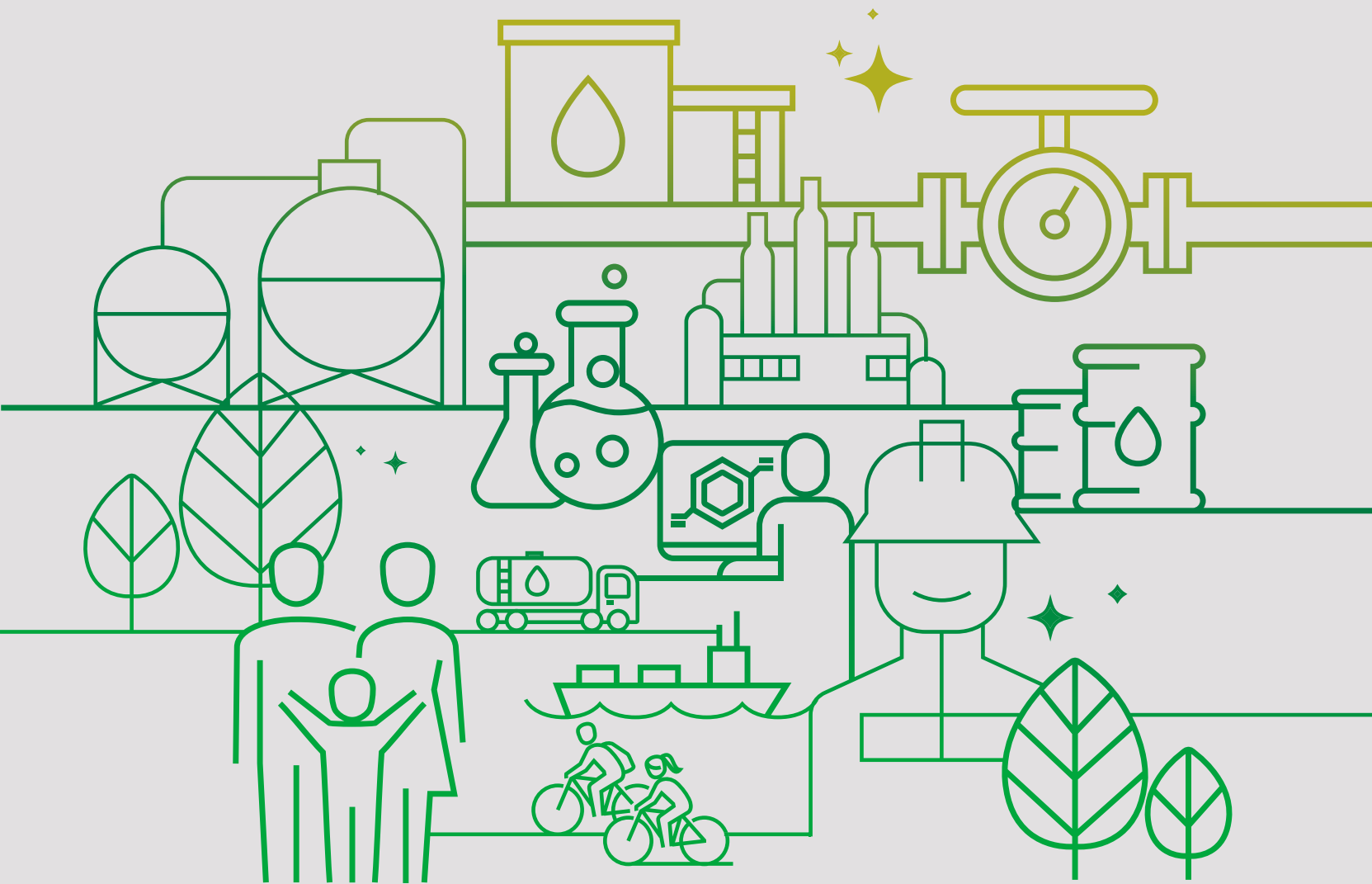


# POWERING PROGRESS



## 2022 SUSTAINABILITY REPORT

Hengyuan Refining Company Berhad

Registration No. 196001000259 (3926-U)

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# WHAT WE DO

Hengyuan Refining Company Berhad (HRC or the Company), a public listed company incorporated in 1960, has been operational since 1963. HRC operates as one of the most established and reliable refiners in Malaysia. We are supported by Shandong Hengyuan Petrochemical Company Limited (SHPC) which owns a 51% stake in HRC via Malaysia Hengyuan International Limited since December 2016, in particular through management and technical support in addition to procurement of crude and sale of refined petroleum products.

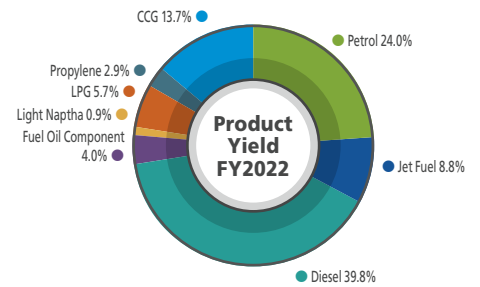
Our refinery in Port Dickson, Negeri Sembilan plays an integral role in the development of the nation's oil and gas industry and continues to contribute to the growth and evolution of the industry as well as facilitating the progression of the community surrounding our operational footprint.


We process crude oil from Malaysia and all over the world and has licensed capacity to deliver up to 156,000 barrels of petroleum products per day to customers primarily in Malaysia and across Southeast Asia.

Our comprehensive range of products include liquefied petroleum gas (LPG), petrol, jet fuel, diesel, fuel oil components, sulphur and chemical feedstocks (such as light naphtha and propylene).

Malaysia is our principal market and 80.0% (by volume) of our refined products are sold locally. The remaining 20.0% of our production, including propylene and surplus petrol, jet fuel and diesel, is exported to countries across Southeast Asia.

Our main business activities are focused on refining and processing crude oil, refinery operations and maintenance. We supply our customers through three channels: the multi-product pipeline to the Klang Valley and KLIA, our truck loading gantry for local (West Malaysia) customers and exporting products to vessels through our jetty to overseas markets.






Licensed capacity to deliver up to

## 156,000

### barrels

per day of petroleum products

---



Malaysia accounts for

## 80%

our sales





## VISION

To be a leading global energy and petrochemical company, pioneering sustainable solutions.



## MISSION

We are committed to safeguard our operational integrity, be bold in our innovations, leverage the strength of our people, and to maximise stakeholder value.



## VALUES



Integrity



Collaboration



Accountability



Respect



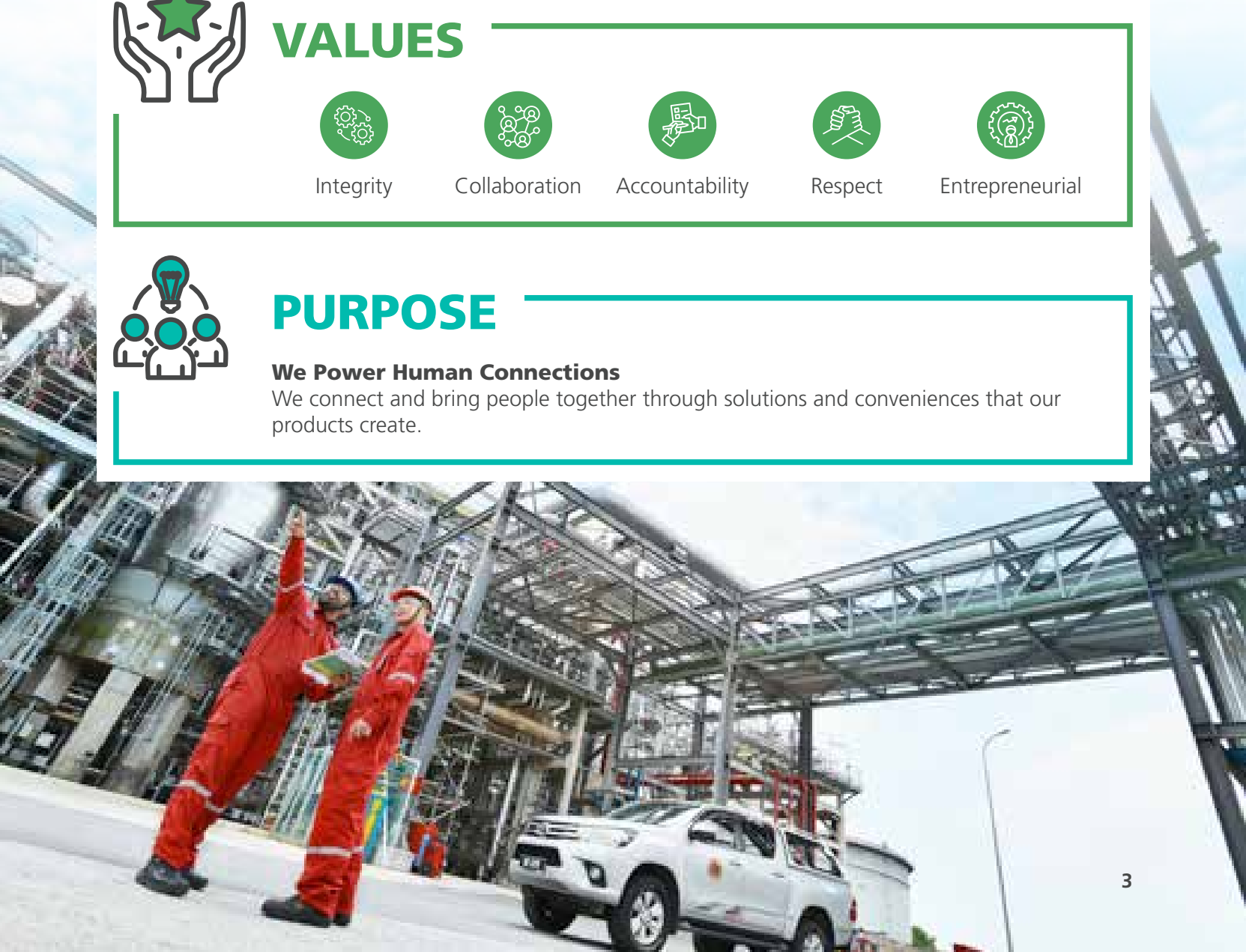
Entrepreneurial



## PURPOSE

### We Power Human Connections

We connect and bring people together through solutions and conveniences that our products create.



# ABOUT THIS REPORT

HRC recognises our role and responsibilities to society, the environment and all stakeholders emanating from our business and operations. This is our 6<sup>th</sup> Sustainability Report, which contains reflections of our sustainability performance and associated initiatives in relation to material environmental, social and governance (ESG) aspects identified by HRC. We continue to align our strategic initiatives to our commitment to improve our sustainability performance for long-term value creation.

## Scope of this Report

This Report covers HRC's sustainability performance of its refining operations in Port Dickson, Negeri Sembilan.

## Reporting Standards

This Report is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) and Bursa Malaysia's Sustainability Reporting Guide (3<sup>rd</sup> edition). Our disclosures are also guided by applicable reporting principles of the Global Reporting Initiative (GRI) Standards and where applicable, we strive to adhere to the FTSE4Good Bursa Malaysia Index criteria. We have also included references to the United Nations (UN) Sustainable Development Goals (SDGs) which HRC continues to support and promote in our practices.

Our Report should be read together with the Company's Annual Report 2022 (AR2022) for a more comprehensive overview of HRC's financial and non-financial performance.

## Reporting Period

We report on our sustainability initiatives and performance on an annual basis. The reporting period for this Report is from 1 January 2022 to 31 December 2022 (FY2022). Our FY2021 Sustainability Report was published in April 2022.

Where relevant and for better context and comparability on topics covered in this Report, we make references to our previous disclosures in our last report.

## Independent Assurance

Given the stringent internal validation, verification and review process in place over the preparation of this Report, HRC has not sought any independent assurance on the information disclosed in this Report. We will continue to adopt a phased approach to independent assurance while efforts to capture and process required data comes to fruition at which time an independent assurance will add greater value to the Sustainability Report.

## We Appreciate Your Feedback

As part of our commitment to reporting that better serves our stakeholders' needs, we value your feedback and welcome comments to improve our future reports.

We will attempt to provide further clarity to our disclosure topics where necessary. Please share your comments, suggestions and feedback via email to: [hrcpd-corporate-affairs@hrc.com.my](mailto:hrcpd-corporate-affairs@hrc.com.my).

## MESSAGE FROM OUR BOARD



**The Board of Directors is pleased to present the 6<sup>th</sup> Sustainability Report within which we provide a detailed overview of HRC's material sustainability matters, initiatives implemented to address them and the corresponding progress. We have also outlined future plans to further strengthen our sustainability stance and build on sustainability efforts to continue generating and delivering long term value and reinforce our duty of care for our employees, society, environment and the planet.**

### Challenges Ahead

The previous two years, with the global disruptions and uncertainties brought on by the COVID-19 pandemic, have been challenging ones for HRC. Thankfully, the pandemic has abated substantially to allow for a resumption of business activities and economic recovery.

While one challenge has diminished a new one has risen in the form of the Russia-Ukraine conflict which has heightened market volatility and impacted refinery margins. Having gone on for over a year at the time of writing, there does not appear to be a quick resolution in sight to the conflict, as such, volatility in crude oil prices will remain a challenge. In the context of refiners such as HRC, while raw material prices have increased, this increase is cushioned by higher prices of end products hence continued diligent management of our raw material inventory and prices, and optimising production to capitalise on opportunities presented by increased margins will be crucial to tiding over the uncertainties ahead.

## Message from Our Board

### Our Commitment to Sustainability

The Board is acutely conscious of the significance of sustainability to our business, not just from the financial perspective but also from the perspectives of contributing to societal good and environmental stewardship. Just as importantly we also recognise that sustainability is our responsibility as good corporate citizens. In this regard, HRC remains unwavering in realising our sustainability commitments and aligning our efforts to the UN SDGs as part of the global collective to create a better, more sustainable future.

In recognition of our commitment to sustainability and excellence in environmental management, HRC is the recipient of the prestigious Prime Minister’s Hibiscus Award 2021/2022, for Excellent Achievement in the Environmental Performance category. This is the second time HRC has been conferred this prestigious award. This award will undoubtedly spur our efforts towards greater sustainability and more astute environmental management.

As with the previous year we have focused sustainability efforts across our 5 strategic pillars of: People & Leadership, Operational Excellence, Health, Safety, Security and Environment (HSSE) & Compliance, Stakeholder Value and Future Focus. HRC continues to embed sustainability across all aspects of our business and operations, specifically targeting each of our material sustainability matter, the positive effects of which are highlighted in this Report.



### Key Sustainability Initiatives in 2022

HRC recognises climate change as a long-term risk that could potentially have wide-ranging impact on our business and, indeed, our future prosperity and survival. In acknowledgment “Climate Change from HRC businesses” has been added into our company-wide Risk and Opportunity Register so that we can track and take action to minimise risks.

HRC has a crucial role to play in the collective global effort to take on decarbonisation initiatives and address climate issues. One of the mitigation measures that we started out with and continue to undertake is to conduct quarterly greenhouse gas (GHG) emissions accounting with the aim of analysing the trend of our emissions and as much as practical, minimising them. In 2022 we updated our Energy Masterplan that was developed and launched in 2020 to comprehensively support our commitment to reduce our carbon footprint. The update incorporated a range of initiatives aimed at reducing our energy usage by 2029 with a target CO<sub>2</sub> emission reduction of 62,000 tonnes.

In the year under review, two major improvements were implemented to further reinforce our continuing commitment to occupational safety and health:

- a process has been put in place to operationalise the review and approval process by a competent reviewer and identified document owner. This is to ensure that documents are updated with accurate, complete and understandable information; and
- safety specific learning plans and training modules were developed for frontliners. These plans have been rolled out to new frontliner recruits to equip them with the right knowledge and inculcate a “Safety First” mindset.



## Message from Our Board

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### Looking Ahead

Challenges are a constant in business, the ebbing of the COVID-19 pandemic followed closely by the geo-political tensions in Eastern Europe and associated challenges arising from the Russia-Ukraine war serves as a validation. HRC will continue to be relentless in active risk management to protect and preserve our value generation capacity and ensure our financial performance is not adversely affected. We will continue to build resilience and fortitude to withstand and manage the impact of business headwinds arising to ensure that value creation is not compromised.

HRC will continue to pull our weight as a responsible party in the collective global effort to decarbonise. HRC has set the aspiration to achieve net zero carbon emissions by 2050 and reducing CO<sub>2</sub> emission from our production will take centre stage with greater urgency in the years ahead. As articulated earlier, we have updated our Energy Masterplan to include initiatives to reduce our carbon footprint.

We hold steadfast to our commitment to protecting the environment and minimise and mitigate any adverse impact our operations may have on the environment. Extreme weather events across the globe are constant reminders of the threat of climate change - this is a clear and present danger to humanity which HRC is committed address alongside the global community so as to preserve a conducive environment for future generations to thrive.

Sustainability has always been an integral part of our business and we will continuously embed responsible sustainable practices across our all facets of our business and operations to effectively realise our duty of care to our people, society at large and the planet. Sustainability and sustenance are two sides of the same coin for without sustainability there is no sustenance, hence sustainability, as always, will continue to lie at the core of all that we do from strategy to execution.

As a responsible corporate citizen, we will stay focused on ensuring governance remains strong and impeccable which in turn creates an enabling environment where risks are appropriately managed and mitigated. We will continue to conduct business with utmost integrity in a disciplined manner adhering to HRC's General Business Principles and supported by the Company's Code of Conduct.

### A Word of Thanks

The Board would like to record our sincere appreciation to our employees for their unstinting effort in supporting the business, to our shareholders for standing by HRC through thick and thin and to our stakeholders for the invaluable feedback, guidance and collaboration.

### The Board

Hengyuan Refining Company Berhad





# 2022 SUSTAINABILITY HIGHLIGHTS

Recipient of the prestigious Prime Minister's Hibiscus Award (PMHA) 2021/2022, for Excellent Achievement in Environmental Performance. This is the second consecutive cycle that HRC has been conferred with the award affirming HRC's continued sustainability efforts and excellence in environmental management



In 2022, HRC has set its aspiration to achieve Net Zero Carbon Emissions by 2050

Completed construction of Euro 4 Mogas production facility (pending issuance of Certificate of Completion & Compliance)

"Climate Change from HRC businesses" has been added into company-wide Risk and Opportunity Register to facilitate tracking of climate-related risks and taking of corresponding actions to minimise/mitigate such risks

Implemented two major improvements in our Process Safety Management Framework in relation to complete and accurate updating of documentation and the development of process safety specific learning plans and training modules for frontliners

Maintained zero RAM (Risk Assessment Matrix) Red and/or Yellow product quality incident achieved in the previous year

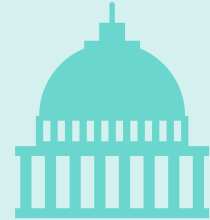
Identified and implemented cost-saving opportunities through HRC's Business Improvement Plan (BIP) strategies which related to increasing processing capabilities and efficiencies that resulted in significant cost savings in FY2022.



Please refer to page 33 for more information

Completed Business Continuity Plan (BCP) Testing under the scenario: "Loss of Main Road Access". This was a collaborative effort with Shell (SMT) and Konsortium Port Dickson (KPD)

Launched 2022 Environment Campaign "Show Its Worth, Save the Earth"



Facilitated an inspection exercise for key installation by government officials comprising representatives from Chief Government Security Office, Police Special Branch, National Security Council, Armed Forces and Malaysian Communications and Multimedia Commission

Reliability Plan 2022 (which covers up to 2025) has been developed to achieve continuous reliability improvement for HRC as part of continuous improvement activity

Successful recertifications for:

- ISO/IEC 27001:2013 Information Security Management System
- ISO/IEC 37001:2016 Anti Bribery Management System
- ISO/IEC 17025:2017 Testing and Calibration Laboratories

Completed ISO surveillance audit with zero non-conformance for:

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Safety & Health Management System

# OUR APPROACH TO SUSTAINABILITY AND ASSOCIATED GOVERNANCE

## Approach to Sustainability

We recognise our responsibility to balance our economic ambitions with positive environmental and social considerations, without compromising our governance and ethics. Our ESG commitments informs and guides our strategies and tactical plans to harness our capabilities to create value for our stakeholders and deliver on our sustainability commitments. In execution, sustainability considerations are infused across our 5 strategic pillars.



The 5 strategic pillars represent core components of our business that are pivotal to value creation, business growth and future prosperity, and hence it is imperative that execution in all strategic pillars must be flawless. Sustainability considerations are infused and embedded in all executions to deliver on our sustainability commitments. We set targets for our commitments and progress towards the targets are tracked and monitored to enable expeditious remediation where required.

Execution progress including that in respect of the management of sustainability matters are reported to the Board and discussed at the sub-committee level. The Steering Committee from the relevant departments monitor, review and implement required interventions to improve sustainability performance and ensure progress towards meeting our sustainability commitments.

To improve this process further, we have also rolled out the Continuous Improvement (CI) Programme. The CI was introduced in Q4 2022 with overarching objectives to attain greater operational efficiency and cost optimisation through continuous improvements and institutionalisation of continuous improvement capabilities across the workforce. Additional details are presented in Operational Excellence (OE) Framework for Continuous Improvement (CI) under the section on Value Creation. Refer to pages 25 to 27 of the 2022 Annual Report.

## Sustainability Governance

HRC has in place a robust Sustainability Governance Structure that involves all relevant HRC constituents from senior levels, specifically the Board of Directors, Chief Executive Officer (CEO) and Management team through to functional staff tasked with execution.

This Governance Structure oversees the formulation of sustainability policies and execution of sustainability initiatives to realise HRC's sustainability commitments, in particular the identification and leverage of climate-related opportunities and management and mitigation of climate-related risks. A clear example is HRC's Energy Masterplan which is an integral part of our contribution to global efforts to reduce CO<sub>2</sub> emissions to head-off global warming. In the process we will also be leveraging cost optimisation and operational efficiency opportunities.

Working in unison all constituents within our sustainability governance structures acts to ensure that sustainability is and remains an integral part of HRC's business and operations. The structure ensures smooth communication, active monitoring, reporting and decision making across all levels to facilitate effective and expeditious implementation of sustainability initiatives enabling HRC to deliver on our sustainability commitments.



## Our Approach to Sustainability and Associated Governance

Components of the Sustainability Governance Structure and their respective roles and responsibilities are described below.



The diagram below depicts governance and reporting mechanism in place within our Sustainability Governance Structure.



# STAKEHOLDER ENGAGEMENT




HRC is committed to maintaining good relationships with our stakeholders. We conduct active engagements with our stakeholders to hear their concerns and to receive feedback.








Operating in an industry that is constantly under scrutiny, it is imperative that we give voice to our multiple stakeholders to enable us to obtain a more inclusive and objective view to help us make informed decisions and formulate sustainability responses that are balanced. Our stakeholders are critical for our business success hence our continuous engagement with them to gather feedback on their expectations and perceptions will serve us well. By listening to what they have to say, we are able to gather invaluable inputs to shape our risk management and decision-making processes to further enhance sustainability in our business and operations.

Extensive internal and external stakeholder engagements were conducted in 2022 to obtain insights and feedback as well as to gauge their views on the important sustainability matters. As the country enters the endemic phase following abatement of the COVID-19 pandemic, we have been able to increase the amount and frequency of physical engagements with our stakeholders. Nevertheless, we remain vigilant and continue to abide by appropriate Standard Operating Procedures in our engagements including the adopting a hybrid of model of physical and virtual interactions as circumstances and need for caution dictate.

The table below summarises our stakeholder engagements in FY2022 that were conducted through various channels.

