

ESCALATING OUR COMMITMENTS



2021 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), is a public listed company incorporated in 1960. Shandong Hengyuan Petrochemical Company Limited (SHPC) owns a 51 per cent stake in HRC via Malaysia Hengyuan International Limited since December 2016.
- The Company began its operations in 1963 and is currently the third largest refinery in Malaysia. Our oil refinery in Port Dickson, Negeri Sembilan continues to play an integral and reliable role in the nation's oil and gas industry and to the surrounding community.
- We process crude oil from Malaysia and all over the world and have a licensed capacity to deliver up to 156,000 barrels per day of petroleum products to customers, mainly in Malaysia and Southeast Asia.
- Presently, our main business activities are focused on refining and processing crude oil, refinery operations and maintenance as well as supplying 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.
- Our customers are mainly based across the Malaysian market, where 80.0 per cent (by volume) of our refined products are sold locally. The remaining 20.0 per cent of our production, including propylene and surplus petrol, jet fuel and diesel, is exported within Southeast Asia.

Our Main Products



Liquefied petroleum gas (LPG)



Petrol



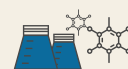
Jet fuel



Diesel



Light Naphtha



Propylene



Fuel oil components



Catalytic Cracked Gasoline and Combined Cycle Oil

Licensed capacity to deliver up to

156,000 barrels

per day of petroleum products



Our customers are mainly based across the Malaysian market, where

80%

(by volume) of our refined products are sold locally

Our focus is on refinery operations and maintenance, and supplying our customers through three channels:



Multi-Product Pipeline



Truck Loading Gantry



Exporting Through Jetty



Our Vision

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



Our 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



Core Values

-  Integrity
-  Collaboration
-  Accountability
-  Respect
-  Entrepreneurial

ABOUT THIS REPORT

HRC recognises its roles and responsibilities to society, the environment and all stakeholders from our operations. This is our 5th Sustainability Report, which covers our sustainability performance and initiatives in relation to material economic, environmental and social (EES) aspects identified by HRC. We continue to align our strategic initiatives with our commitment to improve 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 the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) and Bursa Malaysia's Sustainability Reporting Guide. Our disclosures are also guided by the core 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 2021 (AR2021) 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 2021 to 31 December 2021 (FY2021). Our FY2020 Sustainability Report was published in May 2021. 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

We continue to adopt a phased approach in our reporting. HRC has not sought any independent verification or assurance on the information disclosed in this Report.



MESSAGE FROM OUR BOARD

Dear Stakeholders,

As we reflect on 2021, we are mindful that sustainability remains our continuous focus and must be addressed for the Company to remain resilient and achieve business growth.

The global disruptions and uncertainties in 2021 proved to be another challenging year for HRC. Nevertheless, the Company's proactive mitigating measures via a robust business continuity framework helped minimise the impact of the pandemic on our business operations. This allowed us to sustain our operations and carry out our duties effectively through optimisation plans that we have put in place during the year. As the number of COVID-19 cases continued to rise, maintaining a safe working environment for our people and all our other stakeholders, remained a top priority.

This is our 5th Sustainability Report and we recognise that the sustainability topics under the Economic, Environmental and Social (EES) pillars are an integral part of our overall sustainability for the long-term viability of the Company. This Report provides a detailed overview of our progress on our sustainability efforts to build, create and deliver long-term value to serve our people, communities and shareholders, and to minimise our EES impacts on the environment and surrounding communities while operating responsibly in a safe environment.

For 2021, we focused our sustainability efforts across our 5 strategic pillars of: **People & Leadership, Health, Safety, Security and Environment (HSSE) & Compliance, Operational Excellence, Stakeholder Value and Future Focus**, to progressively translate our sustainable growth into our business practices and performance to deliver our EES commitments to all stakeholders. These are presented across various material topics in the Report covering, among others, HRC's economic performance, upholding governance through ethical business practices, managing environmental risks and impacts and our use of resources efficiently, new health and safety initiatives as well as enhanced employment practices to effectively respond to the concerns and expectations of our stakeholders and surrounding communities.

MESSAGE FROM OUR BOARD



Key Sustainability Initiatives in 2021

As a responsible operator, health and safety of our people remain the heart of our operations and our rigorous COVID-19 response measures helped keep our people safe. These initiatives included the Split Resource Operations and Work-From-Home arrangements deployed for support staff to minimise face-to-face interactions. We are also proud to highlight HRC's active participation in the nationwide PIKAS (Public-Private Partnership Immunisation Programme), where nearly all of HRC employees were fully vaccinated by August 2021.

