

CHAIRMAN'S MESSAGE



DATUK ABU HURAIRA
ABU YAZID
Chairman

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.

Dear Valued Shareholders,

On behalf of the Board, I am pleased to present to you the Integrated Annual Report and Financial Report of MISC Berhad and its subsidiaries (the Group) for the financial year ended 31 December 2022 (FY2022).

MISC has come through a year that has been shaped by the VUCA (Volatility, Uncertainty, Complexity and Ambiguity) landscape defining the rapidly changing and complex world we are living in. In this uncertain environment, the Group has been agile, adaptable, and resilient to navigate challenges and seize opportunities as it continues delivering value to shareholders. MISC's intensified efforts in strengthening our business fundamentals in 2022 have been critical to powering our resilience and expanding our capabilities for new sustainable growth.

OPERATING ENVIRONMENT

Tensions between the USA, China and Russia continued to dominate world headlines in 2022, causing uncertainty and instability which disrupted global economic development and trade. The ongoing conflict between Russia and Ukraine impacted global supply chains, disrupted transportation routes, delayed the delivery of goods and increased volatility in energy markets. The interest rates uptrend during the year, elevated financial costs, with bearish financial markets heralding the risk of a global recession.

Concurrently, new opportunities arose as energy transition gathered pace. LNG has become an increasingly important fuel source which can reduce GHG emissions and support the transition to cleaner energy. The production, transportation and use of LNG has lower GHG emissions compared to other fossil fuels. In line with the energy transition and decarbonisation agenda, MISC is pivoting and targeting new potential income sources that come with the wave of demand for renewable energy and waste-to-value solutions.

The global decarbonisation agenda ramped up with the introduction of new maritime regulations. These include the EEXI, CII, the EU ETS and Carbon Tax. Consistent with the economic and environmental forces shaping the world, MISC made a strategic decision that new capex investments will focus on green asset classes, namely dual-fuel and low-carbon emission vessels.

FINANCIAL PERFORMANCE

In FY2022, MISC continued to create value for shareholders as it recorded a solid financial performance. MISC's revenue increased by almost 30% to RM13,867.0 million. The Group recorded a 6% increase in profit before tax of RM1,874.3 million from RM1,774.6 million in FY2021.

The Group has maintained its strong cash balance, low credit ratio and stable credit ratings, reflecting its robust financial position. The Board declared a total dividend of 33.0 sen per share in FY2022. This is equivalent to RM1,473.0 million to our valued shareholders, thus maintaining a consistent track record of dividend pay-outs over the past four years.

BEYOND PERFORMANCE: POWERING OUR RESILIENCE

During the year, the MISC Group secured over USD1.1 billion worth of long-term projects in terms of capital expenditure. This will go a long way in powering our resilience to thrive in an evolving marketplace and consistently drive sustainable value creation.

In November 2022, MISC together with our consortium partners, NYK, K-Line and CLNG secured long-term charter contracts by QatarEnergy for a total of 12 newbuild LNG carriers.

MISC also secured long-term time charter contracts with SRM, a wholly-owned subsidiary of ExxonMobil, for two more LNG carriers, bringing the total number of contracts with SRM to four LNG carriers.

Our Petroleum & Product Shipping segment, AET, together with PTT of Thailand also inked a Memorandum of Understanding to develop two zero-emission Aframaxes to be powered by green ammonia, which will be delivered to PTT for long-term charters in Q4 2025 and Q1 2026 respectively.

The Offshore Business Unit obtained several contract extensions namely a one-year charter contract extension for *FPSO Bunga Kertas* to April 2023 as well as staggered contract extensions for *FPSO Ruby 2*.

Our Marine & Heavy Engineering arm, MHB, secured a contract from PCSB to undertake EPCIC services for the Kasawari CCS project, off the coast of Sarawak, Malaysia. Once completed, the Kasawari CCS project will be the world's largest offshore CCS project by volume of CO₂ captured and Malaysia's first CCS project. MHB also secured a contract from Sarawak Shell Berhad (SSB) to undertake EPC services of the offshore platform for the Rosmari-Marjoram gas project which will be primarily powered by renewable energy from solar panels.

The contracts that we have secured across the MISC Group are a testament to our diverse capabilities and expertise, and most importantly, our reputation as a trusted partner to global energy players.

BEYOND SUSTAINABILITY: DRIVING A SUSTAINABLE FUTURE

The MISC Group has always been committed to our role as a responsible member of the global maritime industry. The Group's approach to sustainability has gone beyond the traditional concept and approach. Our sustainability ethos focuses on integrating our current strategic initiatives with ESG principles to ensure that we execute our business with the goal of generating sustainable value well into the future, or what can be termed as "Sustainability Plus".

Last year, the Group pledged its commitment to achieve Net-Zero GHG emissions by 2050 and we are firmly focusing on implementing the initiatives that will pave the way to achieve our targets. Our long-range MISC 2050 strategy serves as the roadmap to guide the transition of our business across the Group to thrive in a net-zero and circular economy.