Key Stakeholders	How We Engage	Frequency	Areas of Concern	How We Respond
<b>Employees</b> <i>(Full-time and direct contract workers)</i> 	<ul style="list-style-type: none"> <li>Town Hall (virtual)</li> <li>Employee information</li> <li>Intranet</li> <li>Career development discussions</li> <li>Events and campaigns</li> <li>Training (virtual &amp; face to face, where applicable)</li> <li>Team meetings</li> <li>Informal meetings</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>On-going</li> <li>On-going</li> <li>Annually</li> <li>On-going</li> <li>On-going</li> <li>On-going &amp; as required</li> <li>On-going &amp; as required</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration and benefits</li> <li>Career progression and opportunities</li> <li>Training and development</li> <li>Safe and conducive workplace</li> <li>Business Performance updates</li> </ul>	<ul style="list-style-type: none"> <li>Perform survey of remuneration and benefits for comparison against market practices</li> <li>Employee engagement activities</li> <li>Training and development programmes</li> <li>COVID-19 protocols</li> <li>Updated Health and Safety protocols, measures, and practices</li> <li>Direct response by Management team to employee's queries and concerns</li> </ul>
<b>Trade Union</b> 	<ul style="list-style-type: none"> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly &amp; as required</li> </ul>	<ul style="list-style-type: none"> <li>Rights and interests of union members are protected</li> <li>Concerns of workers are addressed promptly</li> </ul>	<ul style="list-style-type: none"> <li>Build and sustain collaborative relationship</li> <li>Obtain feedback on concerns and provide update on current issues</li> <li>Collective Bargaining Agreement</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>Survey</li> <li>Email communication</li> <li>Supply &amp; delivery meetings</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>As required</li> <li>Quarterly &amp; as required</li> </ul>	<ul style="list-style-type: none"> <li>Quality of products and services</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>Offer high quality products and services</li> <li>Maintain ISO standards and certifications</li> </ul>

## Stakeholder Engagement

Key Stakeholders	How We Engage	Frequency	Areas of Concern	How We Respond
<b>Suppliers</b> (eg. Vendors, logistics partners, business partners, service providers) 	<ul style="list-style-type: none"> <li>• Vendor registration</li> <li>• Bid/Tender process</li> <li>• Meetings</li> <li>• Audits</li> <li>• Supply and delivery meetings</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> <li>• On-going</li> <li>• As required</li> <li>• Annually</li> <li>• As required</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing and scope of deliverables</li> <li>• Diversified pool of vendors to ensure competitive pricing</li> <li>• Quality, reliability and timeliness of supplies and services</li> </ul>	<ul style="list-style-type: none"> <li>• Set clear expectations to maintain high standards for delivery of products or services to the Company</li> <li>• Vendor assessment and due diligence</li> </ul>
<b>Shareholders and Investors</b> (eg. institutional investors, analysts and major shareholder) 	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Annual Report</li> <li>• Sustainability Report</li> <li>• Announcements</li> <li>• Corporate Governance Report and Corporate Governance policies</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Annually &amp; as required</li> <li>• Annually &amp; as required</li> <li>• As required</li> <li>• Annually &amp; as required</li> </ul>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Sustainability commitments and performance</li> <li>• Governance and compliance</li> <li>• Return on investment</li> </ul>	<ul style="list-style-type: none"> <li>• Disseminate and provide timely and material information on the Company's activities and financial performance to facilitate decision-making by investors</li> <li>• Ensure return on investment</li> <li>• Quarterly results briefings</li> <li>• Website</li> <li>• Annual General Meeting</li> </ul>
<b>Local Community</b> 	<ul style="list-style-type: none"> <li>• Community engagement activities and events</li> <li>• Notification text</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> <li>• On-going &amp; as required</li> </ul>	<ul style="list-style-type: none"> <li>• Noise and environmental issues from operations</li> <li>• Community support</li> </ul>	<ul style="list-style-type: none"> <li>• Build and maintain good relationships while being a "Good Neighbour"</li> <li>• Positive impact through our corporate social responsibilities (CSR) to the local communities</li> <li>• Enhanced Public Complaints Framework</li> </ul>
<b>Regulators</b> (eg. Bursa, Ministry of Domestic Trade, Ministry of International Trade, among others) 	<ul style="list-style-type: none"> <li>• Consultation and dialogue</li> <li>• Email communication</li> <li>• Site-visit</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> <li>• On-going</li> <li>• As required</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with all applicable laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in discussions and knowledge sharing for improvements in industry best practices</li> </ul>
<b>Government Agencies/Local Authorities</b> (eg. DOE, DOSH, among others) 	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Messaging platform</li> </ul>	<ul style="list-style-type: none"> <li>• On-going &amp; as required</li> <li>• On-going &amp; as required</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with all applicable laws and regulations</li> <li>• Production site and installation security</li> </ul>	<ul style="list-style-type: none"> <li>• Provide business familiarity and sustain efficient business operations</li> <li>• Provide business updates</li> <li>• Pre-operational activities notification via messaging platform</li> </ul>

# MATERIALITY ASSESSMENT AND MATERIAL SUSTAINABILITY MATTERS

HRC conducts annual Materiality Assessments to identify and assess the materiality of economic, environmental, social and governance risks (collectively, sustainability matters) impacting our business and operations. The Materiality Assessments informs the formulation of responses to mitigate risks arising and those anticipated to arise in the near future that bears relevance to our business and operations.

Material Sustainability Matters identified in the previous year are assessed to determine if they still hold continuing relevance and recognition is given to those that emerged in the current year

that have gained significance. The assessment also considers matters arising and feedback received during our stakeholder engagements to ensure that the Material Sustainability Matters are balanced and incorporates feedback from our stakeholders.

Our materiality assessment is guided by our Risk Management, Bursa Malaysia’s Sustainability Reporting Guide (3<sup>rd</sup> Edition) and Bursa Malaysia’s Toolkits, including Toolkits on Stakeholder Engagement and Materiality Assessment. We continue to apply a three-pronged approach, articulated below, as we have done in previous years, to identify our material sustainability issues.



## Engage

Materiality Assessments starts with engagements with both internal and external stakeholders to understand the prevailing “state of affairs” in relation to sustainability matters. Specific attention is given to new and emerging sustainability matters, related guidance from the Government and our regulators and perspectives from our external stakeholders



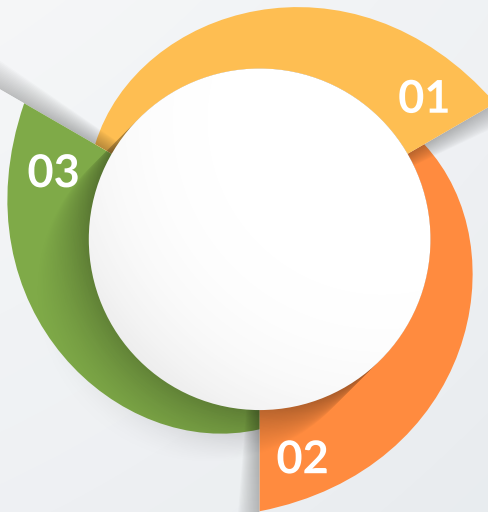
## Prioritise

Sustainability matters identified earlier are assessed to ascertain their impact on HRC across the dimensions of: economy, environment, social and governance. A prioritisation exercise is subsequently conducted to highlight Material Sustainability Matters based on the significance of their impact



## Identify

Information, insights and feedback received during the preceding stage is assimilated and distilled to surface sustainability matters that have or are expected to have a significant impact on HRC’s business and operations resulting in a list of sustainability matters



## Materiality Assessment and Material Sustainability Matters

The identified and prioritised Material Sustainability Matters are presented in the diagram below categorised under the core sustainability areas to which they relate:



# Materiality Assessment and Material Sustainability Matters























## Linking Material Sustainability Matters to UN SDGs

















HRC aims to play our role as an intrinsic part of the global sustainability movement and contribute to the betterment of humanity and the planet. Our efforts to address our Material Sustainability Matters directly aligns to applicable UN SDGs, this is indicated in the table below:

Sustainability Area: Economic 		
Material Sustainability Matter	Implications on HRC	SDG
<b>Ethics and Integrity</b> 	Upholding and practicing responsible business conduct, good corporate governance principles and full compliance to regulatory requirements as a good corporate citizen	 
<b>Economic Performance</b> 	Continuously and conscientiously creating long-term value for stakeholders and ensuring HRC's continued growth and prosperity	 
<b>Customer Management</b> 	Relentlessly focused on meeting customers' demands and expectations for products of high quality so as to preserve HRC's good name and reputation and enhance market share and profitability	 
<b>Supply Chain Management</b> 	Ensure supply chain ecosystem works in unison to expeditiously meet demands, seamlessly address variations thereon and enhance ability to leverage price movements to increase revenue and profitability	  
<b>Product Quality</b> 	Sharp focus on product quality to reciprocate and reinforce customers' confidence in HRC and to secure a position of trust within the market and customer base	 
<b>Reliable Operations and Production</b> 	Continuously ensure reliability in operations and production to be able to meet market demands and respond at speed to changes in demands to capitalise on revenue and profit enhancement opportunities and contain cost	     
<b>Health &amp; Safety</b> 	Create and continuously maintain a safe and healthy working environment for HRC workforce and impacted external stakeholders e.g. supplier and contractor	 



## Materiality Assessment and Material Sustainability Matters

Sustainability Area: Environment 		
Material Sustainability Matter	Implications on HRC	SDG
<b>Water &amp; Effluent Management</b> 	Sustainable management and responsible consumption of water resources and ensuring effluent arising from operations is treated prior to discharge in compliance to regulatory requirements and harmful effects are minimised	    
<b>Waste Management</b> 	Sustainable management of waste generated from operations through adoption of 3R practices - reduce, reuse, recycle and recovery to realise and reinforce HRC's responsibility and commitment to minimise harm to the environment	   
<b>Climate Change and Greenhouse Gas Emissions</b> 	Responsible production practices and use and adoption of green energy to reduce and minimise GHG emissions. Implementation of decarbonisation initiatives and contribution to cleaner air through adoption of standards to produce products with lower toxic emissions	   
<b>Energy Management</b> 	Sustainable conscious consumption and management of energy usage with specific attention to leveraging opportunities to generate and use clean energy	   

Sustainability Area: Social 		
Material Sustainability Matter	Implications on HRC	SDG
<b>Employee Value Proposition</b> 	Continuously recalibrating and enhancing employee value proposition for alignment to external market so as to sustain a high performing workforce embedded with agility and flexibility to adapt, deliver well and to retain talent	   
<b>Diversity and Equal Opportunities</b> 	Embedding equity and fair practice across all measures and levels without discrimination to facilitate effective leverage of talent and to give an equitable platform for members of the workforce to excel and grow without constraint	   
<b>Local Community</b> 	Leveraging our capacity to do good for the betterment of the local communities and society at large	   

# ECONOMIC SUSTAINABILITY

HRC recognises that economic growth, achieved sustainably and responsibly, is pivotal to providing the sustenance needed for us to effectively discharge our sustainability commitments as well as to generate long term value for our stakeholders. To this end, we adopt responsible practices in all facets of our business and operations, consciously applying these responsible practices because we believe in them and the benefits they will bring not only to HRC but also to the country, society and the planet.

Under the umbrella of Economic Sustainability, we have identified the material sustainability matters highlighted below. Each has a significant bearing on HRC's sustainable economic success, value creation capabilities and growth.

How each sustainability matter is addressed and the related sustainability considerations as well as our corresponding performance and related future plans are articulated in the sub-sections that follow:



Ethics and Integrity



Economic Performance



Customer Management



Supply Chain Management



Product Quality



Reliable Operations and Production



Health & Safety

# Economic Sustainability



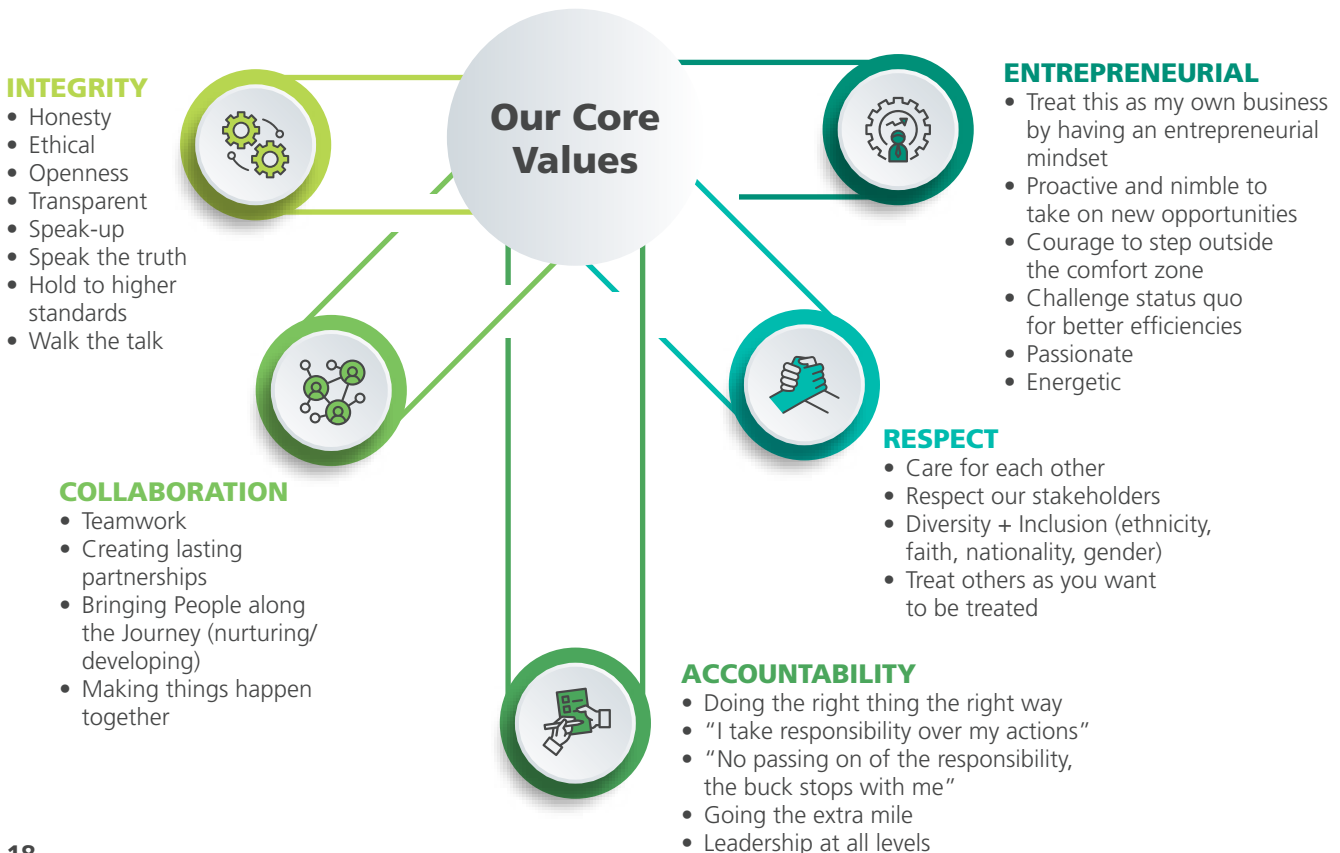
## Ethics and Integrity

Ethics and integrity are fundamental prerequisites for good governance and stewardship of HRC enabling us to attain greater heights not only in economic performance but just as importantly, from the reputational perspective. HRC strives continuously to discharge our role as good corporate citizens and practice conduct that is beyond reproach. HRC views ethics, integrity and governance as behaviours that must be consciously practiced to ensure that checks and balances in place are working and not compromised and that the business is operated within the boundaries of, and in compliance with, all applicable regulations, laws and internal guidelines and policies. Compliance to our ethics and integrity policies and guidelines are non-negotiable as they serve to protect and preserve the interests of our stakeholders.

### Core Values

Our Core Values of Integrity, Collaboration, Accountability, Respect and Entrepreneurial (expressed by the acronym 'ICARE') guide and inform how we conduct our business and our interactions with external parties. The diagram below highlights the behaviours that are promoted within each core value.

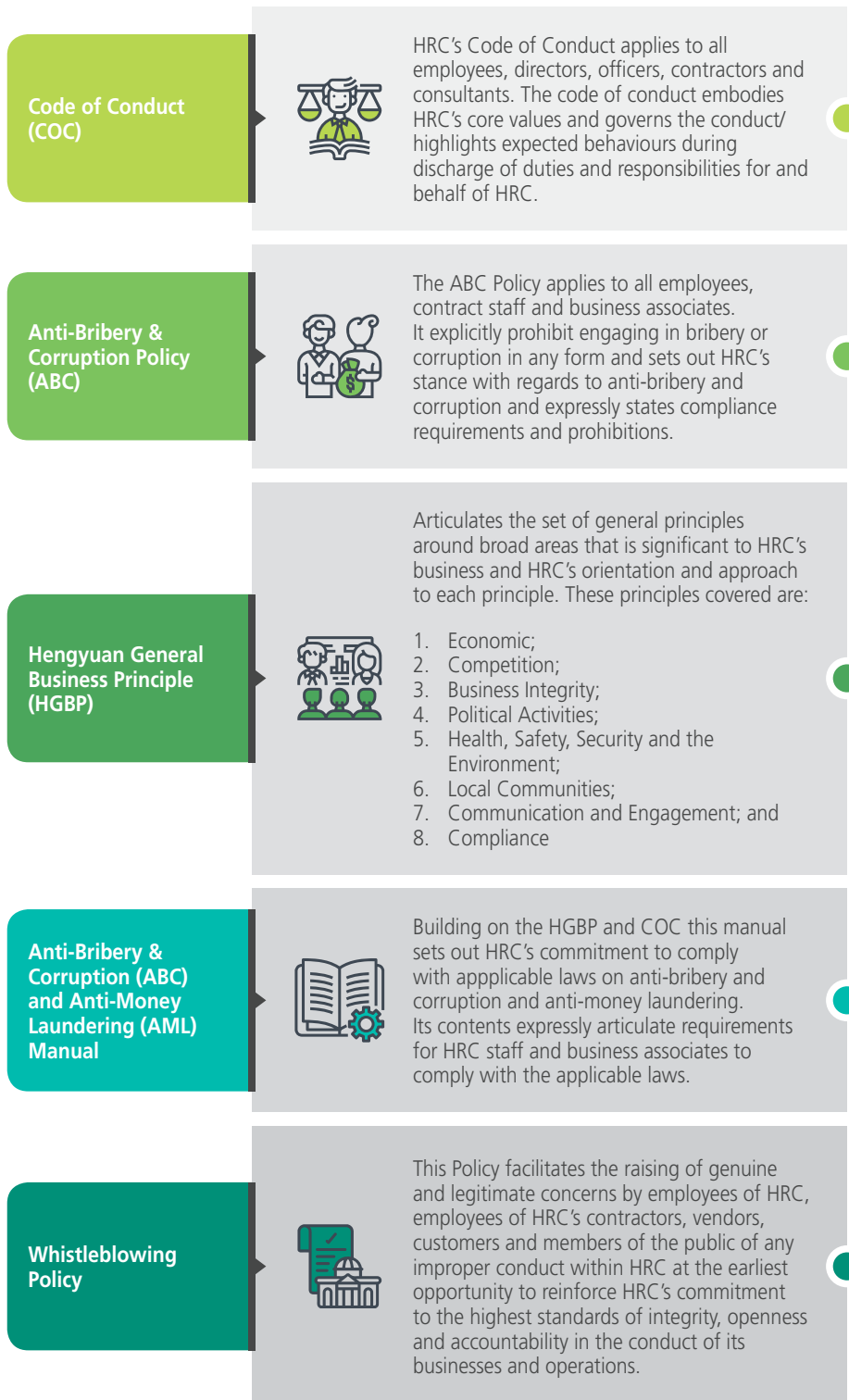
All HRC constituents across all levels, regardless of seniority are expected to diligently practice these behaviours both as an intrinsic part of good governance and in contributing to stakeholder value creation.



## Economic Sustainability

Continuous employee engagement and targeted programmes served to embed the core values above across our workforce, for instance in FY2022 as part of the Business Integrity Week, an “ICARE for Integrity” programme was organised with the express purpose of reinforcing and fortifying a culture of integrity at our workplace as well as to drive home an awareness of the consequences, risks and liabilities associated with actions without integrity.

HRC has developed relevant policies and guidelines to further embed our core values, enforce the practice of good conduct and reinforce our zero tolerance for corrupt practices and unethical behaviours. Compliance to the policies and guidelines are mandatory for all employees, officers, directors, contractors and business associates of HRC. Key policies and guidelines include:



## Economic Sustainability

### Anti-Bribery & Corruption and Anti-Money Laundering

HRC is acutely conscious of the importance of good governance as an integral part of doing business. Weaknesses in governance exposes us to material risks, not only from the financial perspective but, more significantly, from the reputational perspective. We are relentless in our efforts to embed and continually reinforce good governance across our organisation recognising that trust created through good governance is the bedrock of our credibility - absent trust, our good name and reputation will be severely compromised, consequently undermining our ability to do business.

HRC is certified in ISO/IEC 37001:2016 - Anti Bribery Management System (ABMS) on which a recertification audit was conducted in FY2022, no non-conformity was observed and we were successfully recertified. In support of our efforts to eliminate bribery and money laundering from our operations, we have in place our Anti-Bribery and Anti-Money Laundering Manual (Manual) which is compulsory on all members of our workforce and business associates. The Manual dictates the responsibilities for compliance with laws that prohibit bribery, corruption and money laundering, key ones include:

- 01

**Malaysian Anti-Corruption Act 2009**
- 02

**Anti-Money Laundering, Anti-Terrorism Financing Act and Proceeds of Unlawful Activities Act 2001**
- 03

**Whistleblower Protection Act 2010**

HRC does not tolerate any act of bribery, corruption and money laundering, our workforce and business associates are constantly reminded to carry out their duties conscientiously and responsibly and act with caution to prevent any risks arising. We have established, implemented, maintained is continually improving our AMBS, including the processes needed and their interactions in accordance with international standards and all applicable laws. We received 100% response for our annual Integrity Declaration exercise for FY2022. Our Risk & Integrity Department (R&I) oversees the management of risks and enforces ethics and integrity matters and supports compliance matters.

In FY2022, there were no instances of bribery or corruption.



### Conflict of Interest

All employees and directors must declare any potential or perceived conflict of interest annually or as and when the need arises. All business associates are also required to declare conflict of interest during the tendering process. In addition, individuals can also record details of any conflict of interest situation in HRC's Conflict of Interest register.

HRC demands that all our employees and business associates refrain from anti-bribery and corrupt practices. Our ABC Policy governs the conduct of our employees and business associates in relation to their business dealings. This policy is a key instrument in support of HRC's commitment to uphold ethical behavior and business integrity, amongst others it mandates:

- compliance with all anti-bribery and corruption and anti-money laundering laws and regulations;
- honesty, integrity and fairness in all aspects of business and an explicit assertion that facilitation payments shall not form part of HRC's culture;
- declaration of any conflict of interest before starting a business relationship; and
- adherence to HRC's "no gift" policy and compulsory declaration to Risk & Integrity Department where gifts and hospitality are unavoidable.

## Economic Sustainability

### Whistleblowing

As articulated earlier HRC has a Whistleblowing Policy (WP) to support disclosures of genuine and legitimate improper conduct within HRC. We encourage our employees, contractors and vendors to speak up to raise any issues or concerns. HRC's WP, which is accessible on HRC's website, allows individuals to report any improper conduct through our whistleblowing channels and clearly articulates the related procedures across the lifecycle from initiation through to closure. The Policy provides protection of confidentiality for a whistleblower (to the extent reasonably practicable) which is consistent with the Whistleblower Protection Act 2010.

The Board Whistleblowing Committee (BWC) has oversight over the Whistleblowing Policy. The BWC supports the Board to further strengthen the governance to ensure greater integrity, accountability and confidentiality in the whistleblowing process.