On the environmental front, our Environmental Regulatory Compliance Management Committee (ERCMC) continued to review and assess environmental issues for the organisation, where close monitoring and management of potential environmental-related risks were managed and addressed. We recognise that climate-related risk is a global issue and needs urgent attention. Towards this end, the Company has, since 2017, implemented various initiatives to support the Government's initiative for cleaner fuel. Although we previously reported the launch of our Energy Masterplan in 2020, we were unable to implement the energy reduction tactics in 2021 due to the setbacks posed by the COVID-19 pandemic.

By operating within the boundaries of good governance and ethical business practices, we maintained good relationships with our key stakeholders at high standards of integrity.

We also continued to manage risks by ensuring that our financial performance is protected from the exposure of global economic changes, and maximising production through our solid operations reliability framework.

Our Way Forward

The Board takes pride in HRC's adaptability to the changing business landscape. Moving forward, HRC must remain vigilant and we aim to strengthen our sustainability performance and practices through future strategic plans. Where applicable, HRC will accelerate opportunities to reduce its carbon footprint and step up on our initiatives through existing projects.

We are aware that our sustainability agenda is an ongoing process. While there is still a lot of work to be done, the Board aims to heighten efforts to support a conducive business environment for all our stakeholders. We will relook and review more closely how we can achieve alignment of our material topics with the UN Sustainable Development Goals (SDGs) and build them into our strategies. We will also leveraging on meaningful partnerships and networks to guide us towards advancing our sustainability commitments in support of achieving the UN SDGs by 2030. With the recent updates to the internationally recognised Global Reporting Initiative (GRI) standards coming into effect in 2023, we must also continue to work on improving our disclosures in line with the evolving reporting standards and requirements, taking into account current issues such as human rights, forced labour and climate change.

We are proud of our people and the collaborative hard work and responsiveness provided in supporting the Company to navigate through the challenging year. By working together, we believe our continuous efforts and further improvement plans will make a positive difference to our community and the environment and lead the way for a sustainable future.

We thank you for your support and look forward to your valuable feedback towards continuous improvement in our sustainability journey.

The Board


Hengyuan Refining Company Berhad

2021 SUSTAINABILITY HIGHLIGHTS




Zero
work-related fatalities in
28 years

Successful
roll-out of an enhanced
Process Safety Framework



Scope 2 (indirect emissions) reduced by
2.1%



6.9 million
manhours without
Lost Time Injury as of
31 December 2021



Launch of
Leadership
Development Programme



First few companies in Negeri Sembilan to achieve **80%**
full vaccination rate among staff **since August 2021**



Continued COVID-19
**Response
& New
Protocols**

Phase 1 compliance of
Euro 5G
met in March 2021



48.5 hours
average training hours
per employee



OUR APPROACH AND HOW WE GOVERN SUSTAINABILITY

Sustainability Approach

We are guided by our 5 strategic pillars on how we approach and deliver our sustainability agenda:



These pillars shape our foundation on how we do business and make an impact to our people and community with a focus to drive continuous improvement to build a more resilient work culture and business. We have set targets on our commitments in some of our key practices where we track and monitor their performance each year. These are supported by our company-wide policies, programmes and initiatives through which we add value for our stakeholders for the long-term.

Sustainability Governance

There are no significant changes in our sustainability governance structure since our last report. Our Board of Directors (Board) endorses the overall strategic direction of the Company's sustainability direction including Key Performance Indicators (KPIs) targets and market disclosures for the Company. HRC's sustainability governance framework is embedded into our existing organisation structure with the leadership from the Board to steer the Company towards long-term success to deliver sustainable value to its stakeholders.

The sustainability matters are reported to the Board and discussed at the sub-committee meetings level. The Steering Committee from the relevant departments monitor, review and implement measures to improve sustainability performance across the operations.

HRC's Governance Structure

- Board of Directors**
 The Board has the overall responsibility and oversight on all the sustainability matters of the Company with the support from the Management team, subject matter experts and support functions from the relevant departments.
- Chief Executive Officer**
 Our CEO provides leadership and oversees implementation of the sustainability strategy.
- Management Team**
 Our CEO, together with the Management team members, evaluate the overall risks and opportunities' in monthly management meetings based on updates received from the Steering Committees and respective department of the Company. The Management team provides support to the CEO, and develops and recommends the strategy to ensure viability and long-term economic, environmental and social sustainability of the business to the Board.
- Steering Committees (QHSE, Technical) and Respective Departments**
 Each focal within the relevant focus areas monitors and reviews sustainability management and performance, implements measures to improve sustainability performance, maintains proper records and identifies KPIs, targets and market disclosures.