Besides lowering the fleet's emissions, ever-increasing global maritime logistics demands entail us focusing on efficiency through digitalisation and enhancing the safety of people, asset and cargo carried. In addition to supporting the global climate change commitments, MISC's low-carbon assets also help its customers lower their carbon emissions. As many of our customers are working towards decarbonising their operations and businesses, MISC's offering of low-carbon asset services and solutions supports in systematically reducing emissions within the entire value chain.

MISC's value creation for the wider community is guided by the MISC Sustainability Strategy 2021 – 2025. We have prioritised biodiversity conservation, education and safety in support of our mission 'to create a positive difference to the lives of communities'. We are committed to making a positive impact on ocean biodiversity through our Group's Heart of the Ocean marine biodiversity conservation programme which includes

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reef, sea-turtles and mangrove conservation. In FY2022, MISC's investment in biodiversity conservation amounted to RM300,000.

Our flagship investment in our maritime academy ALAM and the Cadet Sponsorship Programme allows us to meet our community responsibilities and contribute to the growth of the regional maritime industry. MISC's provision of maritime education opportunities to deserving students and high-quality maritime education has ensured the development of a sustainable pipeline of qualified seafaring industry professionals. Towards the end of FY2022, we have sponsored 751 students with a total investment of approximately RM24.2 million.

STRENGTHENING GOVERNANCE

MISC has been firm and consistent in upholding and implementing responsible corporate governance practices as well as robust risk management and internal control measures across the Group. The year saw the adoption of the MISC Directors' Fit and Proper Policy, to ensure that all Board members have the necessary qualities, competencies, and experience to perform their duties and carry out the responsibilities required of their position in the most effective manner.

Reflecting MISC's sustainability agenda and our determination to shape a sustainable future, the Board approved the renaming of the BGRC to the BSRC effective 1 January 2023. This move will further embed all facets of sustainability into our business model, ensuring that these are reflected throughout the company's strategy and operations.

Towards assessing the performance and effectiveness of members of the Board, Board Committees, and individual directors in fulfilling their roles and functions, a Board Effectiveness Evaluation (BEE) was conducted, facilitated by an independent expert. The BEE provided the Board with objective insights into the Board's focus areas as well as the breadth and depth of experience, expertise and mindsets represented on the Board. It also enabled us to gauge the depth and level of the Board's culture and partnership with Management. The BEE validated the effectiveness and efficiency of the Board's processes and reinforced the Board's effectiveness in providing value to MISC's Perform-Transform priorities.

MISC has also furthered the adoption of the MCCG. Effective 1 April 2022, the BAC is comprised solely of independent directors, in line with Step-Up Practice 9.4 of the MCCG.

AFFIRMATION OF MISC'S ROBUST SUCCESSION PLANNING

MISC has continuously driven the development of its talent agenda to establish and maintain a sustainable talent stream across all job levels to provide seamless leadership and talent succession planning throughout the Group. Robust succession planning has empowered MISC with a pipeline of qualified candidates to fill leadership positions as they become available and armed the organisation with a solid bench strength to continue to operate effectively towards achieving business goals.

In FY2022, our succession planning enabled the smooth leadership transition of MISC's new President/Group CEO. On 30 September 2022, Datuk Yee Yang Chien retired from his role as President/Group CEO and turned the helm over to MISC's Chief Operating Officer and AET's President & CEO, Captain Rajalingam Subramaniam. Captain Rajalingam's appointment on 1 October 2022 demonstrates the strength and sustainability of MISC Group's talent development and leadership succession plans.

On behalf of the Group, I would like to extend our deepest appreciation and gratitude to Datuk Yee Yang Chien for his exemplary leadership at MISC. Datuk Yee Yang Chien has had a long and remarkable career in the maritime industry, spanning more than 20 years in various leadership roles within the Group. I would also like to welcome on board Captain Rajalingam and reiterate our full trust and confidence in his ability to steer MISC in its voyage moving forward to drive progress and create sustainable value.

Another testament of MISC's strong talent development agenda is Eaglestar's first female Master Mariner Captain Eezmaira Sazzea binti Shaharuzzaman who was Malaysia's first female recipient of the prestigious National Seafarer of The Year award on 25 June 2022. The award is given to "outstanding Malaysian seafarers who have demonstrated significant passion and commitment in their profession, as well as in recognition of their social contribution to the maritime community". Captain Eezmaira's achievement reinforces our commitment to continue progressing with our Diversity and Inclusion agenda, as the bulwark of our commitment to building human capital in the maritime sector.

A DIVERSE AND STRONG BOARD

MISC acknowledges the importance of the diversity of Board members to incorporate new insights into the boardroom. This belief, whether the diversity in terms of skills and backgrounds, view and perspective or gender, are able to help to incorporate new insights as well as improve governance and oversight in the boardroom.