Please follow this weblink to our Whistleblowing Policy [HRC Whistleblowing Policy](#)

### Political Activity

HRC does not participate in any political activities or use funds or resources to support any political candidate, political party or their representatives. HRC does not restrict any employee from participating in any political activity or run for a public office position. However, such actions must not conflict with the HRC's interests. Underscoring the foregoing our ABC expressly states that HRC is politically neutral and does not make political payments of any kind.

### Human Rights

We are committed to respect, support and uphold fundamental human rights as expressed in the Universal Declaration for Human Rights and the UN Guiding Principles on Business and Human Rights. As a responsible organisation, we adhere to Malaysian employment laws and, among others, ensure fair minimum wages, fair working hours and prevention of child or forced labour practices in our operations.

### Cyber Security

The use of information technology (IT) is ubiquitous and indispensable in business with significant reliance placed on IT to facilitate automation and data processing. HRC also places significant reliance on IT to reap operational efficiencies and cost effectiveness. Consequently, a crucial need arises to ensure our systems and data are secured and protected against intrusions, malicious attacks and unauthorised access. In this regard, HRC is certified in ISO/IEC 27001:2013 - Information Security Management System which was successfully recertified in FY2022.

Confidentiality, privacy and integrity of personal data are fundamental principles enshrined in the HRC's Personal Data Protection Policy and HRC complies with the provisions of the Personal Data Protection Act 2010 (PDPA) in relation to the use and management of customer data.

HRC maintains constant vigilance to keep our systems and data protected at all times. We strive to ensure that our cyber security mechanisms and processes are always sufficiently resilient against unauthorised malicious attacks through constant enhancements. In FY2022 we instituted the following cyber security initiatives:

- implementation of Multifactor Authentication for all user accounts;
- mandating use of VPN access (Firewall Global Protect) by external users to access our network and systems; and
- implementation of Microsoft Office 365 security policy against, amongst others, spam (unsolicited irrelevant messages received over the Internet), phishing and spreading of malware.

### Business Continuity

A robust Business Continuity Plan (BCP) contributes to our business resilience and reinforces our readiness to manage any disruptions to operations. The BCP is triggered upon the occurrence of any uncontrollable incidents involving external or state infrastructure failure, natural disasters, internal asset failure or Information Technology (IT) system failure or sabotage. Our dedicated BCP team hold regular meetings to review and update the BCP by identifying current situations, reviewing and closing gaps, identifying business and technical focal points, and conducting relevant BCP workshops. BCP scenarios are also tested periodically for effectiveness. In FY2022 we successfully conducted BCP testing with the scenario "Loss of Main Road Access", this testing was conducted with collaboration and support from Shell and Konsortium Port Dickson.

## Economic Sustainability

### Initiatives

The table below lists Ethics and Integrity focused activities carried out in FY2022.

Targets	FY2022 Activities
Communicate and raise awareness by building necessary capacity on anti-bribery and corruption policy and ABMS Manual to combat corruption	<ul style="list-style-type: none"> <li>• ABC Policy, ABC &amp; AML Manual and Code of Conduct refresher training for existing employees.</li> <li>• Business integrity on-boarding session for new employees.</li> <li>• Declaration of commitment from all employees and active business associates to comply with the ABC &amp; AML Manual and Code of Conduct, and to disclose any potential or perceived conflict of interest via HRC's annual declaration process.</li> <li>• "Integrity Run", a fun programme had been carried out during the annual Business Integrity Week to foster integrity at work. These activities were organised to reinforce ethical leadership, good governance, accountability and individual integrity.</li> <li>• In November 2022, the R&amp;I Department organised the annual Business Integrity Week. The programme, called "ICARE for Integrity" was organised to reinforce the core value of HRC. A talk on Individual Liability and Corporate Liability was delivered by the officer from Malaysian Anti-Corruption Commission (MACC).</li> </ul>
Upholding ethical business culture	<ul style="list-style-type: none"> <li>• Continuous diligence throughout FY2022 to ensure practice of ethical business culture in line with COC and HGBP.</li> <li>• There were no major non-compliance cases or breach of ethical business culture practices and no confirmed incidents of corrupt practices recorded in FY2022.</li> <li>• HRC has not received any substantiated complaints concerning human rights in this reporting period.</li> </ul>
Compliance with laws and regulations	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations is integral to all business and operational activities, similar to the previous year, there was no material non-compliance of any applicable laws and regulations in FY2022.</li> </ul>
Embed good corporate governance into our systems and processes	<ul style="list-style-type: none"> <li>• Continuous integrity due diligence is conducted on appointment of senior management roles, new business partner's registration and SAP System user access request.</li> </ul>
Successful recertifications of applicable ISO standards	<ul style="list-style-type: none"> <li>• Successful completion of recertification audits on ISO/IEC 37001:2016 Anti Bribery Management System (ABMS) and ISO/IEC 27001:2013 - Information Security Management System (ISMS). Both certifications were duly recertified.</li> </ul>



# Economic Sustainability



## Economic Performance

We are acutely aware that sustained good economic performance is foundational to funding our continued business growth and operational enhancements as well as supporting the delivery of our sustainability commitments. To this end, HRC has a relentless focus on ensuring strong economic performance every fiscal year.

### Challenges

The COVID-19 pandemic situation in the country began to abate as vaccinations gradually increased across FY2022 including the administration of the third and fourth booster shots. Malaysia transitioned into the endemic phase on 1 April 2022 which also saw the gradual revival of economic activities and business confidence has continued to grow as we moved into the end of FY2022.

However, another challenge reared its head even as the threat posed by the pandemic began to diminish. The Russia-Ukraine conflict began in late February 2022 and the resultant geo-political tensions has resulted in increased volatility in crude prices and drastically increased refining margins especially during second quarter. We responded by maximising our production to take advantage of the strong margins.

At the time of writing, the war does not appear to be close to a peaceful resolution resulting in continued volatility in crude prices. Under the circumstances, HRC will continue to optimise and purchase high value crudes within refinery operating feasibility to maximise margin and leverage the revenue and profitability enhancement opportunities presented - in this, an assured and adequate of supply of crude is crucial and our term supply agreements and flexibility to process a basket of crude oil has been key to ensuring a secure supply of feedstocks.

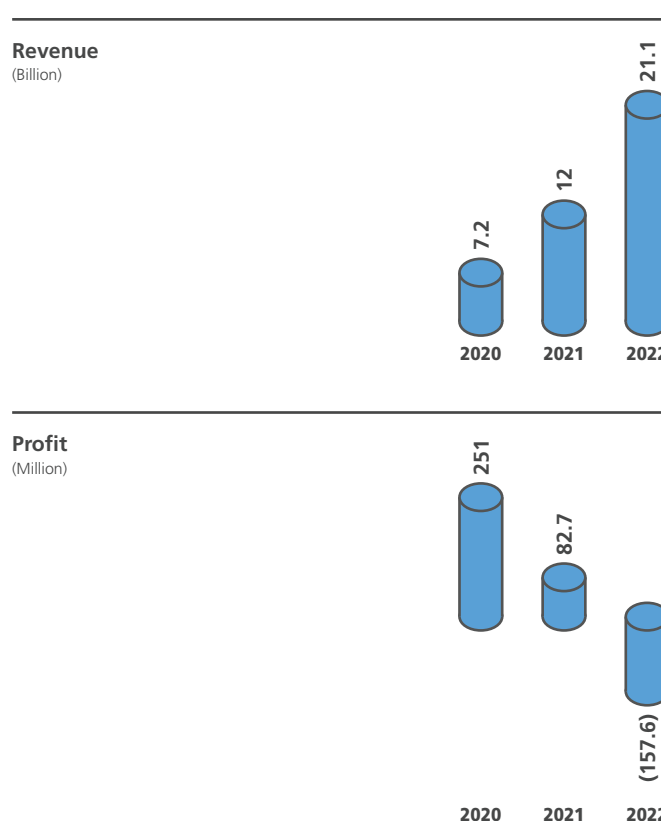
Other key initiatives taken to increase overall product value include maximising Mogas and Gasoil production when the cracks were highly supportive in first half of 2022 and selling combined crude oil (CCO) with a nimble quality price escalator and de-escalator formula to favorably reflect CCO value when pooled as Fuel Oil while still providing a viable optimisation room to capture the gains from higher CCO processing into Gasoil 10ppm in actual daily operations. Subsequently following poorer Mogas crack, we ran our long-residue catalytic cracking unit (LRCCU) at lower runrates to minimise Mogas production and kept maximising Gasoil production throughout 2022.

### Economic Performance

In FY2022, HRC recorded revenues of RM21.1 billion as compared to RM12.0 billion in FY2021. In the year under review, HRC reported a loss after tax of RM157.6 million compared to a profit after tax of RM82.7 million in the previous year. Refining margins and

crude prices continued to remain volatile during the year resulting in a full year average Current Cost of Stock margin (CCS) of USD0.47/bbl (FY2021: USD3.44/bbl) and gross profit margin of USD2.47/bbl (FY2021: USD7.23/bbl).

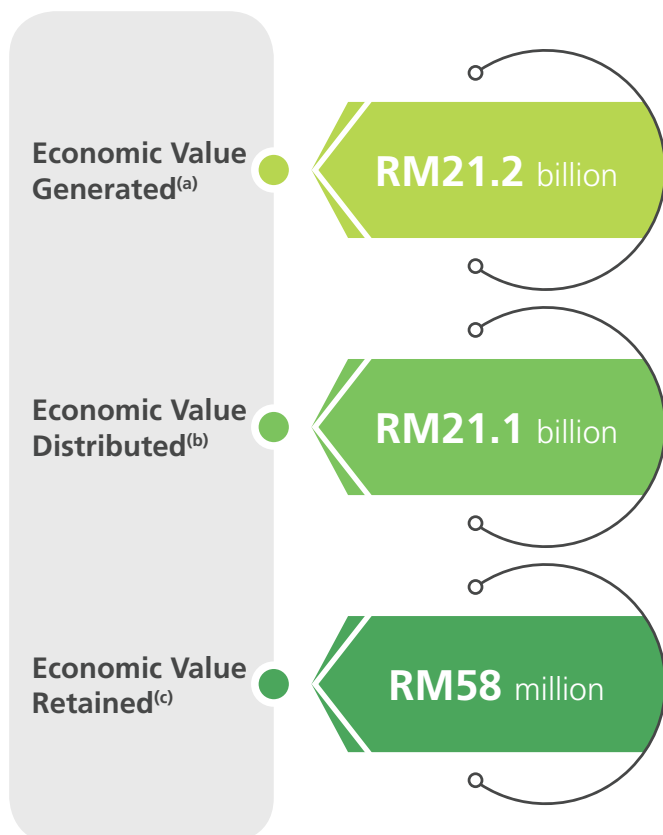
The increase in revenue of RM9.1 billion was attributed to a 58.9% increase in product prices that averaged at USD125/bbl, coupled with a 9.4% increase in sales volume supported by better market demand. Notwithstanding the higher revenue reported, gross profit fell to RM0.3 million (FY2021: RM1,044.7 million) affected by the higher plant production downtime, increased crude premium, and softening of Mogas cracks mainly in the second half of the year.





## Economic Sustainability

HRC’s economic values generated, retained and distributed FY2022 are depicted below.



Notes:

- (a) Refers to the revenues and other income generated by HRC
- (b) Refers to operating costs, employee wages, payments to providers of capital, payments to government and community investments
- (c) Refers to Economic Value Generated minus Economic Value Distributed



Further discussion and details of our financial performance can be found under the Management Discussion & Analysis (MD&A) section on page 41 of the AR2022.

### Initiatives

Addressing the volatility in crude prices and optimising higher margin opportunities are clear examples of how HRC strives to continually improve our economic performance in the face of constant, and often, unpredictable challenges. Key future initiatives aimed at enhancing and sustaining strong economic performance for FY2023 include:

- Negotiate term crude oil supply to secure 60-70% of feedstocks requirement to ensure feedstocks security for continuous production and securing supply of high value raw materials.
- Robust inventory management supported by reliable demand forecasts to ensure smooth products throughput arrangement to seamlessly meet demand variations during major turnaround.



# Economic Sustainability



## Customer Management

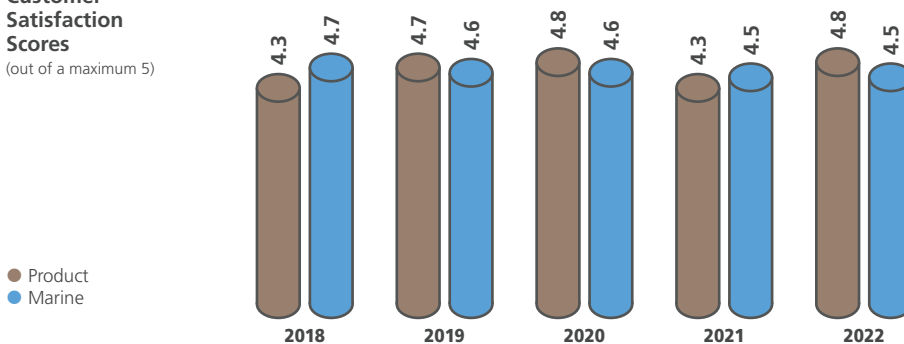
HRC has a relentless focus on our customers, we continuously strive to be responsive to their changing needs through constant product innovation. We are conscious that our economic performance is strongly dependent on our customers. Accordingly, we adopt an acute customer focus and service excellence orientation in all that we do - anticipating their needs, understanding the inevitable prices sensitivities and quality requirements and continuous service expectations. We recognise that customer satisfaction is foundational to customer retention as well as in protecting and increasing market share in our competitive industry and we hold a conviction that strong, mutually beneficial relationships with our customers are crucial to delivering to their expectations and effectively meeting their needs.

### Customer Satisfaction Survey

HRC solicits feedback and assess our performance through an annual Customer Satisfaction Survey which focuses on our delivery time, quality, adherence to order quantity and compliance to contractual terms as well as service-based parameters such as responsiveness and the competence of our personnel. The feedback received is valuable in our efforts to continuously improve and stay relevant, translating into enhanced product and service quality and greater customer satisfaction.

In the FY2022 customer satisfaction survey, the average satisfaction scores for our Product and Marine segments were 4.8 and 4.5 respectively maintaining FY2021 scores. The customer satisfaction scores over past five years are depicted below. Notwithstanding the relatively high scores attained in the past HRC will continue to reach for excellence.

**Customer Satisfaction Scores**  
(out of a maximum 5)



Consistent with all previous years we remain committed to ensuring high customer satisfaction, delivering excellent customer experience so as to meet our customers' changing demands and maintain our growth trajectory.

# Economic Sustainability



## Supply Chain Management

The smooth operation of our supply chain is fundamental to our responsiveness to market changes and changing customers’ needs. Accordingly, we strive to maintain our supply chain ecosystem at optimal operational efficiency levels at all times ensuring all supply chain components work together in a coordinated manner and in tight collaboration. As the “lead coordinator” HRC manages and coordinates all components of our supply chain to operate seamlessly as one. We are committed to working closely with all partners within our supply chain ecosystem and to ensuring they work well with each other too so as to foster harmonious, mutually beneficial relationships all across. This assures the seamless operation of our supply chain and, importantly, also infuses sustainability into the chain contributing to HRC’s business success, continuity and resilience to weather changing market conditions.

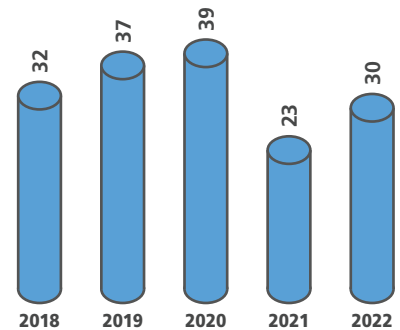
### Contracts with Suppliers and Business Partners

We foster good relationships with our supply chain partners and, guided by our COC and HGBP, adopt responsible and ethical practices in dealings with these partners. We also promote similar responsible and ethical practices by our supply chain partners, for instance our COC prescribes working with contractors and suppliers who contribute to sustainable development and are economically, environmentally and socially responsible.

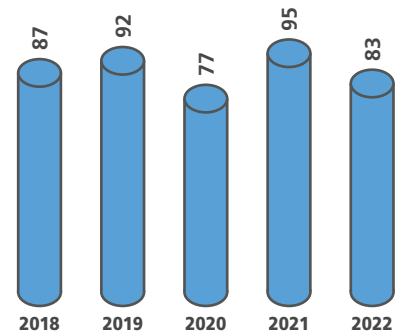
As with all business enterprises, procurement is a key area where responsible and ethical practices is imperative. All our contracting and procurement activities must be conducted in full compliance of HRC’s Contracting Policies and Procurement Procedures Manual (C&P Policy) which outlines the selection and contracting process to be followed when identifying and engaging suppliers and business partners for products and services. Notably, this process includes an Integrity Due Diligence (IDD) screening that is overseen by our Risk and Integrity Manager. Across the entire process care is taken to ensure that fair and equal treatment is exercised.

In FY2022, a total of 30 contracts valued at RM220 million were awarded to suppliers and business partners.

Total No of Contracts Awarded



Contracts Awarded to Local Companies (%)



The proportion of contracts awarded to Malaysian suppliers fell in FY2022 to 83% (21 contracts valued at RM44.4 million) from the 95% recorded in FY2021.

## Economic Sustainability

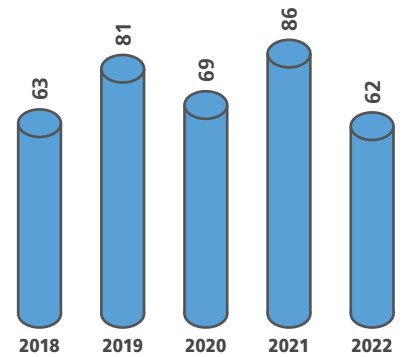


We strive to source from local suppliers, especially for service contracts on our key projects to optimise cost savings and fulfil our commitment to support the local economy by providing employment opportunities to the local community - this is especially pertinent in FY2022 as the country emerges from the effects of the pandemic, HRC is committed to do our part in contributing to the national economic recovery. During the pandemic we increased local sourcing to better manage costs and overcome delays/allay risks of delay in order to minimise any adverse impact on our supply chain.

However, in FY2022, the number of projects undertaken requiring foreign proprietary expertise and leverage of foreign patents increased and this has driven a corresponding increase in foreign procurement.

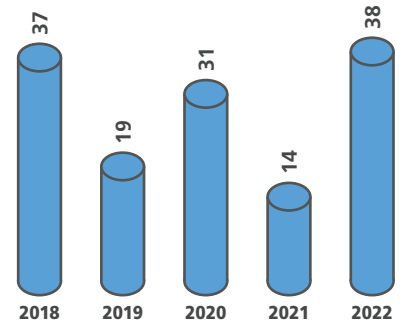
Moving forward in FY2023, the Company will continue to fully utilise local resources while engaging with key international vendors of good quality and high reputation in areas where expertise/capabilities needed cannot be met locally. HRC will also explore opportunities in China to diversify to a wider pool of vendors.

**Contracts via Competitive Bidding Process (%)**



62% of total contracts valued at RM197.3 million were awarded through the competitive bidding process in FY2022, this represented a decrease from 86% in FY2021. Conversely single source procurement increased in FY2022 as indicated in the diagram below.

**Contracts via Single Source (%)**



We prioritise procurement through competitive bidding and discourage single-sourcing as the HRC aims to benefit from competitive pricing from a more open tender process. Single or sole source contracts will only be considered when the tender option is not practical. 38% of the contracts valued at RM22.9 million were awarded through the single sourcing process in FY2022 which was an increase from FY2021's level of 14% (RM5 million).

The increase in sole sourcing correlates to the increase in procurement for our production facilities and equipment that needed the right technical expertise in order to bring them up to optimal operational fitness and capacity. The technical expertise are, in many instances, proprietary hence imposing a need for sole sourcing.

## Economic Sustainability

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### Supplier Performance Monitoring

Robust inventory management with adequate and timely availability of raw materials, optimal operational condition of production equipment and facilities as well as reliable logistical support are all critical to our business success and our ability to meet our customers' exacting expectations - this underscores the important and integral role our suppliers play in our business and operations.

To ensure we collaborate well with our suppliers and they understand our needs and expectations, we conduct discussions every six months with our key suppliers. These discussions are critical to building a strong collaborative relationship, address issues arising and also serve to ensure that all risks are anticipated and mitigated so that contracted deliveries progress as expected.

Our C&P Policy also mandates an annual Business Performance Review (BPR) of our key strategic contracts. There were 35 rounds of BPRs conducted on key contracts in FY2022.

For non-critical contracts, respective internal contract owners measure and track the performance which must be reviewed again for renewal prior to expiry of the contract. Assessment results are discussed internally and directly with the suppliers. The maximum allowable contract extensions is up to two times to provide opportunities for a competitive bidding.



## Economic Sustainability



### Product Quality

We view product quality as an extremely critical aspect of our business and strive to ensure that the quality of our products comply with all mandated standards and are of the highest quality to maintain our competitiveness and satisfy exacting demands of our customers. We are unrelenting in our quest to maintain and enhance product quality. In this regard, we practice stringent Product Quality (PQ) processes defined under our Quality Policy that ensures operational excellence of our laboratory testing facility is on par with industry standards. These processes include systematic quality checks along the production chain in our laboratory.

### Laboratory Assurance Programme (LAP)

Our in-house LAP continues to provide high levels of quality in lab testing to ensure that our customers receive high quality products that meet their requirements and expectations. In FY2022 we successfully recertified our ISO/IEC 17025:2017 - Testing and Calibration Laboratories certification without any instances of non-conformity. This certification plays an important role in product quality assurance.

Key Laboratory and Testing activities in FY2022 include:

- 01 Continuing participation in the assurance programme with good performance all round to provide assurance to customers on the accuracy of testing and hence, the quality of our products
- 02 Supported required testing to ensure smooth starting-up of the Hydrogen Manufacturing Unit (HMU) and Euro 4M (E4M) unit
- 03 Recertification of ISO/IEC 17025:2017 - Testing and Calibration Laboratories certification with zero non-conformity
- 04 Ensuring all audit preparations are being performed on a continuous basis
- 05 Reverted from manual testing of LPG Vapor Pressure which entails comparing manually computed results against machine calculated results to provide guidance for pressure release. This method adds a further layer of safety given that pressure is released only when correlation studies are within tolerance limits
- 06 Collaboration with other refinery laboratories in the region for mutual exchange of learnings and support in specific testing capabilities and facilities
- 07 Explore other automation platforms to help improve accuracy of results and reduction of testing time

*Note: The E4M unit is pending the issuance of Certificate of Completion and Compliance.*

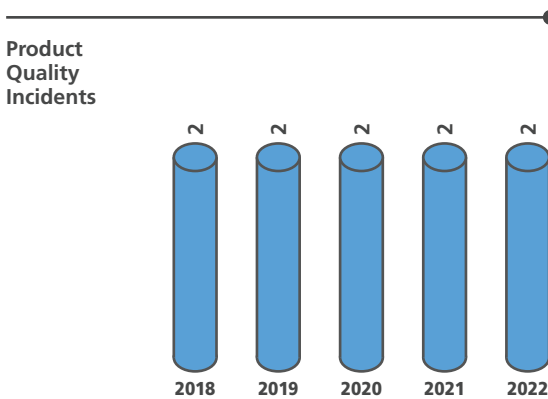
## Economic Sustainability

### Quality Audits

Quality audits are an indispensable and integral part of our quality assurance processes. These audits serve to ensure that we stay vigilant and in compliance to quality control processes to ensure that our products are of the highest quality and comply with governing standards.

Similar to FY2021, there were 2 quality audits conducted in FY2022 where our tests are accredited by independent auditors to be in compliance with quality requirements.

