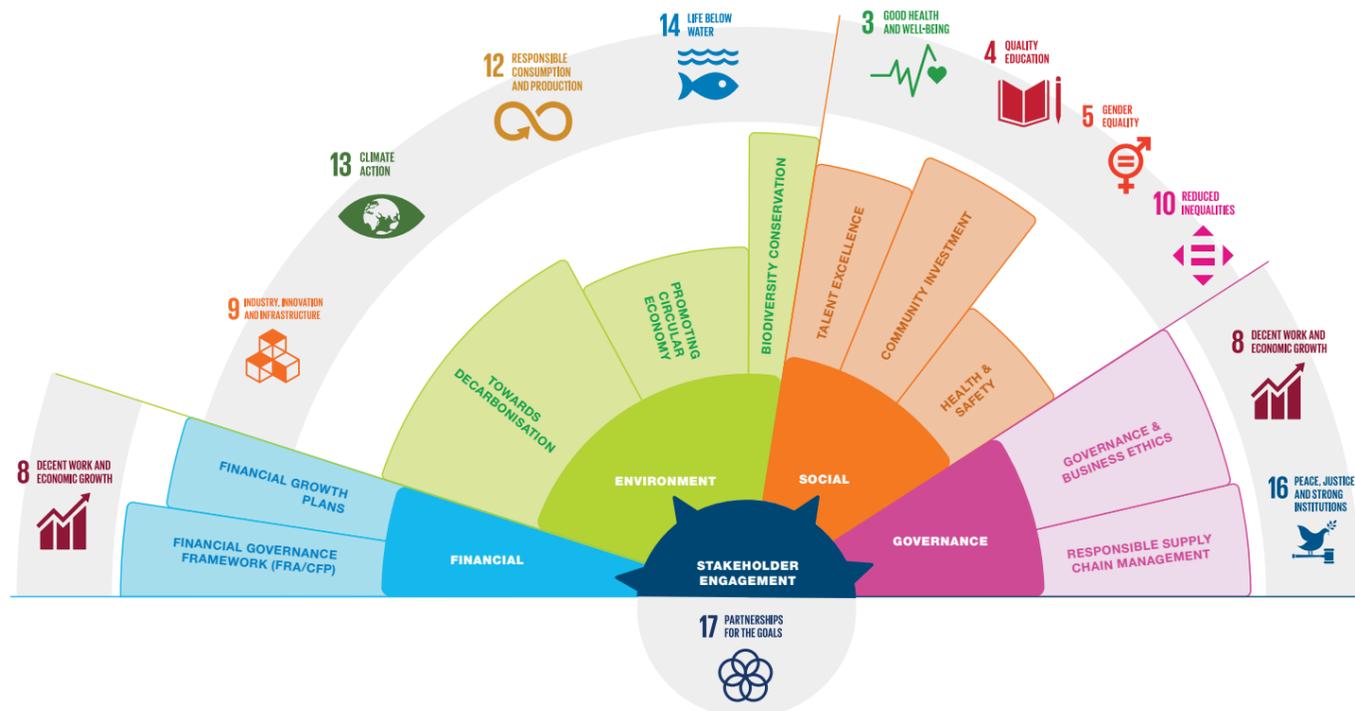


# SUSTAINABILITY ANCHORING SUSTAINABILITY @ MISC

## 2021-2025 SUSTAINABILITY STRATEGY

MISC's Sustainability Strategy is essentially a five-year roadmap. We formulated our five-year strategic plan based on our material matters and in consultation with employees and senior management from all subsidiaries and business units through various workshops. The strategy was approved by MISC Board in 2020. The support of both our internal and external stakeholders are vital as we cruise through our future sustainability journey.

Our strategy addresses 10 strategic priorities which we then grouped into five pillars namely, Financial, Environment, Social, Governance and Stakeholder Engagement. For each pillar, strategic priorities, commitments, targets and action plans were derived for each year leading up to the year 2025.



### UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDG)

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

	Our strong HSSE culture is defined by a broad spectrum of programmes that promote the health and well-being of our employees, contractors and our communities.	Our various workplace policies are designed to ensure equal opportunities at the workplace, irrespective of age, gender, nationality or cultural background.	
	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.	We are driving towards better 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.	
	We proactively encourage female participation in the maritime industry, to ensure the full and effective participation of women as well as their access to equal opportunities for leadership at all levels of decision making.	We design and operate assets that either combat or reduce the effects of climate change.	
	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.	As a responsible maritime operator, 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.	
	Through the greater adoption of clean and environmentally sound technologies, we are designing or retrofitting our assets towards more sustainable performance that optimises the efficient use of resources.	We foster a strong governance and business ethics culture to fight corruption and modern slavery and promote fair practices.	
		By encouraging and participating in multi-stakeholder partnerships that mobilise and share resources on expertise and technology, we are promoting a global partnership towards a sustainable maritime industry	

### FINANCIAL PILLAR

The aim of our Financial Pillar is to achieve growth in a predictable manner, and through recurring sources of cash flow. Our five-year rolling business plan with financial growth plans guides our business units and subsidiaries in developing their business plans. The budget or financial plan primarily forecasts the future operating revenue, business costs and cash flow management. Our financial sustainability strategy refers to identifying various methods that use available resources to their best advantage while positively impacting the environment and society. Promoting the effective and responsible use of these resources will likely provide long-term benefits while returning a profit.