Further details of HRC's corporate governance structure and the Board's overall roles, responsibilities and practices in FY2021 are outlined in HRC's Corporate Governance Overview Statement on page 56 of the AR2021.

OUR APPROACH AND HOW WE GOVERN SUSTAINABILITY



Risk Management and Governance

Our robust corporate governance structure is key in ensuring sound management of our sustainability risks and opportunities. Using the internal control and risk management approach under HRC's Control Framework, we are able to identify, assess and prioritise risks and opportunities to ensure smooth running of the business, and to mitigate unforeseen events that can cause disruptions. Risk management is also integrated into HRC's significant activities and functions across the organisation.

Potential risks are tracked in the Company's Corporate Risk register and reviewed on a quarterly basis by the Management team and the Board (via the Board Risk Management Committee (BRMC)), to assess their severity, actions required to be taken and to ensure the existing risk control measures continue to be adequate. HRC's risk register consists of four major components: (a) Operational Risk (b) Financial & Commercial Risk (c) Strategic Risk and (d) Legal & Regulatory Risk. The scope of risk management in HRC covers the overall work processes based on internal selected and external factors. We also make references in selected sections of this Report on how we assess

risks in relation to material EES topics identified. A key highlight in FY2021 is the addition of "climate change" as a relevant long-term risk in our quarterly Corporate Risk and Opportunity register, to be regularly reviewed, monitored and tracked to address and minimise any climate-related risks. There are no other significant changes to the risk management framework since our last sustainability report.

The Board, with support from the Board Audit Committee and the BRMC, provides the overall oversight on HRC's internal controls and risk management systems to ensure its adequacy and integrity. The Risk and Integrity Department is the custodian of HRC's risk profile and is responsible for reporting the risks and opportunities profiles to the BRMC. Each risk owner manages the risks assigned to him or her and reports on the progress against mitigation plans and the results of risks assessments performed on new initiatives.







Further information on HRC's risk management and internal control framework are set out in the Company's Statement on Risk Management and Internal Control on page 67 of the AR2021.

STAKEHOLDER ENGAGEMENT





We recognise the importance of continuous stakeholder engagement activities as it provides us with feedback on how we manage and deliver our sustainability plans and initiatives while ensuring stakeholder expectations and concerns are dealt with effectively. Our key stakeholders are individuals or organisations who have interests that are affected or could be affected by the ongoing activities and operations of our Company.

Due to the continued impact of the COVID-19 uncertainties in FY2021, we were unable to fully engage with our stakeholders through normal engagement channels as physical interaction was limited during the year. However, we continued to engage with our stakeholders virtually and, where possible, met with them face to face by strictly adhering to established COVID-19 safety measures and protocols, depending on the criticality of the subject matters and the stakeholder interests and needs.

Overview of our stakeholder engagement in FY2021 conducted through various channels.