The number of Product Quality Audits over the last five years is set out below:

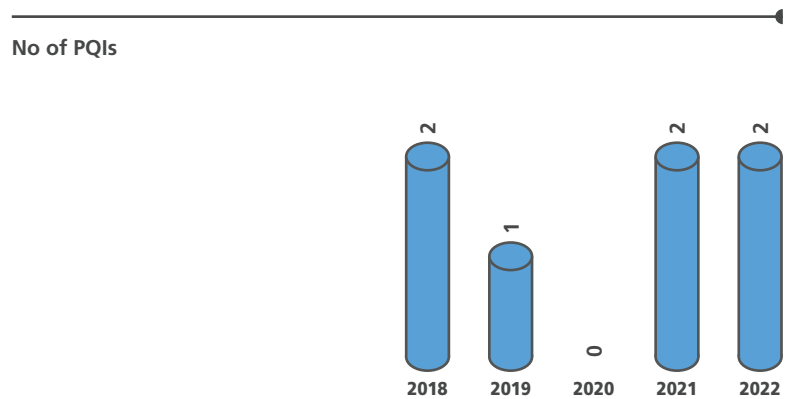


### Product Quality Incidents

2 low RAM (Risk Assessment Matrix) Blue (indicating low severity) product quality incidents (PQI) were recorded in FY2022, similar to the number recorded in FY2021.

HRC requires high risk incidences encountered to be followed through using Incident Investigation methods. In FY2022, there were no major product quality incidents recorded that required an incident investigation. For all other low and medium severity PQIs, investigations were carried out to ensure learnings were captured to avoid any recurrence.

The diagram below summarises PQIs over the last 5 years:



As is evident from the above there has been no medium or high severity PQIs over the past 5 years while the number of PQIs, all of which are of low severity, has been relatively constant. We remain vigilant in terms of product quality and will stive continuously to avoid PQIs and maintain high product quality levels.

The following key activities were carried out in FY2022 from the product quality perspective:

Continue to ride on the Ensure Quality Product (EQP) health check structure in 2022. Improvements or gaps were highlighted, tracked, and shared in product quality (PQ) monthly meetings. No major findings were identified in FY2022

All identified corrective actions were duly executed by the team and closed accordingly

Completed both the HMU & E4M\* units start-up with no major PQ issues

*\*pending issuance of Certificate of Completion and Compliance*

Continuous efforts on PQ giveaways  
- U95 RVP, Sulphur and RON releases via online analysers

# Economic Sustainability



## Reliable Operations and Production

Reliable operations and production are critical to HRC's continuing ability to generate and deliver value to all our stakeholders. They are vital to HRC maintaining our strong market positioning and in meeting our customers' demands at exacting quality levels and competitive prices. We have a laser sharp focus on maintaining our operations and production facilities at optimal levels and are constantly innovating to capitalise on opportunities for enhanced operational efficiency while mitigating the inherent costs. In addition, the reliability of our operations and production contributes to HRC building resilience to seamlessly address changes in market variations including those that are unexpected, and expeditiously leverage revenue and profitability enhancement opportunities arising.

### Reliability and Operability

Our Reliability Management Framework details work processes and practices to be executed to identify equipment and maintenance needs and upgrade projects required to ensure continuous equipment availability and operability and that production facilities are at their optimal operating level and capabilities.

The Mitigate Threats to Availability procedures, which encompass our Reliability Management Framework, elaborates on responsibilities and methods for identifying reliability threats, and actions required to head-off anticipated threats and mitigate those that eventuate. These processes essentially contribute to the effective and optimal operational preparedness and efficiency.

Our threat mitigation process is depicted below.



A reliability and risk-aware mindset is continually instilled in our workforce by a matured Site Committed as One (SCONE) culture and a good reliability framework that allows individuals to participate proactively in our asset integrity management and promote individual accountability and excellence in every phase of asset management with the aim of increasing operational reliability.

Our constantly high operational performance in FY2022 and in previous years can be attributed to the collaborative efforts of a strong and committed team equipped in both the requisite technical and business know-how, guided by an established reliability framework that provided direction and structure towards proactive reliability improvements, as well as clear alignment of responsibilities in overcoming threat issues.

### Unplanned Downtime (UPDT)

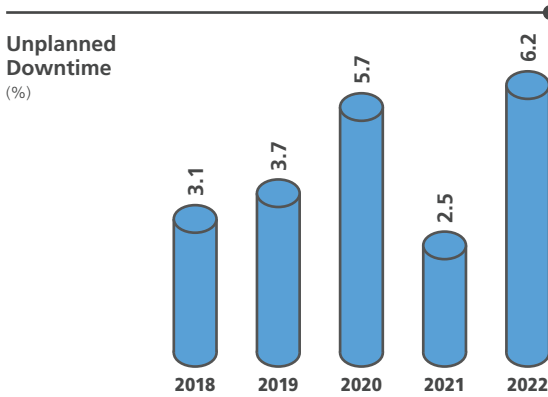
Throughout the pandemic period HRC maintained the level of personnel needed to keep the plant in optimal operational order and in a state of preparedness for the production ramp-up in readiness for increased demand for our products when the economy recovers.

Under the circumstances, UPDT was expected to be low in FY2022, unfortunately the country experienced a sudden national power outage in July 2022 which adversely affected our operations and halting production. This was the principal reason for the increase in UPDT from 2.5% in FY2021 to 6.2% in FY2022, this level also exceeds our target of 2.9%. We remain focused in our continuous efforts to improve on reliability and availability issues to ensure our targets were on track in FY2022.



## Economic Sustainability

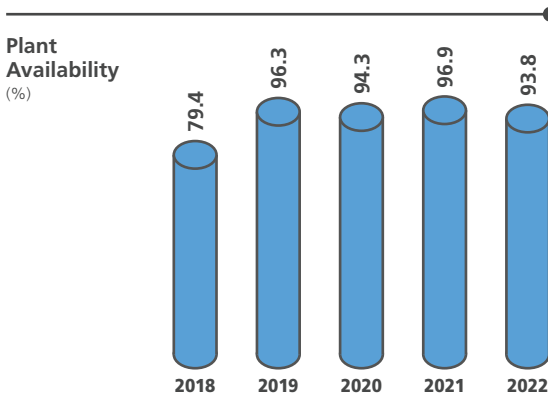
UPDT levels for the past 5 years are presented below.



### Plant Availability and Utilisation

Due to a higher UPDT, plant availability fell in 2022 to 93.8% which is below our target of at least 96.6%. Nevertheless, with relentless efforts on continuous improvement, our plant availability in FY2022 of 93.8% is still surpassing world-class availability levels. This performance could have been better if we had not been impacted by the national power outage in July 2022 which resulted in an unexpected shutdown with an attendant adverse effect on plant availability. Additionally, the power shutdown also surfaced the requirement for a maintenance shutdown later in the year to resolve the issues and prevent any further potential threats which again adversely impacted plant availability.

Plant availability for the past 5 years is presented below.



Key production reliability activities conducted across FY2022 include:

- Reliability Steering Team (RST) meetings continue to take place on monthly basis to discuss site top threats, prioritisation, and ways to address constraints arising, for instance in resources. RST meetings also followed a streamlined agenda to facilitate efficient discussions
- Area Reliability Team (ART) sessions were held to identify specific threats that may potentially impact our ability to operate continuously in a sustainable manner. Threats identified were evaluated in terms of their associated risk exposure levels and solutions were defined and implemented to mitigate and prevent the risks from eventuating
- Reliability Plan 2022 (which covers up to 2025) has been developed to guide efforts at achieving continuous reliability improvement
- The Asset Master Plan Work Practice was published and put into practice in FY2022 which was a significant improvement as there was no formal written procedure/work practice available previously. The work practice was shared across relevant disciplines resulting in the development of specific Asset Master Plan for each discipline in FY2022
- Introduction of Production Run Limiter tracking as part of the RST agenda to ensure potential threats are monitored and mitigated

### Key production reliability activities planned for 2023 are:

- Completion of all outstanding checks and tests and achievement of successful performance guarantee test run (PGTR) for the newly installed Euro 4 Mogas (E4M) unit
- Safe and successful delivery of Turnaround 2023 (TA) to enable our plant to run reliably until the next turnaround cycle in 4-5 years with a focus on critical projects aimed at mitigating a total of 44 threats through planned repair and restoration initiatives highlighted in the TA. Successful execution will potentially improve our refinery threat score by 28%
- Delivery of critical projects to further enhance marine operations such as the modification of the Single Buoy Mooring (SBM) and anchor chain replacement. In addition, we have also further identified vacuum gasoil (VGO) as a potential margin contributor to HRC

## Economic Sustainability

### Initiatives

Uncertainties continued to prevail in FY2022, while economic activities rebounded as threats posed by the COVID-19 pandemic diminished new uncertainties and volatility emerged following the Russia-Ukraine conflict. In response we continue to actively review production planning based on margin and demand and optimised procurement of high value crudes within refinery operating feasibility to maximise margin. These proactive measures demonstrated HRC’s agile and proactive responsiveness in capturing windows of opportunity during the year.

Accordingly, product yields in FY2022 was strongly focused on maximising diesel/gasoil production to leverage the historically high gasoil cracks margin resulting from the Russia-Ukraine conflict.

Key product yield-focused activities carried in FY2022 were:

- under our Business Improvement Plan (BIP) strategies, 12 tactics were implemented that resulted in about USD19 million in cost savings in FY2022. The tactics ranged from uplifting our capabilities in terms of feed intake processing, blending capacities in individual units and oil movement area, and chemical and fuel savings.
- to maximise gasoil production to capitalise on the highest cracks margin in 2022, processing capacity of hydro processing unit (HDS-2) was increased by 10% from 6,300 to 6,900 TPD. As well, all other available options on site were saturated and utilised to maximise the gasoil production.
- successfully implementation of Phase 2 of the E5 gasoil specification, in particular distillation and density from March 2022 onwards without any PQL.
- successfully commissioned and started-up our:
  - > Hydrogen Manufacturing unit to meet additional need for Hydrogen in E5 gasoil specification, maximising the upgradation of cracked cycle oil into Gas oil; and
  - > E4M unit to upgrade cracked gasoline into Mogas.
- as a part of new initiatives, the Liquid Nitrogen assisted cooling (LNAC) Technology was applied for reducing shutdown duration of the hydro processing unit. Utilising this cryogenic technology, the catalyst bed was able to cool down 4 days earlier than usual which resulted in saving of 4 days in overall shutdown period.
- energy master planning was conducted for the next 8 years with a view to improve energy efficiency and reduce our carbon footprint in line with similar countrywide initiatives.

### Plans for FY2023

Key product yield-focused activities planned for FY2023 include the following:

Execution of targeted Business Improvement Plan (BIP) for margin upliftment focused around 8 new business improvement initiatives to diversify crude variety including identifying and leveraging opportunities for cheaper crudes, site capacity increase, further de-constraining gas oil production, and fuel savings amongst others

Planning for Euro 5M product specification between 2025-2027 covering technology evaluation, and selection of front-end engineering design (FEED)

TA planning as well as efficient, safe and successful execution to plan. Initiatives include inspection, catalyst change out, implementation of margin and reliability improvement amongst others

## Economic Sustainability



### Health & Safety

As always, the health and safety of our employees and the external contractors we engage (collectively, workforce) are of the utmost importance to HRC. Our concern in this perspective extends beyond economic sustainability, it is an explicit expression of our care for the wellbeing for individuals who, through their untiring efforts, contribute to the growth and prosperity of HRC. We are conscious of our responsibilities to care for the wellbeing of our workforce and of maintaining a safe and conducive work environment for them in support of which we have implemented many initiatives targeted at securing the health and safety of our workforce. Our established Occupational Health and Safety Management System provides the framework for us to operate in a safe, reliable and compliant manner.

## A. Governance Mechanisms

### HSSE Policy

We maintain a strong health and safety framework that is supported by our Health, Safety, Security and Environment and Social Performance (HSSE & SP) Policy which expresses our commitments to HSSE for which compliance is mandatory for all our workforce and business associates. The HSSE commitments are presented in the diagram below.

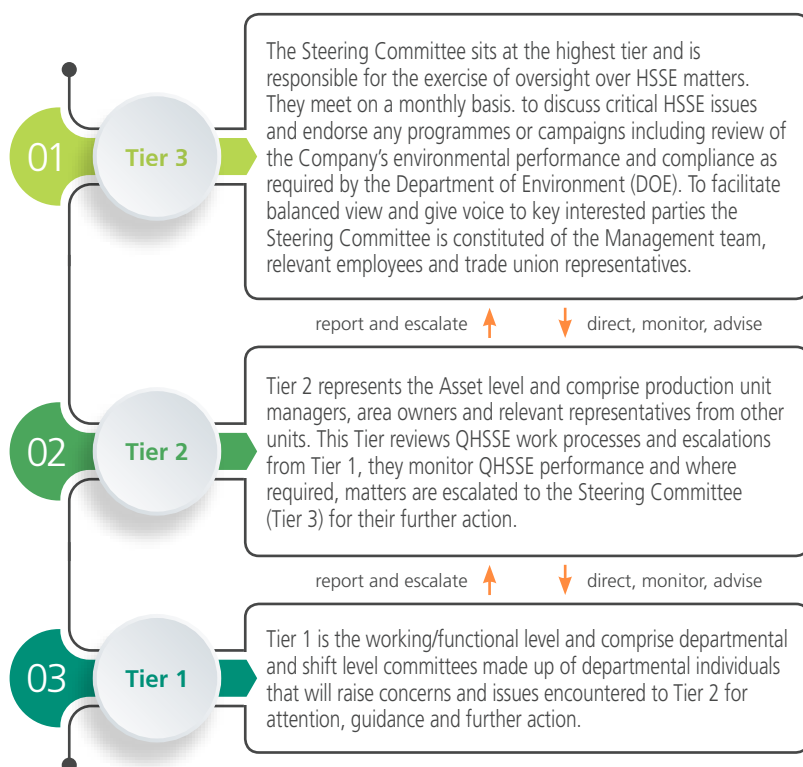


The Policy commitments are designed to ensure compliance with all applicable laws and regulations. The Board has oversight over the management of health and safety risks and receives feedback on HSSE performance on a quarterly basis from the CEO's quarterly reports to the Board.

## Economic Sustainability

### HSSE Governance Structure

A 3-tier governance structure is in place with to execute HSSE governance



### HSSE Monitoring and Performance Measurement

The HSSE Annual Plan details HSSE KPIs, targets and action plan for the year which contains a balanced mix of leading and lagging indicators to monitor performance. These indicators are updated weekly and is shared site-wide on a monthly basis. On a quarterly basis current HSSE performance and scorecards are reviewed by the Board.

HRC is committed to advocating best practices and to ensure its HSSE performance is benchmarked against industry standards. We maintain an ISO 45001: 2018 Occupational Health and Safety Management System certification covering the entirety of our operations encompassing production of petroleum and its by-products inclusive of refining, blending, storing, receipt and dispatch. No non-conformance was recorded during the Surveillance Audit by SIRIM in FY2022 for ISO 14001:2015 - Environmental Management System, ISO 9001:2015 - Quality Management System and ISO 45001:2018 Occupational Health and Safety Management System. Recertifications were attained in FY2021.

All new projects are required to carry out risk assessments to identify and mitigate any potential adverse impact on the health and safety of workers. While for existing projects risk assessments are mandatory for changes to scope depending on the risk classification, to ensure all risks are identified at the early stage for the necessary action to be instituted.

### Security Management

Security Management is governed by HRC's HSSE Manual, as well, it is an item listed in HRC's Risk and Opportunity Register. Stringent procedures in relation to security have been established to ensure security is sound and the workforce diligent against security risks. These procedures, which are currently operating well and to expectations, are periodically validated through security drills in accordance with our BCP master plan to ensure their continued effectiveness in assuring security over HRC's facilities and operations.

Identified personnel are sent for security training based on the required frequency. These personnel are also involved in drills and periodic engagement with Chief Government Security Office (CGSO), Polis Diraja Malaysia (PDRM), and relevant members of the local community as part of HRC's security programme each year. In this regard, in FY2022, HRC facilitated an inspection exercise for key installation by government officials comprising representatives from CGSO, PDRM Special Branch, National Security Council, Armed Forces and Malaysian Communications and Multimedia Commission (MCMC).

### Review of HSSE incidents

In order to improve HRC's safety protocols, all reported internal HSSE incidents, near misses and other unplanned events are reviewed by multidisciplinary working groups who meet regularly on weekly basis so as to extract valuable insights and learn lessons which are invaluable in our efforts at safety enhancement and incident prevention and avoidance.

The learning from incidents (LFI) process focuses on reviewing external incidents primarily from the oil and gas industry. It is a key element within our Process Safety Management (PSM) framework - PSM is further discussed the Process Safety sub-section.

The reviews are conducted monthly by an LFI Committee comprising representatives from various departments. On a quarterly basis LFI reviews also include the attendance of the CEO, senior management members as well as technical experts from our parent company. Subsequent to every LFI meeting, lessons learned are shared site-wide to all and discipline-specific learnings shared on a monthly basis. The recommendations arising are centrally tracked in our incident management and reporting platform known, iMAX.

## Economic Sustainability

### Casual Learning (CL) Process for Incident Investigation

CL is another work process managed by the QHSSE department to review and investigate internal incidents. All internal incidents occurring in the refinery are analysed through a causal learning investigation protocol to uncover root causes. The CL review is not confined to safety incidents and near misses but also covers other non-safety incidents such as reliability incidents that are worth reviewing.

We categorise CL investigations by levels based on their causes which will dictate the investigation process and the associated completion times.

#### CL LEVEL 1

- To identify physical/direct causes
- By personnel or department where the incident occurred
- Awareness of CL Protocol
- Completed within 2 weeks (or earlier for straightforward cases)

#### CL LEVEL 2

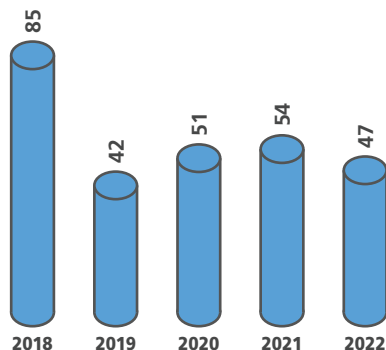
- To identify behavioural causes (e.g. actions, decisions)
- By cross functional investigation team members
- Facilitated by a trained CL facilitator(s)
- Typically requires >2 weeks to complete

#### CL LEVEL 3

- To identify organisational causes (e.g. processes, structures)
- Management sponsored investigation with a written term of reference
- Facilitated by site's CL Process Focal Point (PFP) or other facilitators with required competencies
- By cross functional investigation team members
- Requires >1 month to complete

The number of CL investigations conducted over the past 5 years is illustrated below.

No of Investigations Conducted and Presented



### Quality and HSSE Audits

3 external surveillance audits were carried out by SIRIM QAS on the Integrated Management System which integrates and covers certifications below. No non-conformity was recorded.

ISO 9001: 2015 Quality Management System

ISO 14001: 2015 Environmental Management System

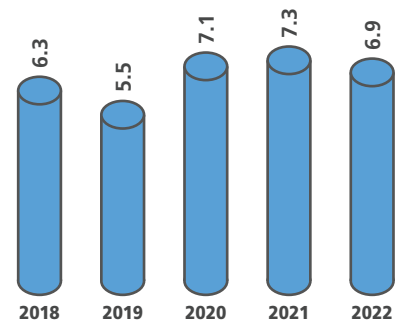
ISO 45001: 2018 Occupational Health & Safety Management System

### QHSSE Budget and Investment

Reflecting the importance of the health and safety of our workforce and our commitment to their wellbeing, HRC budgets annually for investments needed in this area for enhancements, training and emergency response exercises. There was a slight budget reduction in FY2022 as expenses on site assimilation in compliance to COVID-19 controls were reduced following relaxations of rules in line with the National Recovery Plan.

The FY2022 budget was RM6.9 million, budgets for the past 5 years are presented below.

OHSSE Budget (RM in million)



As is evident and reflecting our commitment, the budgeted amounts over the previous years have been relatively stable to secure the proper maintenance of health and safety standards for our facilities and work environment as well as for workforce awareness and preparedness.

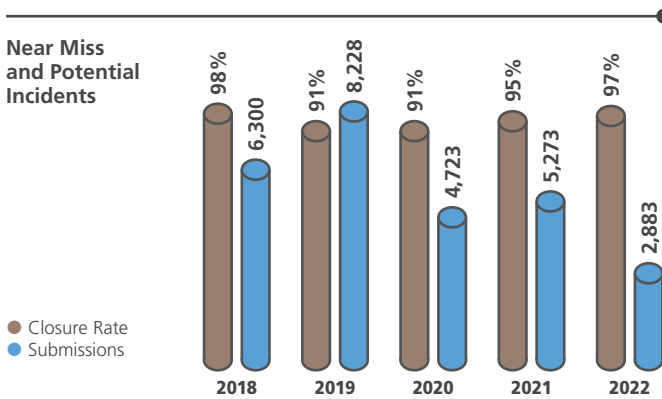
# Economic Sustainability

## B. Personal Safety

### Near Miss and Potential Incidents (NMPI)

We encourage our staff and business partners to report near miss incidents at the workplace via NMPI submissions. These reports are tracked and monitored and lessons learnt are taken to heart in our continual efforts to reduce risk and potential for harm in our operations.

In FY2022, a total of 2,883 NMPI reports were received. This represented a significant improvement from the 5,273 reports received in FY2021 and provides explicit evidence of the effectiveness of our efforts at improving workplace safety and incident avoidance. NMPI closure rate also improved to 97% from the FY2021 level of 95%. The diagram below presents the number of NMPI submission over the past 5 years along with the respective closure rates.



### COVID-19 Vigilance

In FY2021, there was an intense focus on measures to protect our workforce and prevent COVID-19 infections as well as making changes to accord to Government guidelines. This focus has not waned in FY2022, even to present day, HRC continues to maintain vigilance, protection and prevention measures continue to be adopted where circumstances dictate although they are now more flexible with the lifting of restrictions following the country's entry into the endemic phase.

### Safety Awareness

We continued to drive our health and safety awareness through safety campaigns for our workforce, contractors and visitors to be constantly vigilant of the potential risks and dangers in their surrounding environment when performing their tasks.

Our workplace safety slogans: *"Chronic Unease Mindset"* and *"Goal Zero"* are intended to create and reinforce a risk-aware mindset across our workforce and other interested parties with whom we have dealings while our *"12 Life Saving Rules"* support in bringing to life our slogans' clarion call.

**"CHRONIC UNEASE MINDSET"**

**"GOAL ZERO"**

**"12 LIFE SAVING RULES"**



Work with a valid Work Permit when required  
 Conduct gas tests when required  
 Do not walk under a suspended load  
 Do not smoke outside designated smoking areas



Verify isolation before work begins and use the specified life protecting equipment  
 Obtain authorisation before entering confined space  
 No alcohol or drugs while working or driving  
 While driving, do not use your phone and do not exceed speed limits



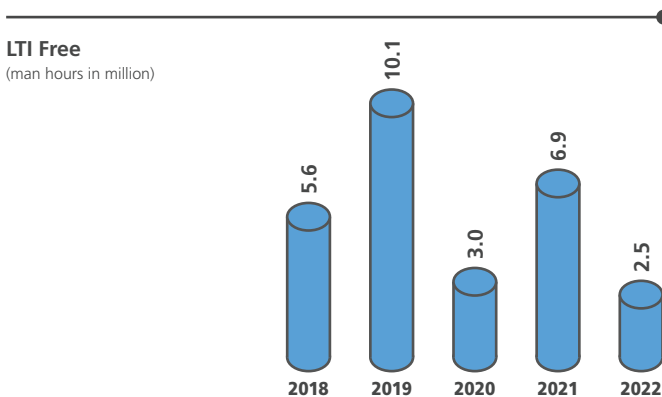
Obtain authorisation before overriding or disabling safety critical equipment  
 Protect yourself against a fall when working at height  
 Wear your seat belt  
 Follow prescribed Journey Management Plan

## Economic Sustainability

### Lost Time Injury (LTI) free manhours and Fatalities

LTI is an injury resulting in fatality, permanent disability or lost workday cases (which includes contractors' manhours), but it does not include restricted work and medical treatment cases. In March one of our personnel sprained his ankle after tripping himself on uneven ground while walking to the office, imposing a reset to LTI Free Manhours & No Harm Clock from a level of 7 million LTI free manhours and more than 1,000 No Harm Days. Since then the cumulative LTI free manhours recorded till end of FY2022 is 2.5 million.

