

# 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
<b>Shareholders</b> 	We are continuously collaborating with our strategic partners to create greater shareholder value.
<b>Customers</b> 	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.
<b>Governance and Business Ethics</b> 	<p>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.</p> <p>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.</p>
<b>Employees</b> 	<p>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.</p> <p>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.</p> <p>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.</p>

# INTEGRATED MARINE SERVICES



Sustainability Pillar	Initiatives and outcomes
<b>Environment</b> 	<p>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:</p> <ul style="list-style-type: none"> <li>Enhancing energy efficiencies by leveraging on technology to improve vessel navigation and optimise speed</li> <li>Adopting high performance anti-fouling paint on vessels to improve energy efficiencies and reduce the vessel's carbon footprint</li> <li>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.</li> </ul> <p>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.</p> <p>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.</p> <p>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'.</p> <p>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.</p>
<b>Community</b> 	<p>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.</p>

## 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.