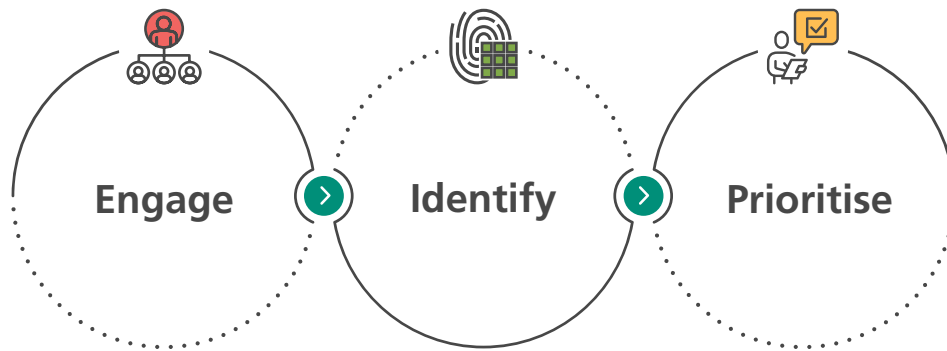
Key Stakeholders	How We Engage	Frequency	Areas of Concern	How We Respond
 Employees <i>(Full-time and direct contract workers)</i>	<ul style="list-style-type: none"> Town Hall (virtual) Employee information Intranet Career development discussions Events and campaigns Training (virtual & face to face, where applicable) Team meetings Informal meetings 	<ul style="list-style-type: none"> Quarterly On-going On-going Annually On-going On-going On-going & as required On-going & as required 	<ul style="list-style-type: none"> Remuneration and benefits Career progression and opportunities Training and development Safe and conducive workplace Business Performance updates 	<ul style="list-style-type: none"> Perform survey of remuneration and benefits as compared to market practices Employee engagement activities Training and development programmes COVID-19 protocols Updated Health and Safety protocols, measures, and practices Direct response by Management team to employee's queries and concerns
 Trade Union	<ul style="list-style-type: none"> Meetings 	<ul style="list-style-type: none"> Quarterly & as required 	<ul style="list-style-type: none"> Rights and interests of union members are protected Concerns of workers are addressed promptly 	<ul style="list-style-type: none"> Build and sustain collaborative relationship Obtain feedback on concerns and provide update on current issues Collective Bargaining Agreement
 Customers	<ul style="list-style-type: none"> Survey Email communication Supply & delivery meetings 	<ul style="list-style-type: none"> Annually As required Quarterly & as required 	<ul style="list-style-type: none"> Quality of products and services 	<ul style="list-style-type: none"> Customer satisfaction survey Offer high quality products and services Maintain ISO standards and certifications
 Suppliers <i>(eg. Vendors, logistics partners, business partners, service providers)</i>	<ul style="list-style-type: none"> Vendor registration Bid / Tender process Meetings Audits Supply and delivery meetings 	<ul style="list-style-type: none"> On-going On-going As required Annually As required 	<ul style="list-style-type: none"> Pricing and scope of deliverables Diversified pool of vendors to ensure competitive pricing Smooth delivery of services 	<ul style="list-style-type: none"> Set clear expectations to maintain high standards for delivery of products or services to the Company Vendor assessment and due diligence

STAKEHOLDER ENGAGEMENT

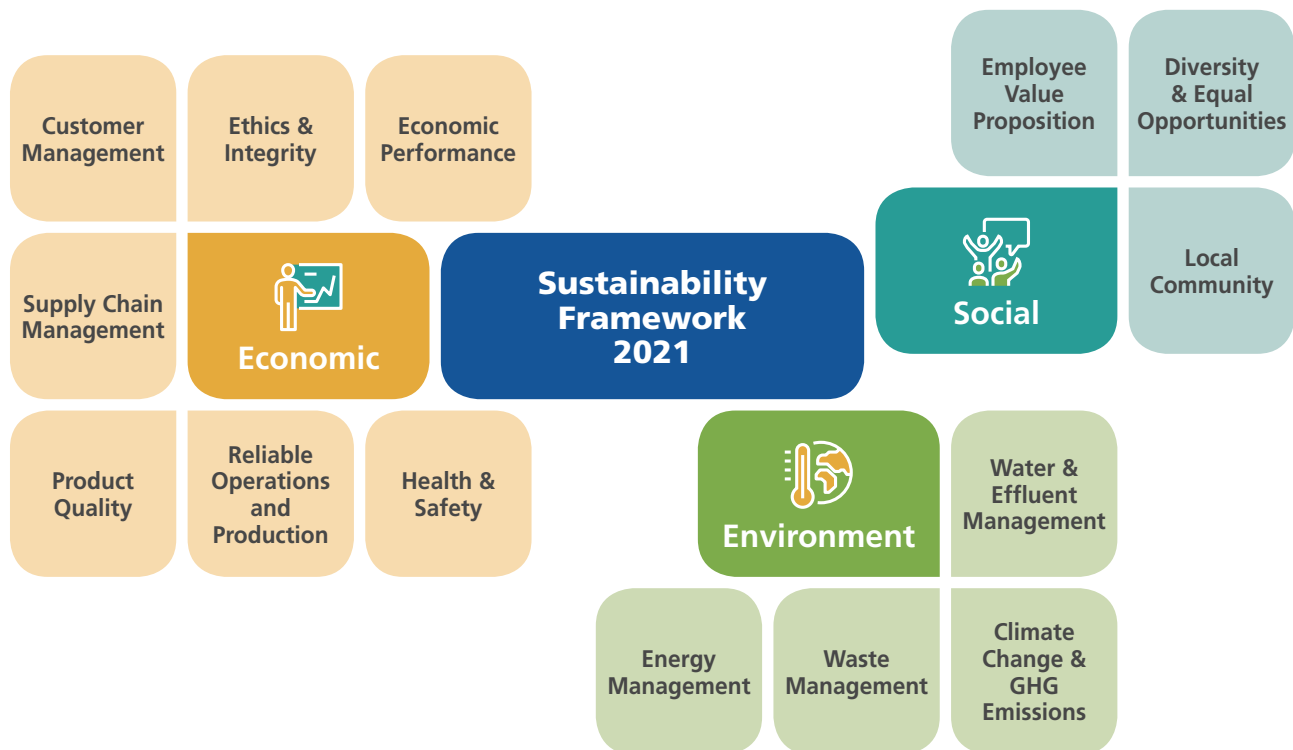
Key Stakeholders	How We Engage	Frequency	Areas of Concern	How We Respond
 Shareholders and Investors (eg. institutional investors, analysts and major shareholder)	<ul style="list-style-type: none"> Annual General Meeting Annual Report Announcement 	<ul style="list-style-type: none"> Annually Annually As required 	<ul style="list-style-type: none"> Economic performance of the company Return on investment Governance 	<ul style="list-style-type: none"> Disseminate and provide timely and material information on the Company's activities and financial performance to facilitate decision-making by investors Ensure return on investment Quarterly results briefings Website Annual AGM
 Local Community	<ul style="list-style-type: none"> Community engagement activities and events Notification text 	<ul style="list-style-type: none"> On-going On-going & as required 	<ul style="list-style-type: none"> Noise and environmental issues from operations 	<ul style="list-style-type: none"> Build and maintain good relationships while being a "Good Neighbour" Positive impact through our corporate social responsibilities (CSR) to the local communities Enhanced Public Complaints Framework
 Regulators (eg. Bursa, Ministry of Domestic Trade, Ministry of International Trade, among others)	<ul style="list-style-type: none"> Consultation and dialogue Email communication Site-visit 	<ul style="list-style-type: none"> On-going On-going As required 	<ul style="list-style-type: none"> Compliance with all applicable laws and regulations to maintain operating licenses 	<ul style="list-style-type: none"> Participation in discussions and knowledge sharing for improvements in industry best practices
 Government Agencies / Local Authorities (eg. DOE, DOSH, among others)	<ul style="list-style-type: none"> Meetings Messaging platform 	<ul style="list-style-type: none"> On-going & as required On-going & as required 	<ul style="list-style-type: none"> Compliance with applicable laws and regulations 	<ul style="list-style-type: none"> Provide business familiarity and sustain efficient business operations Provide business updates Pre-operational activities notification via messaging platform