LTI free manhours recorded over the past 5 years are depicted below.



\* Note: LTI free manhours refers to the total cumulative man-hours clocked without having any LTI

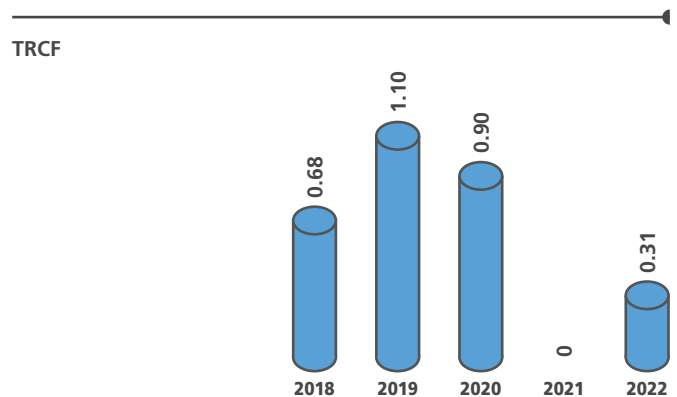


**No work-related (employee and contractor) fatality was recorded in FY2022, continuing the track record of the past 29 years.**

### Total Recordable Case Frequency (TRCF)

TRCF refers to the ratio of repetition of workplace incidents involving Medical Treatment Case, Restricted Work Case, Lost Time Injury. On the overall, the exposed manhours (in millions) for FY2022 saw a TRCF of 0.31. The increase recorded is due to the tripping incident as described above in Section (iv). The FY2021 zero TRCF was an exception and while we continually strive to achieve this excellent level, workplace incidents are unfortunately an inherent part of our industry. Notwithstanding the foregoing, HRC remain relentless in our efforts at incident prevention and avoidance. Deep dive learning and preventive actions are in place to prevent recurrence.

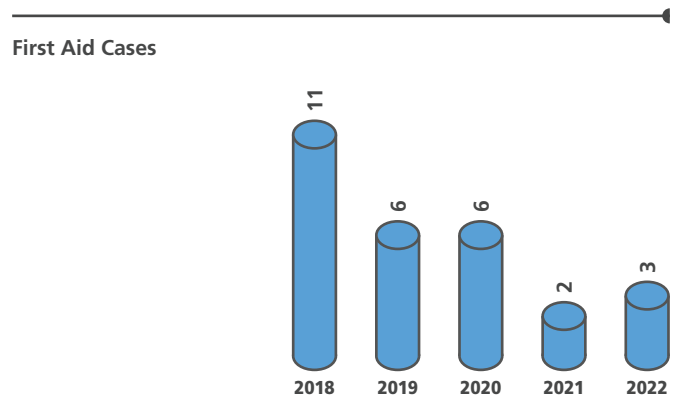
The TRCF trend over the past 5 years is illustrated below.



### First Aid Cases (FAC)

There were 3 FAC recorded in FY2022. Each FAC is subjected to thorough investigations including checks on the behavioural aspects of workers involved. FAC are included within the summary of incidents reported across the HSSE governance structure, this summary is reviewed as part of HSSE performance monitoring and to facilitate the implementation of corrective and preventive actions.

The number of FAC over the past 5 years is depicted below.



# Economic Sustainability

## C. Process Safety

### Process Safety Management Framework

Process Safety Management (PSM) provides appropriate measures to systematically and continuously identify, reduce and manage process safety risks in our operations. In April 2021, HRC successfully rolled out a more structured PSM framework towards a multi-year journey to achieve process safety excellence by 2023. The new PSM framework focusses on 4 pillars that underpins a Safety First culture and associated practices. Many of the elements within the 4 pillars incorporate existing safety critical work processes appropriately enhanced to align with industry best practices.



Following rollout of the new PSM framework, in FY2022, 2 major initiatives were carried out as part of the journey toward process safety excellence:

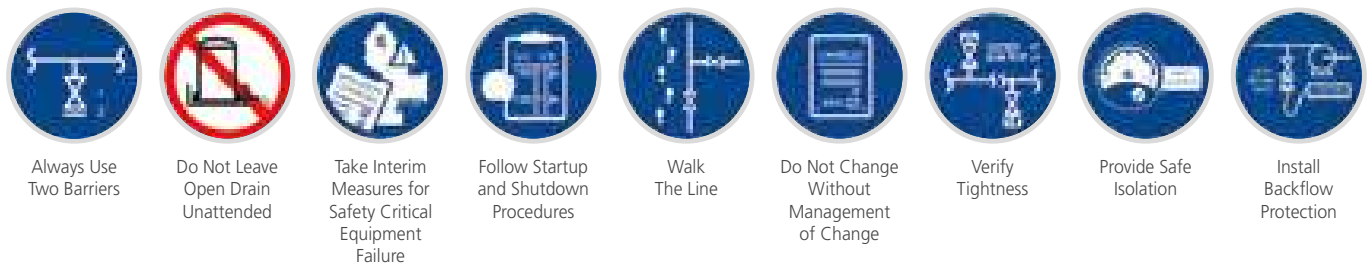
For the Process Knowledge Management element within the Understand Hazards & Risks pillar, a process has been put in place for the review and approval of documentation by a competent reviewer and identified document owner. This serves to ensure that documentation is updated accurately, completely and in an understandable information.

Under the Commit to Process Safety pillar, process safety-specific learning plans and training module for frontliners were developed. The plans have been rolled out to all new frontliners to equip them with the right knowledge and inculcate a Safety First mindset.

### Process Safety 9 Fundamental (PS9F)

The PS9F is a cardinal rule for process safety, which is similar to the “12 Life Saving Rules” referred to above under Personal Safety. The PS9F distils industry best practices and HRC’s body of experience in process safety into concise and easily understandable statements that can be assimilated at one glance. Practice and adherence to PS9F is critical to reducing and eliminating process safety incidents which ultimately, save lives. To enhance the PS9F implementation and compliance, the Process Safety team has developed supporting procedures with clearer definition of the rules and requirements.

## PROCESS SAFETY 9 FUNDAMENTAL





# Economic Sustainability

## Process Safety Review

Process safety reviews are performed to identify potential hazards, assess risks, and review the availability and effectiveness of risk control measures against unwanted process safety consequences to ensure the safety of our personnel, equipment and systems in the process plant.

As opposed to FY2021 when 2 process safety reviews were conducted, none took place in FY2022 as focus was placed on the more immediate need to satisfactorily close off action items identified from the previous completed reviews which is critical and time-sensitive to mitigate and eliminate any undue exposure to risks and serves to enhance our process safety stance.

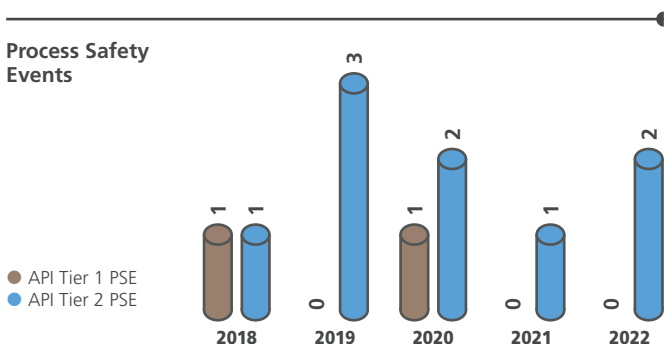
## Process Safety Events

We follow the American Petroleum Institute’s (API) Recommended Practice (RP) 754 in tracking and monitoring our process safety performance. FY2022 witnessed the occurrence of 2 process events both of which were categorised as Tier 2 events under API’s RP 754.

- The two events occurred after the shutdown of the LRCCU - the first time was because of the national power outage and the second during the planned shutdown - but had different root causes. Causal learning has been completed and recommendations from learning outcomes are captured, shared site-wide, and centrally tracked in our incident management and reporting platform, iMAX.

We continue to be vigilant in process safety, in particular ensuring all necessary incident prevention and avoidance mechanisms are incorporated into our equipment in accordance with industry best safety practices - as is evident from our response to events that occurred in FY2022 in which immediate measures were taken to replace damaged parts.

The number of process safety events encountered over the past 5 years is depicted below.



## Emergency Preparedness and Response

Responsiveness and a constant state of preparedness for any emergency event are critical in the industry we operate in given the inherent exposure to safety risks in the oil and gas industry. In support of our commitments to the safety of our workforce and our duty to protect the environment, HRC has put in place robust emergency preparedness and response systems to facilitate speedy institution of appropriate measures to address and effectively resolve emergencies arising. There were no significant changes to our emergency preparedness and response framework since our last report.

In executing our emergency responses, we adhere to our commitment of “no harm to people and to protect the environment” this commitment is embodied in our Emergency Response (ER) Policy. Our Emergency Response Plan (ERP) guides our response to emergencies and provides the framework and procedures for the management of incidents.

In addition, we also have in place an Oil Spill Response Plan (OSRP) - this is incumbent on us as a reputable oil and gas industry player - which covers the management of oil spills. Notably, the OSRP articulates a prioritised order of considerations in executing responses to oil spills.



Both the ERP and OSRP are subjected to robust assurance and regular reviews based on the established standards and best industrial practices so as to keep current and in pace with changes in the industry, operating environment and enabling technologies applied in our operations.

To reinforce our state of preparedness for emergencies, formulate collaborative responses and foster close cooperation to address emergencies arising, our Emergency Response (ER) and Security departments maintain close working relationships with relevant Government agencies such as the Seremban and Port Dickson Fire and Rescue Department, Royal Malaysia Police Department, Marine Department, and the Petroleum Industry of Malaysia Mutual Aid Group (PIMMAG). In addition, we also engage a qualified Occupational Health Nurse stationed at site to provide support during working hours and deal with any immediate medical emergencies.

## Economic Sustainability

ER drills and training are constantly conducted as a routine part of our operation, the table below contain details of drills carried out in FY2022 and their associated targets.



In the interest of safety, we do not confine the number of drills to targeted levels. As is evident from the table, the number of Tier 1 and Tier 2 drills (with involvement from local and state BOMBA) which have greater criticality exceeded the targets set. In terms of Tier 3 drills, FY2022 fell within the 36-month interval set between the conduct of such drills.

ER training details are elaborated in the sub-section that follows.

### D. HSE Training, Initiatives and Campaigns

The conduct of campaigns, initiatives and training represent yet another explicit expression of our commitment to health and safety. In FY2022 we continued to promote health and safety awareness among our workforce to reinforce a Safety First mindset. The relaxation of COVID-19 restrictions meant that more physical sessions which facilitated a greater degree of interaction thereby enhancing training effectiveness.

#### Training

The table below lists health and safety related training that were conducted in FY2022.

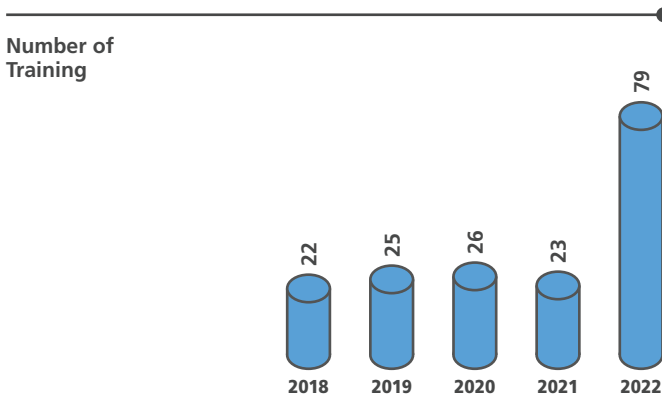
Subject	Topic	No of sessions	Number of Participants	Objectives
HSEMS & Environment	Occupational Safety and Health Act (OSHA) & Factory Machinery Act (FMA)/Incident Investigation & Reporting (IIR)/Environment - <i>HSSE Mandatory Training</i>	4	115	Awareness
Health/IH	First Aid Refresher - <i>HSSE Mandatory Training</i>	4	136	Refresher HRC First Aider
	Hearing Conservation	1	147	Awareness
	Safe Handling of Chemical	1	166	Awareness
	Safe Handling of Chemical & Hearing Conservation	1	12	New Operation Staff

## Economic Sustainability

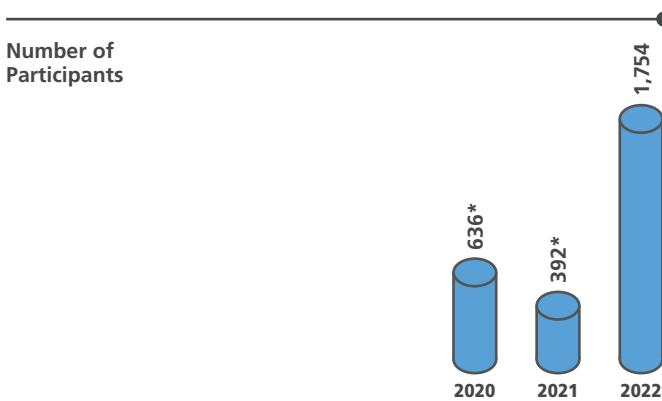
Subject	Topic	No of sessions	Number of Participants	Objectives
Ops Safety	Permit to Work (PTW) Level 1	20	289	<ul style="list-style-type: none"> <li>In house competency training for PTW Applicant &amp; Holder</li> <li>Focus on PTW application process</li> </ul>
	PTW Level 2	1	18	In house competency training for PTW New Approvers - competency for signatories i.e. AE, AGSI, PI, FHI, etc
	Authorised Entrant & Standby Person AESP (New)	3	57	Inhouse confined space entry (CSE) training by NIOSH for AESP competency
	AESP Refresher	3	60	Inhouse confined space entry (CSE) training by NIOSH for renewal of AESP validity
	Authorised Gas Tester & Entry Supervisor AGTES (New)	2	39	Inhouse AGTES training by NIOSH to become competent gas tester/MyKKP (DOSH) registered AGTES
	AGTES Refresher	3	49	AGTES renewal
	Gas Testing Inspector Awareness	4	79	<ul style="list-style-type: none"> <li>Issuance of GTI competency for personnel who have yet to obtain competent/DOSH registered MyKKP</li> <li>Cater for Hot Work gas testing work</li> </ul>
	Working At Height	4	102	Awareness
	ICARE4Safety Module (New) * <i>HSSE Mandatory Training</i>	4	115	Awareness - ICARE4Safety modules delivery
Emergency Response	Basic Industrial Fire Fighting * <i>HSSE Mandatory Training</i>	4	137	Awareness
	Fire Safety Awareness, Maintenance and Enforcement in Building By-Laws 1984 (Updated 2021)	1	2	Briefing on the new changes
	Seminar Undang-undang Kecil (Pindaan 2021)	1	1	Briefing on the new changes
	Fire Watcher Training for Contractor	10	80	New Fire Watcher Training
Security	Defensive Driving: * <i>HSSE Mandatory</i>	8	150	Renewal of Driving Defensive competency
<b>Total</b>		<b>79</b>	<b>1,754</b>	

## Economic Sustainability

The number of training sessions conducted over the past 5 years is depicted below.



The number of participants trained in health and safety standards is listed below.



\* Lower participation in 2020 and 2021 were the result of the pandemic restrictions

The number of training sessions that were conducted in FY2022 at 79 is a substantial increase from the 23 sessions conducted in FY2021. Obviously the relaxation of pandemic rules has allowed us to conduct more sessions but more significantly HRC has introduced new training topics as well as intensified training following the lull imposed by the pandemic.

### Initiatives

As with previous years HSSE campaigns continue to emphasise the importance of health and safety. These campaigns are an explicit show of the management’s commitment and care for the workforce’s wellbeing. We practice 2 principal initiatives, specifically Assurance Walks and Daily Goal Zero Walk.

HSSE Field Assurance Walks play a significant role to show that our Leadership Team (LT) “walks the talk”. We term such Field Assurance Walks, “Turun Padang” - coming down to interact face-to-face with employees on the ground. LT Turun Padang is a monthly HSSE walkabout by the Management Team. It is an important element for visible safety leadership and serves as a pulse check on the current health of our HSSE standards implementation on site. It also provides an opportunity for leaders to engage with staff and contractors on HSSE matters.

Daily Goal Zero Walks focus on a range of HSSE themes related to key process assurances for each day of the week such as process safety field observation, ensuring safe production and process isolation and reliability.



In addition to the walks above, various other HSSE initiatives were executed throughout 2022.

## Economic Sustainability

Our “UNZIPPED” e-newsletter introduced in FY2020 continues to be published and plays an important role as a communication tool to provide updates on upcoming events on refinery operations and information pertaining to HSSE matters.



Moving into its third year, our monthly CEO HSSE Award continued in FY2022 to give recognition to significant HSSE efforts. This award has served to both promote a positive trend in on-site intervention through NMPI reporting and in strengthening the safety culture on site.

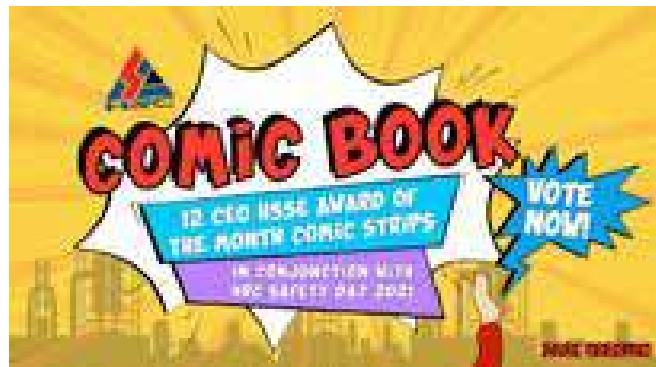


In December 2022 we introduced a new initiative in the form of the Worker’s Instant Nobility (WIN) Card to recognise interventions made by frontliners from our suppliers and service providers that contributed to safety. These personnel do not have access to our systems to input NMPIs and hence are unable to formally record safety efforts. With the WIN Card, stamps collected can be exchanged for a range of prizes from personal protective equipment to food and drinks.

### Campaigns

Across the year HRC also held various HSSE related campaigns to continuously reinforce health and safety across all aspects of our operations and to serve as constant reminders to be safety-aware - this is indispensable in our industry given the potential risks involved in our operations. FY2022 campaigns were:

Safety Day - A virtual Safety Day was conducted successfully on 19<sup>th</sup> January 2022 with the theme of “ICARE4Safety - Marching Forward”, This event which attracted the participation of more than 160 online attendees also included a forum entitled “Living in The New Era” during which the invited expert shared views on living with the COVID-19 virus and related safety precautions. The event also recognised the exceptional efforts of the winners of our CEO HSSE Award of The Year.



## Economic Sustainability

“ICARE4Safety”, Pacemakers Kick off & Programme Module Engagement - as part of our wider ICARE4Safety programme, this event involved the roll-out of 5 training modules to representatives from each department and relevant contractors - the “Pacemakers”. Leveraging on the train-the trainer model, the Pacemakers will, acting as peer coaches train personnel within their respective departments/contractor organisations. The completion of training delivery is timed for Q2 2023 in alignment with the planned timing of Turnaround 2023.

Our ICARE4SAFETY journey continued with the kick-off and roll-out exercise to all the “Pacemakers” who is represented by each department and contractor companies. There are 5 modules that are prepared for delivery at departmental level, by their very own pacemakers, in utilising the power of peer coaching site wide. The completion of all 5 modules is targeted to be by Q2 2023 just in time before site faces Turnaround 2023 as planned.

Tools and Equipment Safety - a site verification check, in conjunction with the Campaign: Tools & Equipment Safety, was conducted in October 2022. Several groups, formed with balanced participation from QHSSE, Maintenance and contractor partners, were deployed to check all tools/equipment stored in the midst of continuing operations on site. Gaps in relation to tools inspection validity, damaged tools and housekeeping lapses were amongst the major findings. Contractors with major findings (including repeat offences) were called to meet HRC Management to secure commitment for immediate improvements.



# ENVIRONMENTAL SUSTAINABILITY

HRC operates in an industry that is constantly in the sustainability spotlight and which often is the subject of sustainability activism. Oil and natural gas account for a substantial portion of the world's energy sources.

This situation will continue into the near future although concerted efforts are made globally to generate energy from renewables.

Energy is indispensable in driving the economy and HRC is a critical component in the energy value chain. Our role in this value chain dictates our economic success lending to our ability to contribute to national economic prosperity and care for our people, society and the planet. As we derive value for our stakeholders we are also cognisant of the responsibilities to minimise the impact of our activities on the environment.

Our operations carry environmental impacts, this is in common with all other oil and gas enterprises, and indeed, all businesses. It is therefore, incumbent on us to adopt responsible and principled practices in our operations to secure environmental sustainability. As a major refinery that has been operating for 60 years, environmentally friendly practices have long been embedded in our operations. These practices have intensified in their environment protection focus with the heightened attention on climate change and pollution. As well, more stringent regulations and the adoption of stricter fuel standards, while requiring significant investments for compliance, have served to enhance our sustainability contributions and credentials.

We are committed to climate action and will pull our weight, collectively alongside the global community, in caring for the environment and protecting it from harm by actively mitigating the environmental impacts of our operations.

We have identified 4 environment related material sustainability matters associated with our operations that have a direct bearing on our commitment to Environmental Sustainability, they are:



Climate Change and Greenhouse Gas (GHG) Emissions



Energy Management



Waste Management



Water & Effluent Management

## Environmental Sustainability



### Environmental Governance

Environmental governance is exercised through our Sustainability Governance Structure which is articulated in detail under *Sustainability Governance* above. The Environmental Regulatory Compliance Management Committee (ERCMC), a steering committee constituted as part of our governance structure, is tasked with oversight and management of environmental sustainability matters as well as monitoring compliance to all applicable laws and institution of improvement measures.

The ERCMC, comprising key senior management members, meets on a quarterly basis and is informed of the status of environmental compliance and issues related to the environment. Some examples of matters presented at ERCMC throughout FY2022 involve compliance status of applicable environmental regulations, outcomes of environmental monitoring and audits, status of key environmental projects, status updates for emission monitoring system, updates on environmental campaigns, updates on environmental monitoring contract and sharing of GHG emissions and insights from the trends recorded.

Our Environmental Policy which is mandatory on our employees and contractors spells out our environmental obligations including compliance to the Environmental Quality Act (EQA) 1974 and all other applicable environmental laws and regulations. Underpinning our Environmental Policy is the goal of “no harm to people, protecting the environment and no leak to the environment” which serves as moral guidance for our operations. The policy expressly governs our operations with respect to their environmental impact and mandates the adoption of practices and processes to minimise adverse impacts. In this regard, we also possess certification in ISO 14001:2015 - Environmental Management System, which covers the entirety of our

operations encompassing production of petroleum and its by-products including refining, blending, storing, receipt and dispatch. No non-conformance was recorded during the Surveillance Audit by SIRIM in FY2022 for ISO 14001:2015 - Environmental Management System. Recertification was attained in FY2021.

To ensure diligence in addressing environmental related material sustainability matters, we set targets annually through our HSSE Annual Plan to measure, assess and improve our performance for continuous improvements in managing the environmental impact of our operations.

Climate Change is a long-term risk that could potentially impact our business. In this regard, we identify and assess the risks and opportunities associated with climate change to heighten our state of preparedness to address any potential adverse impacts and mitigate risks arising. We have added “Climate Change from HRC Businesses” into our company-wide Risk and Opportunity Register so that we can track and take action to minimise risks. The Risk and Opportunity Register is reviewed quarterly by the Management and sighted by the Board Risk Management Committee and Board of Directors.

