

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



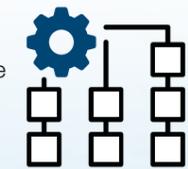
LNG bunkering
vessel operation at
Sungai Udang Port's
regasification terminal unit



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.