During the year, MISC recorded some changes in the Board which have added new skills and capabilities to the Board's diversity matrix. At the beginning of the year, we saw the appointment of Dato' Tengku Marina Tunku Annuar's as an Independent Non-Executive Director of MISC Berhad. As indicated earlier, Captain Rajalingam Subramaniam was elevated as the President/Group CEO and Non-Independent Executive Director of MISC Berhad effective 1 October 2022. Captain Rajalingam's appointment came upon the retirement of Datuk Yee Yang Chien as President/Group CEO and Non-Independent Executive Director of MISC Berhad effective 30 September 2022.

On 1 June 2022, Encik Mohd Yusri Bin Mohamed Yusof stepped down as Non-Independent Non-Executive Director of MISC Berhad. On behalf of the Board, I extend our immense appreciation to Encik Yusri for his valuable contribution during his tenure at the MISC Board. Encik Yusri was replaced by Cik Wan Shamilah Binti Wan Muhammad Saidi as Non-Independent Non-Executive Director on the same date. We are confident that the Board changes during the year will enhance shareholder value over the long term through the strengthening of the Board's capabilities, and that our new Board members will play a huge contributory role to MISC's continuing success.

INTERNATIONAL VALIDATIONS AND AWARDS

MISC's international validations and awards in FY2022 has further reinforced our stellar reputation and credibility in the international maritime industry. AET's first LNG dual-fuel VLCC *Eagle Valence* obtained the Tanker of the Year Award at the Tanker Shipping and Trade Conference, Awards and Exhibition 2022 held in Athens, Greece on 10 November 2022. The award was in recognition to tankers delivered since November 2021 that are engaged in bulk liquid transport that sets new benchmarks in design, environmental, operational, safety, and technical performance.

Testament of our value creation ability, MISC was honoured at the Alpha Southeast Asia 12th Annual Institutional Investor Corporate Awards 2022 for the Strongest Commitment to Sustainable Energy Transportation and was once again ranked among the Top Five Malaysian Companies in the category of Most Organised Investor Relations. The Strongest Commitment to Sustainable Energy Transportation Award validates our efforts to see through our commitment to move energy safely and efficiently, led by our high-performing global workforce at sea and shore.

On the ESG front, both MISC and MHB were the recipients of Silver Awards in the Transport & Logistics and Energy categories respectively at The Edge Malaysia ESG Awards 2022 on 28 November 2022. These awards are testimony to the Group's deep and unwavering passion towards cultivating ESG principles through our firm and consistent approach to drive long-term value for stakeholders while creating a positive impact that contributes towards a sustainable future.



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Our firm commitment to upholding a strong Generative HSSE Culture was recognised at the MSOSH Awards 2022 when the Group achieved six awards at the 40th MSOSH Awards 2022.

Following on from our 2021 inaugural inclusion on the Dow Jones Sustainability Emerging Markets Index, we are proud to once again be listed as a constituent for the second consecutive year. As well as that, MISC continues to be listed on the Bursa Malaysia FTSE4Good Index for nine years running.

The recognition of our efforts and capabilities afforded by these prestigious external stakeholders are the testament to MISC's commitment to excellence in our ESG performance and industry leadership, and we remain unwavering on our path to generate sustainable growth in the longer term.

MOVING FORWARD

We are cognisant that the VUCA environment will continue into the near-term future. These will present the Group with both challenges and opportunities, and we are mindful of mitigating our risks with regards to the former, while making the most of the latter. Our growth strategy for 2023 will see MISC focus on excellent project delivery for projects under construction while conducting selective investment within the current portfolio to sustain our ability to generate predictable, secured, and recurring cash flows.

To augment the Group's long-term business sustainability, we will be conducting regular evaluations of our financial capacity, resources, and capabilities. These will be balanced against our risk appetite and complemented by the identification of an appropriate growth strategy to sustain our forward moving journey. Financial prudence will underpin all our efforts, and we will continue the discipline of spending within our means for growth.

In line with our MISC 2050 strategy, we will gradually reshape our business portfolio to address value gaps and prepare the Group for the energy transition towards a Net-Zero pathway. This will require the reassessment of the current business portfolio to identify opportunities that will unlock value and optimise our business portfolio.

IN APPRECIATION

On behalf of the Group, I would like to take this opportunity to thank our shareholders, customers, business partners and financiers for their unwavering faith in our ability to generate sustainable growth. We affirm our commitment to continue working collaboratively with local and international authorities and governments and are deeply appreciative of their continued support as MISC works towards reshaping our business and making positive impacts on the shipping industry.

We also wish to record our deepest gratitude to our shore and sea workforce for embodying MISC's high performance culture in their jobs every single day. To my fellow Board colleagues, I thank them for their commitment and focus in sharing their insights and skills to steer MISC forward in its growth journey.

2022 has been MISC's year of Powering Resilience as we augmented our fundamentals to future proof the Group. We trust that all our stakeholders will continue to lend us their steadfast support in our growth journey and in delivering long term-value creation across the global maritime value chain as we continue to build a Sustainable Future together.

Thank you.

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