Acknowledging the need for greater transparency over our efforts in this area, HRC has adopted the Task Force on Climate-related Financial Disclosures (TCFD) framework.



Please follow this link to our TCFD disclosures <http://hrc.com.my/climate-change.html>

In FY2022, there were no environmental fines or penalties imposed on HRC.



## Environmental Sustainability



### Climate Change and Greenhouse Gas (GHG) Emissions

The effects of climate change are apparent and the cost in human and infrastructure terms from extreme weather disasters have been massive and detrimental. In an article in collaboration with EcoWatch, the World Economic Forum estimates the major flood in Pakistan to cost upwards of USD5.6 billion. This is only the sixth costliest extreme weather disaster, Hurricane Ian in the United States and Cuba topped the list at USD100 billion. The Malaysian floods were also quoted in a separate list of ten disasters that had a lower financial cost but a substantial human one.

Concerned parties continue to call on the global community to address global warming, recommending rapid reduction of greenhouse gas emissions and investing in the transition to renewable energy. As a responsible global corporate citizen, HRC must and is committed to do our part in reducing our carbon footprint to address global warming in support of 13. We are contributing our share alongside the global community to collectively address global warming through emission reduction.

### GHG Emissions

We adopt the API Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry 2009, Intergovernmental Panel on Climate Change (IPCC) 2006 and ISO 14064-1:2018 Greenhouse Gases - Part 1 to calculate our GHG emissions. Independent verification of HRC's GHG emissions were conducted by SIRIM QAS in 2018 and 2019. HRC continues to apply the same approach used by SIRIM QAS to ensure the reported GHG emissions are in line with the ISO 14064-1 and to facilitate comparability against the 2018 and 2019 levels.

In 2022 we updated our Energy Masterplan that was developed and launched in 2020 that comprehensively supports our commitment to reduce our carbon footprint. The update covered a range of initiatives aimed at reducing our energy usage with a total target CO<sub>2</sub> emission reduction of 62,000 tonnes by 2029 (our targets are set based on the 2017 base year emissions data of 1,278,588 tonnes CO<sub>2</sub>). This targeted reduction supports Malaysia's Nationally Determined Contribution (NDC) under the Paris Agreement to reduce its GHG emissions intensity by 45% by 2030 relative to the emissions intensity of GDP in 2005.

HRC's GHG emissions are measured as CO<sub>2</sub> equivalent (CO<sub>2</sub>-eq) emissions and comprise (i) direct GHG emissions (Scope 1) from stationary combustions, flaring, process and fugitive emissions together with (ii) indirect emissions (Scope 2) tracked based on electricity consumption. These are monitored and accounted for through our GHG accounting exercise.

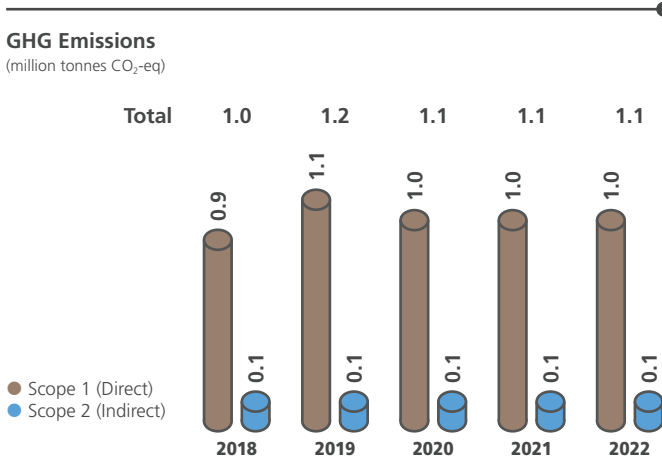
Our total GHG CO<sub>2</sub> emissions increased by 0.36% from 1,177,416 tonnes CO<sub>2</sub>-eq in FY2021 to 1,181,699 tonnes CO<sub>2</sub>-eq in FY2022. The increase in emissions was due to the increase of our Scope 2 emissions whereby indirect emission increased by 5.2 per cent from 126,485 tonnes CO<sub>2</sub>-eq in FY2021 to 133,382 tonnes CO<sub>2</sub>-eq in FY2022 as the power generated through our steam turbine co-generator had reduced by 20% in FY2022 from 66,558 MWh to 53,253 MWh causing more electricity to be imported from the electrical grid which results in higher indirect GHG emission. Our direct GHG emission decreased by 0.25% from 1,050,931 tonnes CO<sub>2</sub>-eq in FY2021 to 1,048,318 tonnes CO<sub>2</sub>-eq in FY2022.

Measured in terms of CO<sub>2</sub>-eq per million barrels, our GHG emissions in FY2022 recorded a 4.4% improvement in carbon efficiency from 32,688 tonnes CO<sub>2</sub>-eq/mln bbl in FY2021 to 31,262 tonnes CO<sub>2</sub>-eq/mln bbl even with higher refinery throughput due to reduction in CO<sub>2</sub> produced from process activity.

It should be noted that throughout the 5 years of disclosing GHG Data in our Sustainability Report starting 2017 to 2021, we have yet to disclose one of the strategies we have taken to reduce Scope 2 (Indirect) Emission which is the installation of co-generator via Steam Turbine Generator. GHG emission data published in previous years has incorporated the carbon offset impact however we have yet to disclose the quantum of reduction achieved through the implementation of this strategy. This information is now available and based on an analysis conducted, we have managed to offset 275,414 tonnes CO<sub>2</sub> in 6 years from 2017 to 2022 with the operation of the Steam Turbine, this is equivalent to a 3.8% offset.

## Environmental Sustainability

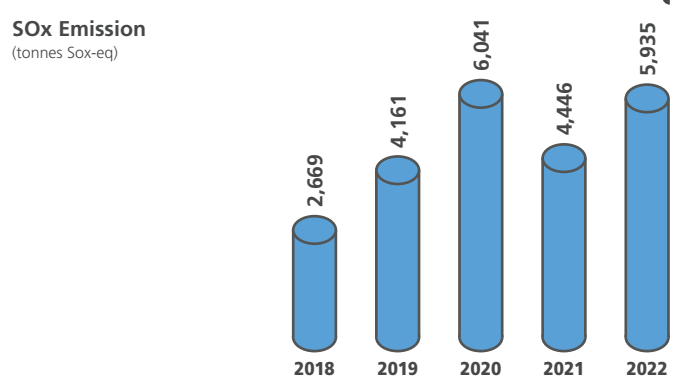
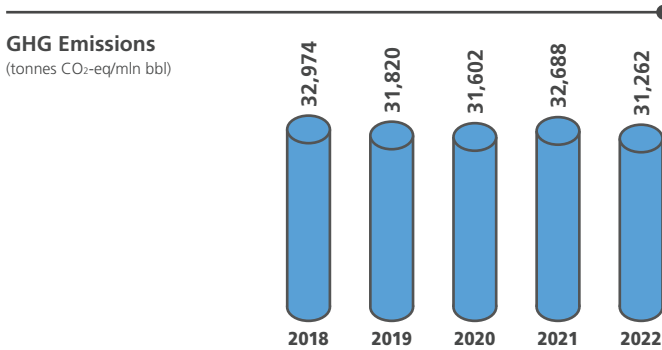
The chart below illustrates our GHG emissions over the past 5 years.



Sulphur Oxides (SOx) and Nitrogen Oxides (NOx) produced in the refining process adversely impact air quality. HRC exercises constant diligence in managing the levels of these gases to minimise the associated environmental impact. We adopt industry best practices in our refining process to minimise the levels of SOx and NOx produced, as well, we exercise tight and stringent controls to prevent any leakages of these gases in line with our goal of “no leak to the environment”.

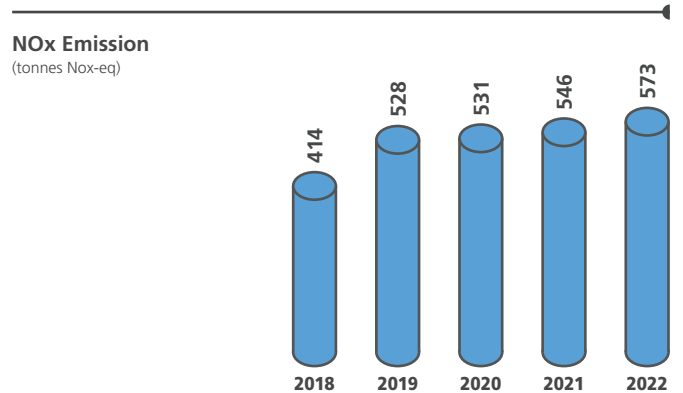
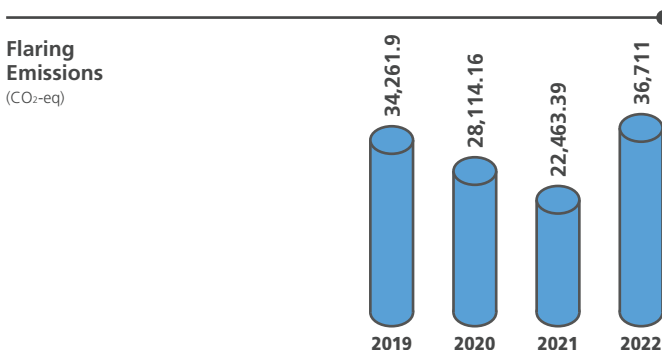
Our SOx emissions increased by 25% from 4,446 tonnes in FY2021 to 5,935 tonnes in FY2022 due to higher SOx generated in August 2022 during the shutdown of the Sulphur Recovery Unit on two separate occasion caused by the national power outage and the consequent unit upset. Our NOx emission also increased by 4.8% from 546 tonnes in FY2021 to 573 tonnes in FY2022, due to higher consumption of LPG.

SOx and NOx emissions for the past 5 years are illustrated below:



However, flaring emissions increased by 39% from 22,463 tonnes CO<sub>2</sub>-eq in FY2021 to 36,711 tonnes CO<sub>2</sub>-eq in FY2022 due to the nationwide power breakdown causing our plant to trip site-wide in July 2022 as well as increases in unit shutdown in Q4 2022 as the power outage also impacted the reliability of our plant.

Flaring emissions over the past 4 years are depicted below:



## Environmental Sustainability



### Energy Management

HRC practices responsible energy consumption in our processes as part of our continuous climate action efforts aimed at protecting the environment. Fossil fuels are currently the dominant source of energy and the use of these fuels in energy generation results in GHG emissions which contributes to global warming.

Extreme weather events experienced around the world have been attributed to global warming which has GHG emissions as a major contributory cause. HRC realises the urgency for action in reducing GHG emissions. An October 2022 report from UN Climate Change shows that while countries are bending the global GHG emissions curve downward, efforts remain insufficient to limit global temperature rise to 1.5 degrees Celsius by the end of the century. It is thus incumbent on HRC to do our utmost to manage our energy consumption and use it in an efficient and responsible manner so as to minimise the carbon footprint of our operations.

### Responsible Energy Consumption

We spare no effort in continuously finding ways to increase our energy efficiency so as to minimise the attendant environmental impact. We view energy management as a responsibility that is inherent to our duty of care to society and planetary care and will be unstinting in our efforts to discharge this responsibility.

We are committed to take the necessary actions to reduce our carbon footprint, as part of the global collective to address global warming. In FY2022 we updated our Energy Masterplan to include a range of initiatives that will be implemented with the target to reduce energy usage.

The Energy Masterplan is a compilation of all energy efficiency improvement tactics which are executed in phases. There are around 17 tactics spread across all units within the refinery. Some of which require site equipment modification, capital expenditure and shutdown. Hence, certain initiatives would be executed in Turnaround (TA) 2023 and TA2028 to align with and leverage on anticipated changes during the respective TAs.

We adopt the Solomon Associates Energy Intensity Index (EII) to measure our refinery energy performance. The EII is a matrix that is referred to when seeking to maximise operational process energy efficiency and is calculated based on actual energy consumption divided by standard energy. The standard energy is computed by Solomon based on actual unit production and operating conditions. Therefore, it provides an indicator of difference between actual energy performance against the standard energy performance. The lower the EII, the lower the energy consumption against standard, reflecting better energy efficiency.



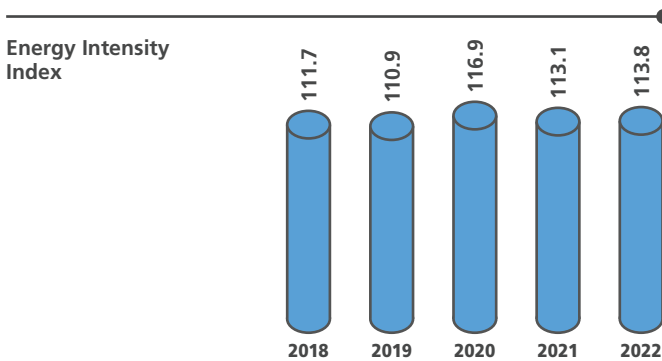
An EII target is set annually which is monitored regularly to ensure high overall energy efficiency, minimal use of fuel oil for power generation and drive adoption of EII reducing energy tactics. The overall aim is to reduce our CO<sub>2</sub> emissions and improve energy efficiency over time.

The annual EII target is established based on forecast annual business target. In 2022, the annual target was 114.2 while the actual was 113.8, better by 0.4 points. The main factors behind the improved performance are:

- overall higher utilisation by 1% in FY2022 against the business target that was offset by better than expected unit operation efficiency contributing to a net positive impact to EII
- the July 2022 national power outage and December 2022 mini shutdown contributed negatively to EII as energy consumption continued even while the plant was not fully operational, absent these 2 events our EII performance would have been even better




# Environmental Sustainability


EII figures for the past 5 years are illustrated below:




## Initiatives

Key energy management initiatives conducted in FY2022 were:

-  We continue to make investments to contribute to environment protection, in FY2021 we invested substantially on the implementation of Euro 5 Gasoil (E5G) which improves air quality, as the fuel contains reduced sulphur content of 10 parts per million (ppm) from 500 ppm. This project was successfully rolled out and investments in this perspective continues in FY2022 on Phase 2 of E5G, aimed at achieving E5G density and distillation specifications, this was successfully rolled out in March 2022. These projects emphasise our continued efforts at environment protection through the production of fuel with lower toxic emissions thereby directly lowering air pollution. E5G production delivers HRC’s goal to assure a sustainable foundation for profitable future business, while ensuring the overriding sustainable goal of further improving air quality.
-  FY2022 also saw the commencement of planning for the implementation of Euro 5 Mogas specifications which is targeted to take place across 2025 to 2027. Preliminary activities carried out included the evaluation leading to the selection of technology to be used in the implementation.
-  HRC will explore opportunities to further clean-up HRC’s petrol products from E4M quality to the cleaner E5 specifications, which will contribute to improvements in our air quality supporting the Government’s initiative for cleaner fuel. Subject to appropriate reviews and approvals, this initiative is tentatively expected to be commissioned between 2025 to 2027.

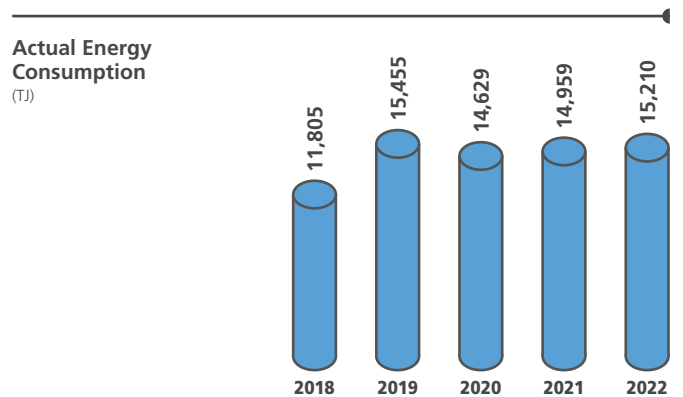
 We continue to be an active participant in DOE’s Integrated Remote Monitoring System (iREMOTE) which is an online system to monitor gas emissions from industrial premises. In line with iREMOTE requirements we implemented the Emission Monitoring System (EMS) in 2019 to supply real time emission information to iREMOTE for DOE monitoring and, at our end, to actively monitor all emissions and ensure they are within permissible levels and facilitate early interventions to address any issues, where needed.

 Green and net zero procurement is becoming increasingly important. Tender evaluation criteria include environmental responsibility elements, for instance compliance with ISO 9001 Quality Management System and ISO 14001 Environment Management System and chemical substance management, amongst others.

At this stage, HRC has yet to participate in or commit to any business or trade associations that promote climate action. We anticipate participating in the future after careful and diligent review of the options. Nevertheless, HRC will continue to play our part in environment protection and our efforts in this perspective are aligned in spirit with the goals and aspirations of any trade association, and indeed, the global community in championing climate action.

Energy consumption depends on many factors. The main contributors are refinery throughput and energy efficiency of each equipment in the refinery. For example, higher throughput will require more energy (and vice versa). A fouled equipment will have lower energy efficiency and, as a consequence, will demand more energy for the same throughput as is evident in our higher energy consumption in FY2022 which can be attributable in large measure to the national power outage experienced in July 2022.

HRC’s energy consumption over the past 5 years are depicted in the diagram below:



# Environmental Sustainability



## Waste Management

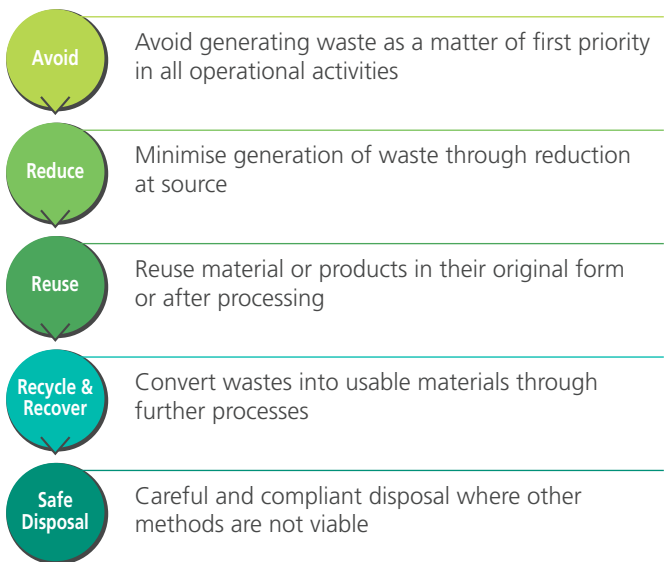
In line with our environmental protection commitment and conscious of the environmental impact of the waste we generate during production, HRC has stringent waste management procedures which are aimed at minimising exposure to the environment, our workforce and external contractors we engage. Hazardous waste is generated from our operations for which meticulous care is exercised in managing them, including treatment of waste prior to proper disposal as mandated by relevant laws and regulatory guidelines. While the waste management approaches we use may be many and varied they all bear a common attribute in that all are sustainable and environment-sensitive.

### Waste Management Mandate and Overarching Principles

HRC’s waste management is guided by our Environmental Policy which dictates that HRC shall:

- Fulfil our obligations and ensure compliance to the Environmental Quality Act (EQA) 1974 and all other regulations and applicable laws governing the environment.
- Evaluate environmental aspects to minimise any adverse impacts of our business activities to the environment.
- Include the consideration of environmental risks and opportunities in all business strategies and initiatives.

Our Waste Management Hierarchy prescribes the overarching principles below in managing waste:

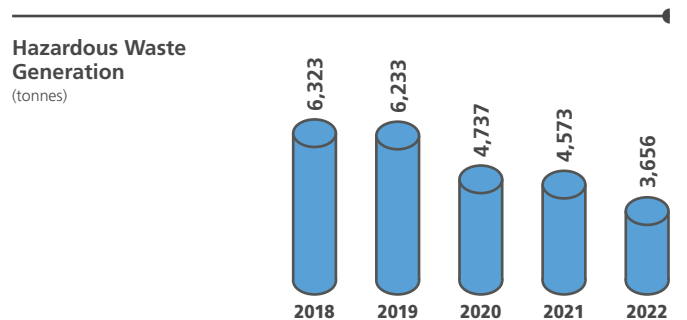


### Hazardous Waste

In FY2021 our waste disposal efforts were constrained by pandemic movement control rules, however issues arising were resolved after extensive applications and negotiations with the Negeri Sembilan DOE which subsequently approved HRC’s application on issues relating to restrictions imposed on our vendors’ operations during lockdown period for collection and disposal of our scheduled waste. The resolution was reached without the imposition of any fine or penalty. As pandemic restrictions gradually relaxed across FY2022 waste disposal operations by our appointed vendors have returned to normal.

HRC generated a total of 3,656 tonnes of hazardous waste in FY2022, a reduction of 20% compared to FY2021’s level of 4,573 tonnes. This marked improvement resulted from our continuous efforts to minimise oil-water emulsion generation from our operations as well as reduction of spent catalyst generated from our process due to lesser catalyst change out.

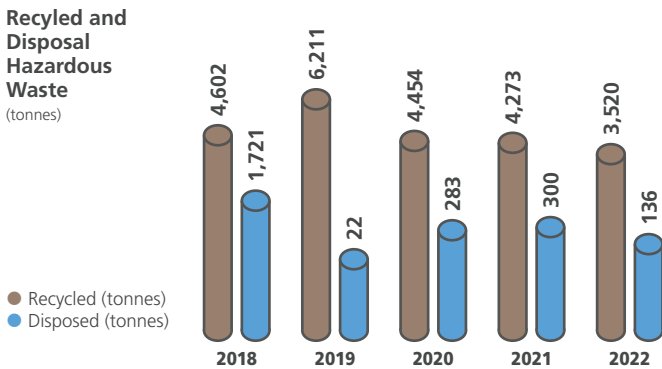
Hazardous waste generation levels over the past 5 years are illustrated below:



Recycled hazardous waste stood at 3,520 tonnes in FY2022, representing a decrease of 17.6% from the previous year’s level of 4,273 tonnes due to a reduction of spent catalyst and spent oil-water emulsion generated from our operations parallel to the reduction of overall hazardous waste as mentioned.

## Environmental Sustainability

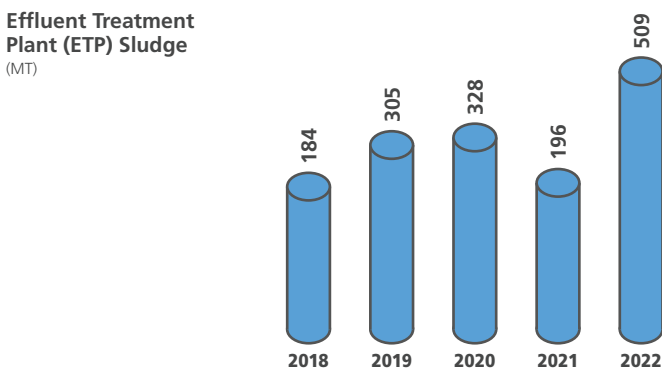
In line with reduced hazardous waste generation, disposals also fell from 300 tonnes in FY2021 to 136 tonnes in FY2022. Recycled hazardous waste and their disposal levels are depicted in the diagram below:



Our ETP treats waste water produced during the refining process prior to its discharge to ensure compliance to DOE regulations and guidelines. Sludge is generated in the treatment process.

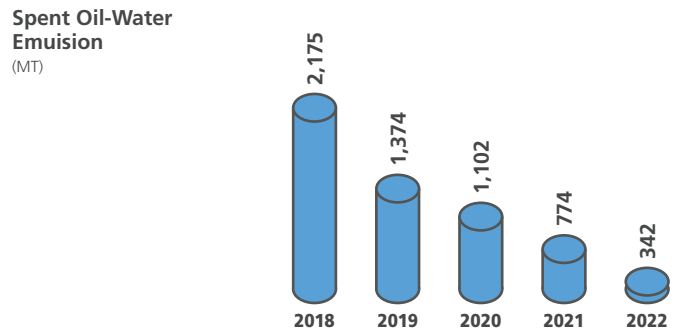
In FY2022 ETP sludge generation increased to 509 tonnes from 196 tonnes in FY2021, an increase of 313 tonnes, this increase is the result of a ramp-up in production following the rebound in economic activities experienced across FY2022 further to the relaxation of pandemic restrictions.