#### Key Highlights in 2021

In 2021, we added six environmentally-friendly vessels in our portfolio of assets, which brings our total environmentally-friendly vessels to 20. We have focused on the installation of new technologies on our offshore assets aimed to improve energy efficiency, reduce or capture emissions.

In 2021, we undertook an internal exercise to develop our long-range MISC 2050 business strategy that will future proof our business and ensure financial sustainability in the coming years. Our MISC 2050 framework lays the foundation for us to explore opportunities within the two value chain pillars of Renewable Energy and Waste-to-Value. Moving forward, our new MISC 2050 business ventures together with the growth of our existing businesses will transform into a new MISC Group business model that will provide financial sustainability for MISC in a circular and net-zero economy come 2050.

Details on our financial performance can be found in Financial Review section on page 106.

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**ENVIRONMENT PILLAR**

MISC seeks to contribute to the global call for a sustainable future, and demonstrate our commitment to upholding the highest standards of environmental stewardship. 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.

**Key Highlights in 2021**

**Towards Decarbonisation**

Setting short, medium and long-term carbon emission targets was essential in 2021. Forming part of our Towards Decarbonisation strategic priority, these targets are integral to the 2021-2025 MISC Group Sustainability Strategy's Environment Pillar.

**SHORT TO MEDIUM-TERM**

50% GHG Intensity Reduction by 2030 for shipping operations compared to the 2008 base year

**LONG-TERM COMMITMENT**

Net-Zero GHG emissions by 2050

**Net-Zero GHG emissions**



**Our Pathways that will get us to Net-Zero**

**Emphasis on Carbon Abatement and Removal Pathways within our Value Chain before Offsetting our Unabated Carbon Emissions**

**Key Principles of MISC Net-Zero GHG Emissions by 2050:**



**Call to Action Pledge**

In 2021, we renewed our pledge for "The Call to Action", developed by a multi-stakeholder task force and convened by the Getting to Zero Coalition, with members from the entire maritime ecosystem. As a signatory, we are committed to deploy commercially-viable zero-emission vessels by 2030 and achieving zero-carbon emission shipping by 2050.

**The Castor Initiative**

In 2020, we initiated the Castor Initiative by forming a coalition with three maritime industry players: Samsung Heavy Industries (SHI), Lloyd's Register (LR) and MAN Energy Solution. Our Joint Development Project (JDP) to develop commercially viable deep-sea ZEV by 2030. In 2021, Lloyds Register awarded an Approval in Principle to SHI for its ammonia-fuelled tanker design for commercialising these developments by 2024. Yara International ASA (Yara), Maritime & Port Authority of Singapore (MPA) and Jurong Port joined the coalition in 2021. These additions complete the representation of all critical areas of the maritime industry ecosystem. The Castor Initiative was motivated by partners' shared belief that the maritime industry needs leadership and greater collaboration if shipping is to meet the IMO's GHG ambitions. Ultimately, our shared agenda is exploring multiple decarbonisation pathways.

**Task Force on Climate-Related Financial Disclosure (TCFD)**

In line with our identified future focus, the Group embarked on our Task Force on Climate-Related Financial Disclosure (TCFD) journey. The result of the journey is the issuance of our inaugural TCFD report which is disclosed in our Sustainability Report 2021.

*More details on our environment agenda can be read in TCFD and Environment pillar section of the Sustainability Report.*

**Promoting Circular Economy**

We have put in place a Group-wide waste reduction targets to be achieved by 2025 as follows:

- 27% reduction in plastic waste generation per vessel
- 40% reduction in paper consumption per vessel
- 9% reduction in plastic waste generation per personnel on-board
- To maintain an annual 3R rate of > 95% for hazardous wastes generated
- To increase the annual 3R rate of non-hazardous wastes generated to 70%

With regards to our end-of-life vessels, we have developed a Group-wide Ship Recycling Policy which states our commitment on ethical ship recycling. In 2021, we started to tap on renewable solar energy which was installed on our Marine & Heavy Engineering yard.

**Biodiversity Conservation**

Towards contributing to biodiversity conservation, we continued on with our Hearts of the Ocean Programme in conserving reef and sea turtles. During the year, we embarked on our Mangrove Conservation journey and developed a roadmap to support future carbon removal offset programme. Our HSE Policy also was revised in 2021 to reflect our commitment on biodiversity conservation efforts.