ETP sludge levels over the past 5 years are illustrated in the diagram below:



The spent oil-water emulsion generated in the refining process reduced in FY2022 to 342 tonnes from 774 tonnes in FY2021 as a result of treating spent caustic through ETP which lowered spent oil-water emulsion generated.

The diagram below shows the spent oil-water emulsion generated from waste water treatment over the past 5 years.



### Initiatives

In FY2022 the waste management initiatives we conducted included:

- resolution of issues faced in the previous year in respect to SW314 (Scheduled Waste 314 - Oil/sludge from oil refinery plant maintenance operations) wherein our vendor at the time had limitations on collecting the scheduled waste (SW) onsite resulting in an accumulation beyond the allowable limit. An additional vendor was onboarded to resolve issue.
- registered another Certified Environmental Professional in Scheduled Waste Management (CePSWaM) Competent Person (CP) to provide essential support for the expanded SW management coverage onsite following the completion of H2Gen and E4M project. This is part of our ongoing efforts to ensure that waste management receives due attention and requisite resources.
- conducted an annual audit on SW recovery at prescribed premise to gain assurance of smooth operations in SW collection and recovery. The audit did not surface any major gaps while a few opportunities for improvement were identified.
- participated in the KUDAH (*Kutip Sampah Sambil Riadah*) programme that was held in conjunction with the 2022 Hari Alam Sekitar Negara (HASN 2022) celebrations, this programme aims to increase awareness towards environmental protection and sustainability.
- conducted our 2022 Environment Campaign with the theme: "Show Its Worth, Save the Earth", topics covered were: scheduled waste management, air management, wastewater and groundwater management and public complaint management.
- continued circularity efforts through collaboration with local companies to reuse Fluidized Catalytic Cracker (FCC) spent catalyst as raw feedstock for cement processing plant and recycling Platformer spent catalyst through reclamation of platinum for reuse in production of fresh catalysts.

# Environmental Sustainability



## Water and Effluent Management

The availability and access to clean water is becoming an increasingly critical issue. The World Wildlife Fund reports that some 1.1 billion people worldwide lack access to water, and a total of 2.7 billion find water scarce for at least one month of the year. In addition, many of the water systems that keep ecosystems thriving and feed a growing human population have become stressed.

Specific to Malaysia, the quality of water and access to water in general, is a major concern as the regular disruptions in water supply due to pollution at water sources will attest to. HRC is acutely aware of the importance of managing our water consumption and preserving its quality both to secure future availability as well as to ensure that ecosystems in areas where we operate can continue to thrive. The Group continues to place a strong focus on optimising water usage across all our operations and appropriately treat waste water in compliance to regulatory mandates prior to discharge. Indeed this is a conscious “business as usual” effort to use resources efficiently and minimise pollution.

### Water Consumption

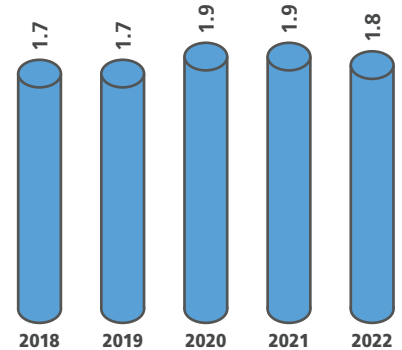
We withdraw our raw water entirely and directly from municipal potable water sources. We track our water usage very closely and undertake actions to optimise water consumption across the refinery, this includes optimising water usage at specific high-consumption equipment and maximising recycling of water in refinery boilers and cooling towers, for instance we use a modern steam-condensate recovery system that recovers condensated water from steam. The recovered water is recycled for subsequent use in the refinery. Without this condensate recovery system, we would have consumed approximately 50% more raw water.

Although there is no specific target, it is a practice to compare actual raw water consumption versus historical data (at similar throughput). We track our water consumption by means of external verification by comparing the flow rate registered by our water supplier’s flow meter against that recorded by our own flow meter. This provides assurance over the quantity of raw water intake at the refinery. Investigations will be conducted and corrective measures applied when there is significant discrepancy between actual versus historical.

Raw water consumption fell marginally to 1.8 million m<sup>3</sup> in FY2022 from 1.9 million m<sup>3</sup> in FY2021, the consumption levels over the past 5 years are illustrated below.



**Refinery Raw Water Consumption**  
(Million m<sup>3</sup>)



# Environmental Sustainability

## Effluent Discharge

As a responsible environmental steward, we take our commitments to protect the environment seriously. We aim to pull our weight alongside the global community in collective efforts towards planetary care - diligent management of effluent discharge is one of the many ways we make our contribution.

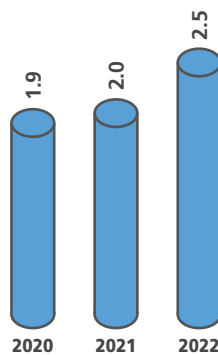
As mandated by DOE we treat waste water generated from our refinery to ensure that the final discharge is within the prescribed quality standards, towards this end the quality of our effluent water and that of the sea water at the jetty is constantly and diligently monitored - water quality is monitored daily through testing of samples by a DOE approved laboratory, on a monthly basis testing is conducted on samples collected at our final discharge point and results arising are uploaded into DOE's website for the authority's own monitoring. Additionally, we also have an environment technologist working hand-in-hand with a competent person to constantly monitor upstream of final discharge point.

The monitoring processes above facilitates HRC in proactively detecting water quality issues, for instance where quality is below permissible standards, the immediate intervention is to ensure the final discharge stays within DOE's Standard B limits as stipulated under the Environmental Quality (Industrial Effluent) Regulations 2009 and the Marine Water Quality Criteria and Standards. There was no reported incident of effluent water non-compliance in FY2022.

In FY2022, effluent water discharged into the sea through the DOE approved pipeline and discharge point increased to 2.5 million m<sup>3</sup> from 2.0 million m<sup>3</sup>.

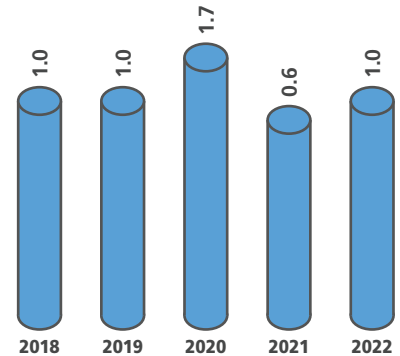
The chart below depicts the total volume of refinery effluent water discharged of over the past 3 years.

**Refinery Effluent Water Discharge**  
(million m<sup>3</sup>)



The effluent water quality levels in FY2022 were within the parameters of the Environmental Quality (Industrial Effluent) Regulations 2009 Fifth Schedule Standard B.

**Oil in Effluent**  
(mg/L)



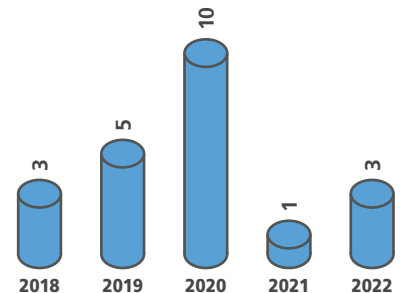
## Responding to Public Grievances

We monitor any public concerns and complaints through HRC's community feedback mechanism. All complaints received are fully investigated to ensure that concerns are promptly and properly addressed and mitigated.

We commit to address complaints as soon as practicable after receiving it. Our Public Information Officers (PIO) on duty, with the support of Corporate Affairs, keep in close contact with the complainants until satisfactory feedback is received before a matter is closed.

HRC received 3 public complaints in FY2022, one each relating to noise (from LRCC shutdown), intermittent black smoke (caused by TNB outage) and smell (from an effluent water leak). All of these complaints were quickly addressed and resolved.

**Number of Public Complaints**





# SOCIAL SUSTAINABILITY

The survival and business longevity of all commercial enterprises hinge on economic success which is critical to generating the funds needed for their sustenance and growth. However, economic success is only achievable through the efforts of their workforce and strong support from their respective local communities. The refinery has been operating for 60 years and across this period our workforce and local community have been unstinting in supporting HRC, enabling us to make significant contributions to our continued progress and success.

As HRC progresses along our growth trajectory, we have also acquired a more "humanised" orientation – reflected, amongst others, in our consciousness of the importance of caring for our people and the local community, respecting their rights, securing their wellbeing, exercising fair and equitable treatment and providing them with an environment in which to develop and thrive. This is the social aspect of our overall sustainability efforts and aspirations which transcend financial considerations.

HRC's COC prescribes the conduct required and expected of our workforce, including contractors, to respect human rights and afford equal opportunities without prejudice, while our HGBP expressly articulates considerations for the local community, for instance contributing to their wellbeing as a core business principle.

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Social Sustainability is of clear importance to us in attaining sustainability and we have identified 3 related material sustainability matters, they are:



Employee  
Value  
Proposition



Diversity  
& Equal  
Opportunities



Local  
Community

# Social Sustainability



## Employee Value Proposition

It is undeniable that our workforce is the backbone of HRC. We are defined by the excellence of our people. Accordingly, it is incumbent on us to secure their wellbeing and keep them engaged and passionate about delivering their best at all times. HRC is fully cognisant of the integral role a skilled and competent workforce plays in ensuring that our business is sustainable and our ability to compete is continually strengthened. It is our aim and intent to attract, nurture and retain the best talent to take our business forward and we commit to afford them a competitive remuneration and support their continuing development of skills and competencies.














### Talent Management

HRC believes that talent management starts at recruitment and hence gives high priority to attracting and recruiting the right talent. We target our recruitment efforts at bringing in capable, diligent and responsible employees who will go beyond expectations to collectively collaborate at building an even better HRC. We look for qualities that are aligned to our core values and inherent agility, adaptability and resilience to respond positively to the challenges of our constantly evolving business and operating environment.

Once onboarded, we nurture our employees through collaborative efforts with them, to develop their skills and capabilities in meeting our business needs and the employees' professional aspirations. We do this through a programme of structured training. This is elaborated in greater detail in the sub-section, Training and Development.

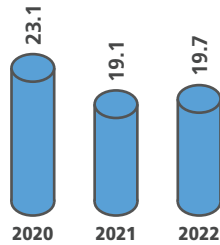
HRC has in place an attractive remuneration package which forms an integral part of our recruitment strategy. We endeavour to provide competitive remuneration and benefits that are aligned to those of our industry peers and the market to enable us to attract and retain talent to keep the staff turnover rate low. The benchmarking exercise indicated a rise in median salary of 5% across all industries in response to which HRC instituted improvements based on the overall business performance and in tandem with Board approved remuneration packages.

Complementing our competitive salaries and reflecting our responsibility to our workforce and concern for their wellbeing, HRC provides an extensive range of benefits to our full-time employees. These benefits play an instrumental part in helping us attract and retain high performing employees. Key employee benefits are shown below:

- |   |  |   |  |
|---|--|---|--|
|  | Flexible working arrangement available for non-shift employees                     |  | Medical insurance for specialist care  |
|  | Leave (annual, medical, prolonged illness leave, compassionate leave, examination) |  | Group Term Life covering permanent disability, invalidity or death   |
|  | Parental leave, both Maternity and Paternity (5 days for male employees)           |  | Registration fees sponsorship for enrolment in gyms and participation in sporting events   |
|  | Employees' Provident Fund ("EPF") contribution                                     |  | Performance-based bonus  |
|  | Education assistance extended to children of employees                             |  | Inconvenience Allowance and Time-Off In Lieu, this is compensation provided to employees who return to work on rest days and public holidays |
|  | Medical/general health care including dental and optical                           |  | Long-service award   |
|  | Hospitalisation  |   |  |

# Social Sustainability

**Employees (contractors or temporary staff) (%)**



## Employee Engagement

We recognise that employee engagement goes beyond financial considerations. Although this is significant, an emotional connection between our employees and our company and their workplace is equally significant. A strong emotional connection is associated with higher productivity, contribution and, more importantly, employees with a strong connection act as a motivational force for others.

To build a strong emotional connection, HRC places great significance in ensuring our employees are continually engaged. It is an acknowledged fact that a good employee experience goes a long way towards us attracting and retaining top talent. To this end, we hold quarterly employee engagements with our workforce and conduct discretionary discussions with members of our workforce, as required, to appreciate more intimately their concerns, expectations and aspirations so that we can formulate appropriate interventions to keep them engaged and passionate. The quarterly employee engagements are conducted by way of surveys and townhall meetings. Survey responses are consolidated into an executive summary addressing areas of concern for the attention of the Management.

## Performance Management

HRC conducts performance management to ensure our workforce is delivering at their best and to expectations. Performance management is also an important mechanism to collaboratively work with the workforce to identify and agree on areas of improvement and the necessary interventions to facilitate capability enhancement and continuous professional development.

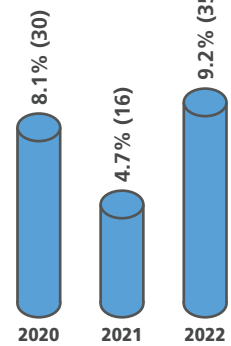
With respect to the above, our employees receive annual formal performance reviews to evaluate their performance against a set of defined key performance indicators. The review facilitates the identification of development opportunities and training needs that are aligned to the employees' areas of responsibility and career aspirations. The review also facilitates a collaborative exchange between evaluated employees and their evaluating managers in formulating and agreeing on mitigating actions to resolve performance gaps. All employees received annual performance reviews in FY2022. Arising from the annual performance reviews, salary increments are awarded to employees based on individual performance and their value added contribution to the Company.

## New Hires

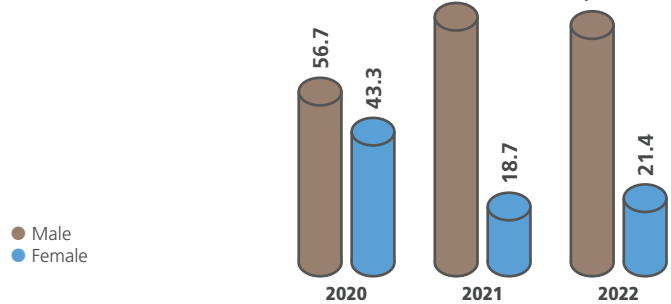
New hires as a proportion of our total permanent workforce and the associated gender and age breakdowns are depicted in the diagrams below.

In FY2022 the proportion of new hires increased to 9.2% as compared to 4.7% in FY2021 in line with the economic rebound experienced which needed the support of more resources. In terms of the number of new recruits, this also increased from 16 in FY2021 to 35 in the current year.

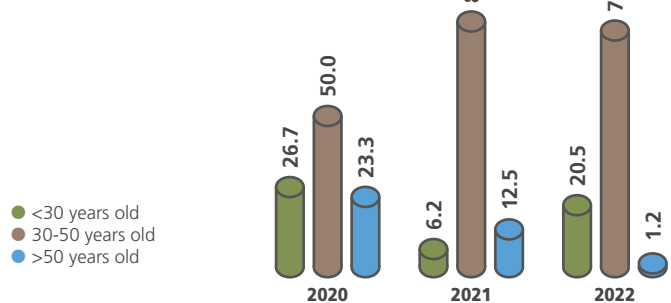
**New Hire Rates (Total)**



**By Gender (%)**



**By Age (%)**



# Social Sustainability

## Turnover Rate

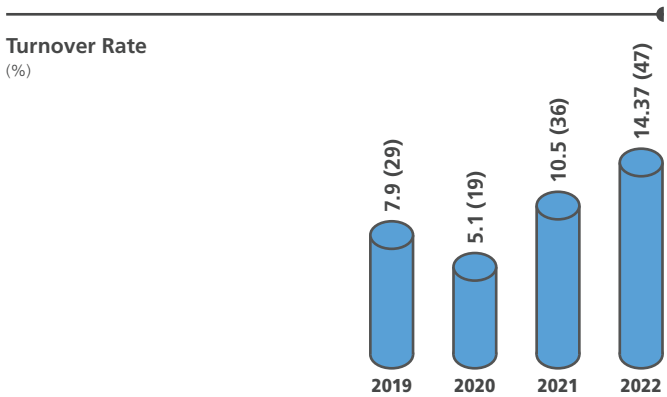
The turnover rate increased to 14.37% or 47 employees in FY2022 from 10.5% (36 employees) in FY2021. The economic rebound had, unfortunately, triggered this increase as more employment opportunities arose along with the resumption and ramp-up of economic activities. Based on feedback from exit interviews, better job opportunities and career progression were the main reasons for the resignations in FY2022.

Understanding the reasons for the higher turnover rate, HRC has, in FY2022, implemented several enhanced measures as part of our strategy to retain our workforce. These included:

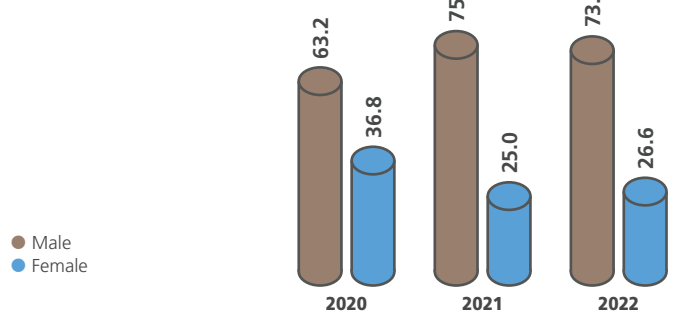
- the Leadership Development Programme (LDP)
- increased management engagement
- heightened training and coaching
- updating of policies as part of our strategy to retain our workforce
- providing greater clarity in roles and responsibilities through clear and unambiguous segregation of duties
- conversion of high performing contract workers to permanent positions
- development of a new salary grading table which is scheduled for completion by Q1 FY2024

We will continue to work on enhancing our strategies to further reduce the attrition rate.

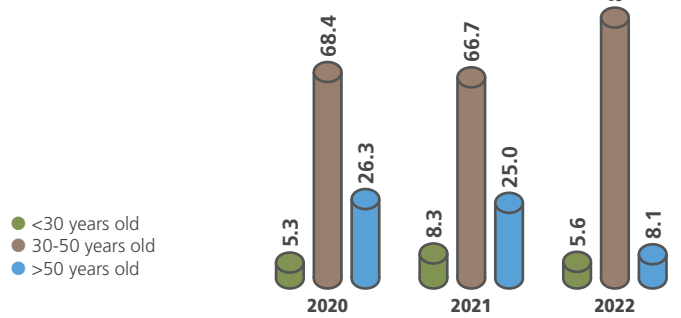
Turnover rates for the previous 4 years and the associated gender and age breakdowns are illustrated below.



By Gender (%)



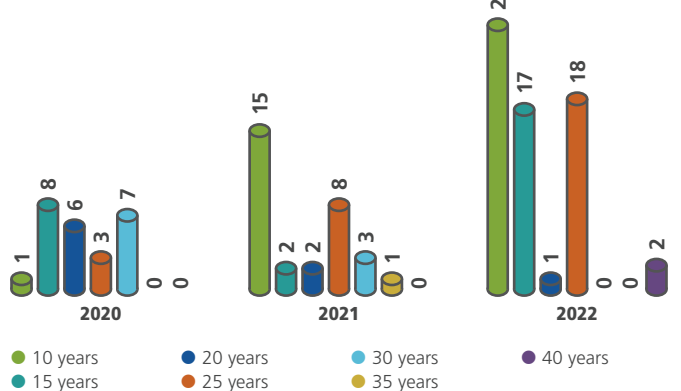
By Age (%)



## Long Service Award

Long serving members of our workforce are recognised for their contributions, commitment and loyalty through the Long Service Award. Awards for long service start when an employee reaches 10 years of continuous service thereafter, and employees are recognised every subsequent continuous 5 years.

Long-Term Service (Age)



## Social Sustainability

### Training and Development

Throughout their employment lifecycle we actively nurture and develop our workforce to facilitate continuous enhancement of their competencies, capabilities and skills in a manner that is aligned to HRC’s changing needs and objectives. To this end, one key mechanism is continuous learning. HRC continuously invests in training and development programmes to ensure we have a professional and high performing workforce, more significantly to meet our workforce’s aspirations for continuing professional and personal growth and development.

We have developed a comprehensive training and development programme which covers technical and non-technical programmes while on-the-job (OJT) training is conducted as a matter of routine. Members of our workforce are encouraged to take ownership of their career development and this includes training. While at the overall corporate level our leadership provides input on training needs, members of our workforce also work collaboratively with us to identify their own specific training requirements to support their continuous development - each employee has the opportunity to discuss their personal development and training needs with their respective line managers during the annual Individual Development Plan development process.

Following the relaxation of pandemic restrictions in FY2022, HRC has been able to conduct more training and development sessions on an “in-person”, physical basis which is more effective and facilitate for greater interaction. Nevertheless care and caution are still the order of the day and we apply appropriate restrictions demanded by circumstances. Our flagship learning and development programmes include:

#### Leadership Development Programme

The LDP is an integral part of HRC’s succession planning in grooming our top talents into HRC’s future leaders. Launched in FY2021 the LDP’s overarching objective is to provide a clear and structured career progression plan for identified top talents for eventual escalation to leadership roles while at the same time providing a ready pool of competent potential candidates to fill internal vacancies arising in critical leadership roles. A total of 14 individuals were identified by HRC’s management through a company-wide employee assessment exercise. To improve its effectiveness the LDP will be replaced with direct on-the-job training to the next successor as this will enhance transfer of knowledge and create a stronger impact in job skills enhancement.



#### Internship and Graduate Programmes

The Internship and Graduate Programmes are an intrinsic part of HRC’s corporate social responsibility initiatives aimed at supporting our local communities. Specifically, the Youth Programmes entails exposing youths to our operations and training them for potential future employment in HRC. Approximately 20 - 28 youths are admitted each year as interns and trained in various aspects of HRC’s operations. The interns form a pool of potential future HRC employees. In FY2022, 24 interns were offered positions for practical training experience in various departments for a period of six to nine months, and one intern was offered a permanent position.

The Graduate Programme which is a five-year programme, aims to provide new graduates with exposure to our industry through structured training and mentorship to grow competencies and develop professionally. There was no intake in FY2022 as the programme for the previous intake was still in progress. A new intake shall be rolled out in FY2023.



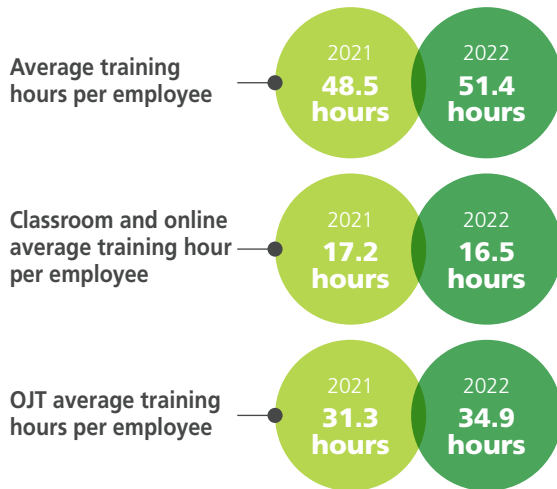
## Social Sustainability

### Training

Training is a constant in HRC, aside from being an integral part of our remuneration and benefits package, training also provides the necessary skills for HRC to remain competitive and achieve good economic results.

In an industry such as ours where technical skills and experience is critical, training is imperative to ensure that we operate efficiently and safely and also to enable us to build requisite capabilities and competencies to leverage new technologies and processes to keep pace with industry developments. Additionally, in light of risks inherent to our industry, training is of the utmost importance from the perspective of health and safety - this realises our duty of care for our workforce and our commitments in relation to their health and safety.