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### 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 effort under this pillar is important as it contributes towards the socio-economic development of communities, as well as strengthen our human capital.

#### Key Highlights in 2021

##### Health and Safety

To contribute to the wellbeing of our people, we introduced Wellness Wednesday, an online workout class to encourage employee to stay healthy as well as a 6-week online Mindfulness training cohort to encourage us in paying attention to the present moment. We continued to conduct Health Risk Assessments (HRA) on our vessels, and established a Process Safety programme. To further understand our HSSE culture, we carried out HSSE Maturity Survey 2021 and the results show that we are at Proactive level. We introduced an Advanced Safety Communication (ASC) programme to enhance contractor safety behaviour during the year.

##### Talent Excellence

In 2021, we implemented our Career Management Framework for the benefit of our employees. In addition, as part of the Leadership and Functional Development Pathway, we rolled out a series of training programmes to assist in the career growth for our workforce. On succession planning, we achieved our targets of 2:1 for both the Management Committee and critical positions. In line with our commitment to diversity and inclusion, our FLEX-it programme was launched to promote flexibility and inclusive workplace environment.

##### Diversity and Inclusion

In 2021, our MISC Group Diversity and Inclusion (D&I) Statement was established. A D&I working group consisting of HR Heads, or their nominees and chaired by the VP of HR was formed to provide focused attention in coming out with D&I awareness activities within MISC Group.

Eaglestar appointed its first Malaysian female Master Mariner in 2021. Captain Eezmaira Sazzea binti Shaharuzzaman is now commanding *Seri Bijaksana*, a 153,000 m<sup>3</sup> LNG carrier. This appointment demonstrates our commitment to talent excellence, particularly D&I, which are strategic priorities of our sustainability agenda.

##### Community Investment

Our commitment in contributing to the socio-economic development of our communities has been articulated in our MISC Group Community Investment Guidelines. During the year, we sponsored 772 students under the ALAM Cadets sponsorship programme. Through our subsidiary, AET continued its scholarship programmes in 2021 sponsoring two students enrolled in the Diploma in Maritime Business at Singapore Maritime Academy of Singapore Polytechnic as well as now partnering with Texas A&M University at Galveston (TAMUG) to support underprivileged students. In 2021, 150 students participated in MHB Go Green programmes to encourage the students in becoming a positive change maker.

 Details on our health and safety, talent excellence and community investment can be read in our Sustainability Report Social pillar section.

### 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.

#### Key Highlights in 2021

##### Values, Assurance and Business Ethics

In 2021 we enhanced our governance by establishing our Compliance Management Framework. Our Board endorsed the Compliance Management Scorecard for the year 2022. In line with our zero tolerance towards bribery and corruption, we continue to implement our annual Corruption Risk Assessment review, Conflict of Interest (COI) declaration and the Anti-Bribery Management System annual audit which was conducted by the internal team and an independent third party.

##### Human Rights

Our Grievance Mechanism Procedure was established in 2021 which will provide a platform for MISC Group's operations, employees and contractors to raise any grievance on human rights matters. In addition, we continued with our Human Rights awareness briefings and training for our employees and supply chain. In 2021, we completed our social risk assessment on labour and working conditions for all our shore operations.

##### Cybersecurity

With regards to our cybersecurity, we established the MISC Group Cybersecurity Control Standards and related guidelines to strengthen cybersecurity practices throughout the Group. Various initiatives have been undertaken in 2021 to improve our cybersecurity risk management.

##### Responsible Supply Chain

The MISC Group ESG Supply Chain Assurance Guidelines was drafted during the year as part of our Responsible Supply Chain strategic priority. We also piloted the ESG Self-assurance Supply Chain programme in 2021 for our selected critical suppliers.

 Our Sustainability Report provides comprehensive details on our governance matters. Please refer to the Governance pillar section.

### STAKEHOLDER ENGAGEMENT PILLAR

At 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.

#### Key Highlights in 2021

During the year, we developed a comprehensive Group-wide Stakeholder Engagement Guidelines and stakeholder engagement plans. Alongside this, we rolled out our Sustainability Strategy e-learning awareness programme for our employees. 2021 was a milestone year for the Group, when we became a first-time constituent of the Dow Jones Sustainability Index (DJSI) under the Emerging Market category and maintained our listing on FTSE4Good Bursa Malaysia for eight consecutive years. We were rated as "low risk" for our ESG risk performance by Sustainalytics. As a testament of our strong ESG practices, we were recognised as a Winner for Waste Productivity & Materiality, Climate Change & Emissions, Land Use & Biodiversity categories and Special Achievement for Stakeholder Management category in the Sustainability Business Awards 2020/21.

 More details on how we are managing our stakeholders can be found in Sustainability Report Stakeholder Engagement pillar section.

For a more comprehensive information on our sustainability performance and initiatives please read our Sustainability Report 2021.