As with previous years, we conducted a range of training across aspects related to our operations, these include technical, non-technical, health and safety and regulatory compliance training. The table below depicts training hours in FY2022 and FY2021.



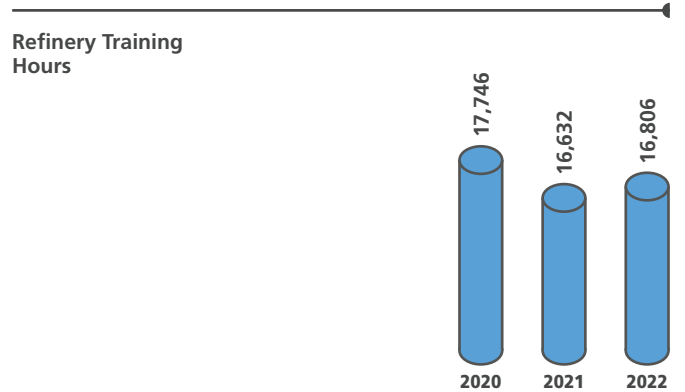
An integral part of our preliminary preparations for TA2023 entails the refocusing of our trainers for the training needed ahead of this major and significant exercise. In preparation for TA2023, average training hours per employee saw an increase in FY2022.

Training is expected to ramp up in FY2023 as TA2023 moves closer to execution, subsequent to completion of TA2023 business-as-usual training will also resume apace.

### Refinery Training

OJT is an important component in building and reinforcing required competencies within our refinery workforce. Refinery operations is complex, in addition to being technical making OJT an important and more effective mechanism by which training is imparted - this provides the indispensable on-the-ground "as it happens" view which reinforces understanding and assimilation.

Refinery training hours include on-the-job training, this is to facilitate deeper insights into the full breadth of training provided to our refinery workforce to ensure sufficiency of practical training. Refinery training hours over the past 3 years is illustrated in the diagram below. Training hours increased slightly to 16,806 hours in FY2022 from 16,632 hours in FY2021. The increase is consistent to HRC's preparation for TA2023.



HRC recognises and respects the right of all our employees to form and join trade unions of their choice and to bargain collectively. We do not restrict in any way our employees' right to freedom of association and collective bargaining. In this regard, we have signed a three-year Collective Bargaining Agreement (CBA) with the Trade Union in June 2019 which expired in FY2022. The parties to the CBA commenced renewal negotiations for a subsequent period of 3 years to end 2025. The negotiations are in progress at the time of drafting this report.

HRC engages with the Trade Union on a quarterly basis to discuss and work closely to resolve any issues concerning employees on an amicable basis. Mechanisms are in place for Trade Union representative to engage with the Management team. Key terms of the CBA cover proper working and rest hours/days and payment of wages that exceed the minimum wage requirements under Malaysian laws. The Trade Union is also consulted on any revision or updates to HRC Policies.

As at 31 December 2022, 44% of HRC employees were covered by the CBA as opposed to 43.7% in FY2021.

## Social Sustainability



### Diversity and Equal Opportunities

Inclusion and equality are bedrocks in HRC’s workforce management. We embed diversity through being inclusive and providing equal opportunities regardless of race, creed, class or any other form of differentiation. HRC celebrates diversity fully aware that a diverse workforce underpins and contributes significantly to our success. Diversity affords HRC a wealth of varying ideas and experience that we can leverage to create value. It is a platform from which innovative ideas emerge that help enhance HRC’s competitiveness and gather balanced, unbiased views to keep HRC on an even keel. HRC continually strives to maintain the right balance in relation to our workforce and decisions affecting them - in this, there is no discrimination nor any prejudice in any form and none is tolerated.

### Workforce Diversity

HRC embrace gender diversity, although the nature of our industry and the work it entails is more compatible to male employees we continually strive to fine-tune gender diversity through inclusion of a greater number of female employees especially in the support and administrative functions.

In line with our commitment to gender diversity we also believe in empowering our female employees and as an explicit expression of this commitment we established the Site Woman Action Network (SWAN) in 2018 as a platform for our female employees to develop and grow both personally and professionally.

### SWAN Activities

Physical activities resumed in FY2022 following the relaxation of COVID-19 restrictions. These included:

- International Women’s Day (IWD), March 2022 - IWD celebrations were held to recognise all female employees in HRC for their remarkable achievements and contributions. A forum was conducted with a theme similar to that of the IWD: Gender Equality Today for A Sustainable Tomorrow #BreakTheBias.
- Book Donation Programme, October 2022 - Book donation drive began during the pandemic and books that were donated by employees were then handed over to Perpustakaan Awam Port Dickson (Port Dickson Public Library). This was part of SWAN members’ efforts to give back to the community through which the relationships fostered with local communities will strengthen.
- SWAN - Year End Closing Engagement - 20 December 2022.

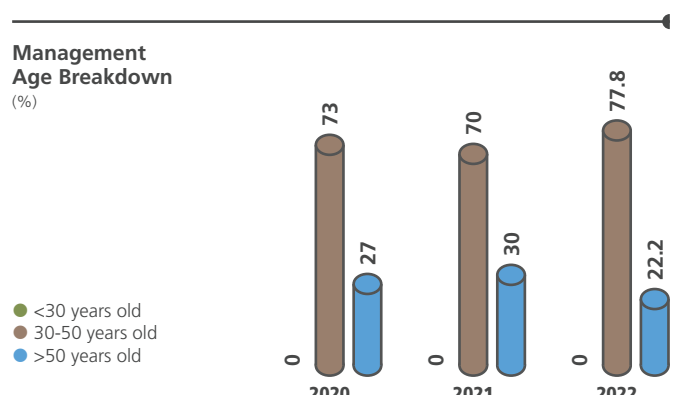
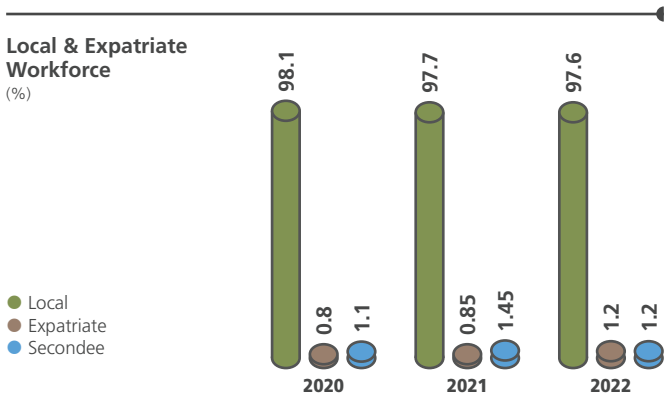
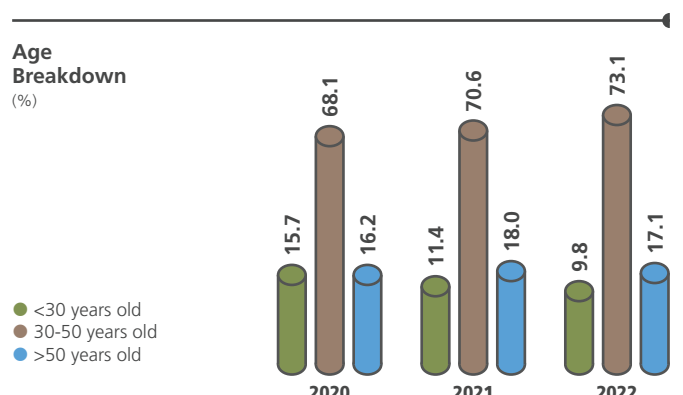
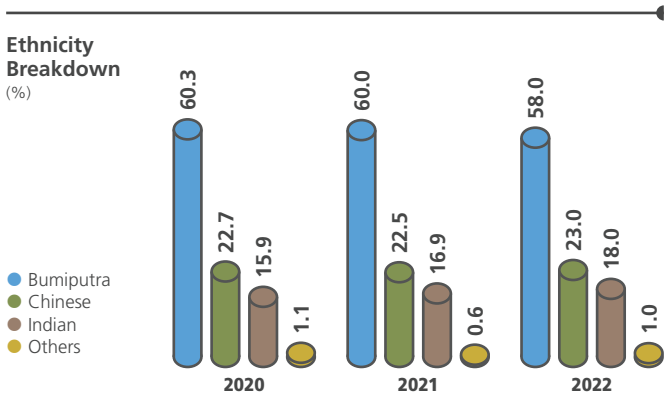
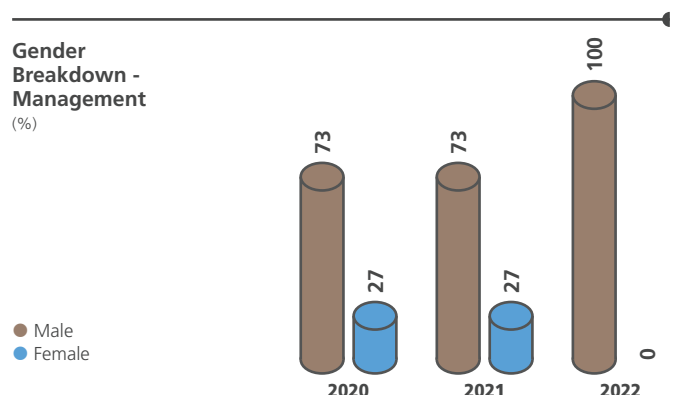
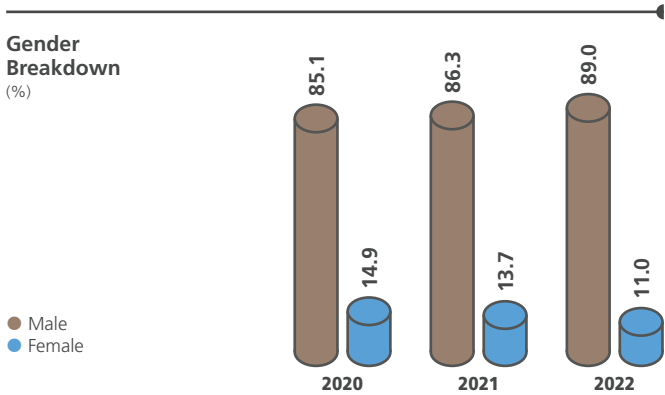


# Social Sustainability

As at the end of FY2022, HRC had a workforce comprising 327 permanent employees and 80 contract staff. In terms of gender breakdown, 291 (89%) were males and 36 females (11%).

Other pertinent demographics in relation to our workforce are digrammatically represented below.

HRC’s commitment to source for local talent is embedded in our Recruitment Policy. If a vacancy arises, local appointment is prioritised unless there is a specified expertise that cannot be fulfilled by the local talent. In FY2022, there were 4 personnel seconded, our CEO, CFO, Head of HR and Maintenance Manager from HRC’s related company to provide expertise to oversee HRC’s strategic direction.





## Social Sustainability

### Key Human Resource Principles

01

#### Grievance Mechanism

Our grievance mechanism under the employee Code of Conduct provides a formal avenue for our employees to register complaints or any dissatisfaction faced by them. This mechanism is an internal avenue for confidential discussions in a formal or informal manner through line managers or escalated to the Head of HR, CEO, or both, if issues cannot be resolved. The reporting channels under the Whistleblowing Policy also allows employees to report any potential violation of policies or procedures in a safe and secure environment.

02

#### Working Hours

HRC complies with the Employment Act 1955 to ensure working hours for employees are in line with employment laws and labour standards. We encourage work-life balance and do not support excessive working hours. HRC maintains and practices in-house health and safety standards such as the Fatigue Management that ensures employees stop work and rest after working more than 16 hours. The Inconvenience Allowance and Time Off In Lieu Policy was established to ensure proper working hours are in place for employees, where compensatory time off will be offered due to long-hours of work or for work on rest day and public holidays.

03

#### Harassment or Bullying

HRC addresses bullying and workplace harassment by providing a confidential reporting channel and point of contact for whistleblowing and via the grievance mechanism mentioned above. We are guided by our established policies, consequence management framework, the Employment Act 1955 and the Industrial Act 1995. The Industrial Relations or the Employee Relations advisor will provide updates to the line managers on the status of the bullying or harassment cases.

04

#### Human Rights

HRC supports internationally recognised human rights standards through our existing framework, manuals and policies. These include but are not limited to ensuring: (a) all major projects and facilities must have a social performance plan and address social impacts of our operations on local communities; (b) company-wide security requirements help keep staff,

contractors and facilities safe in a way that respects human rights and the security of local communities; (c) our policies and standards help us establish fair labour practices and positive environment; and (d) we seek to work with contractors and suppliers who contribute to sustainable development and are economically, environmentally and socially responsible.

The Industrial Relations or the Employee Relations Advisor is the key focal person responsible to monitor any human rights matters in HRC. These can include labour issues raised by the Trade Union, or health and safety standards for workers as well ensuring a safe, inclusive and conducive workplace for all. We are serious about how our employees are treated and the fundamental human rights principles expressed in the UN Declaration for Human Rights and the UN Guiding Principles on Business must be upheld at all times.

05

#### Fair Wages, Forced and Child Labour

Although no specific policy is established on child labour or forced labour, HRC strives to adhere to all applicable Malaysian laws and regulations and the spirit of relevant international conventions to ensure that our employees are protected by, among others, meeting minimum wages, and prevention of child and forced labour. We also determine the wages paid by third party contractors for our contract workers to ensure they are paid fairly.

06

#### Freedom of Association

The Company provides freedom for all employees to participate in any associations or political party as long as it complies with Malaysian laws, does not lead to any conflict of interest, or negatively impact the Company's reputation.

This voluntary freedom of association is demonstrated with the establishment of the Trade Union and their rights to organise and bargain collectively under the CBA.

No incidents nor any non-compliance of labour standards were recorded or reported in FY2022.

# Social Sustainability

## Initiatives

There were a range of human capital and employee engagement initiatives conducted across FY2022 following the relaxation of pandemic restrictions, amongst them:

### Industry Membership

HRC is a member of Malaysia Employers Federation (MEF), the main organisation of private sector employers in Malaysia which organises consultation and discussion among its members to seek the adoption of sound principles and practices of human resource industrial relations.

In FY2022, HRC did not participate or join as a member in any initiatives or commitment to international frameworks on labour standards. HRC may consider participating in such initiatives in the future.

### Employee Engagement Activities in 2022

Employee engagement initiatives are crucial for creating a positive and productive work environment. At HRC, we have implemented various programmes and activities to engage our employees. By placing greater emphasis on employee engagement, we aim to improve retention rates, boost productivity, and create a strong sense of camaraderie among employees.

#### • Townhall

Townhalls continued to be carried out virtually every quarter in FY2022 to cascade business and operations news and updates to all employees.



#### • Onboarding Programme

We organise onboarding sessions as part of our employee engagement initiative to help new employees integrate into the organisation and become familiar with its procedures, regulations, and general practises.

#### • Festive Celebrations

We did not conduct our usual festive celebrations on site. However, we handed out festive goodies such as oranges and cookies for Chinese New Year and Hari Raya and murukku for Deepavali to all our employees to mark the respective festive celebrations during the year under review.



#### • Away Day

Post-pandemic, the employee Away Days were organised with health and safety protocols measures still in place. Different departments held their Away Day programme at various locations. Away Days provide valuable opportunity for team members to bond and establish stronger internal collaboration.



#### Target

Enhanced policies and benefits

Develop and retain talented workforce including leadership growth opportunities



#### FY2022 Activities


- Several policies were updated and enhanced during the year. Pay As You Go Bonus and Inconvenience and Allowance and Time-Off In Lieu Policies were updated to remain as a competitive and attractive employer.

- 20 individuals were identified to participate in the LDP.

# Social Sustainability


## Future Plans


Key initiatives planned for FY2023 include the following:

 Reduce turnover rate in 2023 - plan and implement initiatives in line with strategic guidance from leadership to contain and lower the turnover rate

 Talent Pool/Recruitment - creating repository of external talents to enhance access to external talent pool and to expedite fulfilment of vacancies

 Policy alignment - re-aligning/enhancing existing HR policies

 Learning & Development and Training enhancement - enhancing repository of learning and development programmes to widen coverage to include employees with limited exposure to such programmes

 Human Capital Management - matching, aligning and adapting current Human Capital practices to international HR practices



## Social Sustainability



### Local Community

In creating value and achieving economic growth, we have not forgotten the significance of caring for our local communities especially the ones near our operational footprint. We place great importance in caring for local communities and keeping them safe from any potential harm that might arise from our operations. Our duty of care also extends to the wider society at large whereby HRC plays our part to identify and support needy and vulnerable segments within the community.

### Community Engagement

We practice constant engagement with the local community, reflecting our firm belief that reaching out to them provides us with first hand, in-depth perspectives on their concerns and better positions us formulate more targeted and effective support programmes. Generally, our support for the local communities extend across the 5 pillars below, all of which are associated with the overall standard of life and social progression.



The relaxation of pandemic rules has allowed us to have more effective person-to-person engagements which makes for, not only, a more intimate understanding of issues, but also afford opportunities for us to build closer relationships and reestablish past ties.

In FY2022 we held a number of engagement sessions with our local community:

- A collaboration with Malaysia Nature Society in organising a beach cleaning activity at Pantai Chermin, Port Dickson. This programme specifically focused on the mangrove area surrounding the Port Dickson tourism landmark, Bukit Batu Putih. Over 20 volunteers joined in this effort and all wastes were transferred to the Recycling Centre.
- Working with the local community council, Majlis Perbandaran Port Dickson (MPPD), to enhance the public landscape surrounding the refinery.

- Collaborating with the Department of Environment, to organise another beach cleaning event at Pantai Cahaya Negeri in conjunction with Hari Alam Sekitar Negara. This event saw 10 HRC employees working hand-in-hand with more than 100 participants.



## Social Sustainability

- HRC organised distribution of mandarin oranges and peanuts to 60 elderly residents living nearby at Kampung Teck Lin, in conjunction with Chinese New Year.



- A Ramadan Care initiative was carried out in April 2022 in conjunction with the month of Ramadan. We organised distribution of food baskets to 23 underprivileged families in collaboration with a local NGO, MyKasih Care. The recipients were identified in consultation with the State Welfare Department (Pejabat Kebajikan Negeri Sembilan).



- Together with several employees, HRC organised Deepavali assistance for 20 families living around Port Dickson in conjunction with Deepavali.



As part of our continuous engagement, we also provide advance notification texts to our surrounding communities as well as key local authorities on any planned operational activities at site.

### Public Complaints Framework

Our community feedback mechanism allows us to receive, manage and address public complaints or concerns. We address all complaints ensure thorough investigation for swift action and closure. Details of public complaints received in FY2022 appear in Responding to Public Grievances under the Environmental Sustainability section.

### Community Investments

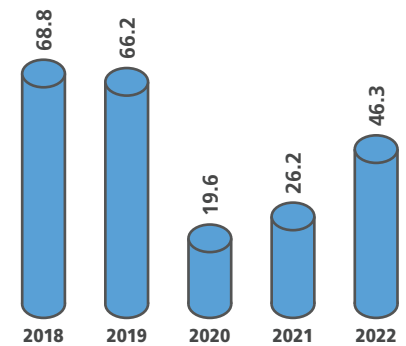
Our community contributions are guided by our internal CSR guidelines, with specific focus on:

- our operational footprint
- the 5 pillars of Health, Safety, Environment, Social Development and Education
- prioritising activities benefiting social welfare for the local community in Port Dickson, Negeri Sembilan

In FY2022, our investment in community-based projects amounted to RM46,250, which was primarily to support our local town council (MPPD) with their social programmes initiative within Port Dickson as well as to support the initiative of the Department of Environment (DOE) with their annual National Environment Day programme. The amount spent represented an increase of 76.5% from the investment made in FY2021 (RM26,200).

Community investments made over the past 5 years are depicted below.

**Community Investments**  
(RM'000)



# GRI CONTENT INDEX

Hengyuan Refining Company Berhad has reported the information cited in this GRI Content Index for the period 1 January 2022 - 31 December 2022 with reference to GRI standards.

GRI Standard	Section	Page number
<b>GRI 2 General Disclosures 2021</b>		
<b>1. The Organisation and its reporting practices</b>		
2-1 Organisational details	(a) Corporate Information (b) What We Do	(a) Annual Report (AR) page 7 (b) Sustainability Report (SR) page 2
2-2 Entities included in sustainability reporting	Scope of this Report	SR page 4
2-3 Reporting period, frequency and contact point	Reporting Period	SR page 4
2-4 Restatements of information	There is no statement of information made from previous reporting periods	
2-5 External assurance	Independent Assurance	SR Page 4
<b>2. Activities and workers</b>		
2-6 Activities, value chain and other business relationships	What We Do	SR page 2
2-7 Employees	Workforce Diversity	SR page 63
2-8 Workers who are not employees	Workforce Diversity	SR page 63
<b>3. Governance</b>		
2-9 Governance structure and composition	(a) Sustainability Governance (b) Board of Directors' Profile	(a) SR page 9 - 10 (b) AR page 48 - 51
2-10 Nomination and selection of the highest governance body	CGOS - Nominating and Remuneration Committee and Nominating Activities of BNRC	AR page 63 - 64
2-11 Chair of the highest governance body	Chairman's Profile	AR page 48
2-12 Role of the highest governance body in overseeing the management of impacts	(a) CGOS - Addressing Sustainability Risks and Opportunities (b) Sustainability Governance (c) Materiality Assessment and Material Sustainability Matters	(a) AR page 61 - 62 (b) SR page 9 - 10 (c) SR page 13
2-13 Delegation of responsibility for managing impacts	Sustainability Governance	SR page 9 - 10
2-14 Role of highest governance body in sustainability reporting	CGOS - Board Responsibilities item (vi)	AR page 59
2-16 Communication of critical concern	Sustainability Governance	SR page 9 - 10
2-17 Collective knowledge of the highest governance body	Additional Corporate Disclosures - Directors' Training	AR Page 152 - 154
2-18 Evaluation of the performance of the highest governance body	CGOS: (a) Addressing Sustainability Risks and Opportunities (b) Board Effectiveness Assessment	(a) AR page 61 - 62 (b) AR page 65
2-19 Remuneration policies	CGOS - Remuneration	AR page 65 - 66
2-20 Process to determine remuneration	CGOS: (a) Board Nominating and Remuneration Committee (b) Remuneration	(a) AR page 63 - 64 (b) AR page 65 - 66

# GRI Content Index

GRI Standard	Section	Page number
<b>GRI 2 General Disclosures 2021</b> (continued)		
<b>4. Strategy, policies and practices</b>		
2-22 Statement on sustainable development strategy	(a) Chairman’s Statement (b) Message From Our Board	(a) AR page 4 - 5 (b) SR page 5 - 7
2-23 Policy commitments	(a) General Business Principles (b) Ethics and Integrity	(a) AR page 8 - 9 (b) SR page 18 - 22
2-24 Embedding policy commitments	(a) General Business Principles (b) CGOS - Code of Conduct (c) Ethics and Integrity	(a) AR page 8 - 9 (b) AR page 61 (c) SR page 18 - 22
2-25 Processes to remediate negative impacts	Responding to Public Grievances	SR page 55
2-26 Mechanisms for seeking advice and raising concerns	(a) CGOS - Whistleblowing (b) Whistleblowing	(a) AR page 61 (b) SR page 21
2-27 Compliance with laws and regulations	(a) General Business Principles (b) Anti-Bribery & Corruption and Anti-Money Laundering (c) Initiatives - (i) Upholding ethical business culture and (ii) Compliance with laws and regulations	(a) AR page 8 - 9 (b) SR page 20 (c) SR page 22
<b>5. Stakeholder engagement</b>		
2-29 Approach to stakeholder engagement	Stakeholder Engagement	SR page 11 - 12
2-30 Collective bargaining agreements	Refinery Training	SR page 61
<b>GRI 3 Material Topics 2021</b>		
<b>GRI 11: Oil and Gas Sector</b>		
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