MATERIALITY AND OUR SUSTAINABILITY MATTERS

Through our stakeholder engagement channels, we were able to gather feedback and input to identify and prioritise what is important and areas that impact or have potential impact on how we operate. We continue to apply a three-pronged approach as we have done in our last report, to assess our material sustainability issues.







For our FY2021 disclosures, we reviewed the material topics against our strategic pillars and stakeholders' interests to ensure relevance to issues that are most significant to our business and stakeholders. We have maintained the previous years' material sustainability matters and renamed some of the topics below for clarity and to better reflect the contents of the respective topics that we report on.







MATERIALITY AND OUR SUSTAINABILITY MATTERS

Our Contributions to UN SDGs

As a responsible business, we recognise the need to contribute to global efforts such as the UN SDGs for sustainable development. In FY2020, we identified seven SDGs that HRC was most aligned with in its sustainability efforts. We make reference to an additional UN SDG in this Report, where we have contributed to SDG 6 in our sustainability practices. In the near future, we aim to link our material topics with the relevant SDG targets.

UN SDGs	How We Contribute	Examples of Our Contribution
 <p>SDG 3 <i>Ensure healthy lives and promote well-being for all at all ages</i></p>	<ul style="list-style-type: none"> Develop and deliver programmes to support safety and preventive measures to tighten and manage health risks at site 	<ul style="list-style-type: none"> Strengthened COVID-19 protocols in FY2021 Safety training for employees and third-party contractors
 <p>SDG 4 <i>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</i></p>	<ul style="list-style-type: none"> Various programmes to advocate education training and development opportunities for our employees and direct contract workers 	<ul style="list-style-type: none"> Advocate education and training and development for our employees to build talent through in-house training opportunities Supporting talents through Internship Programme Launch of Leadership Development Programme (LDP) Safety training for employees and contractors Business Integrity Week
 <p>SDG 5 <i>Achieve gender equality and empower all women and girls</i></p>	<ul style="list-style-type: none"> Commitment to practice and provide equal employment opportunities that does not discriminate based on race, colour, religion, age, gender, sexual orientation, gender identity, marital status, disability, ethnic origin or nationality 	<ul style="list-style-type: none"> Site-wide Women Action Network (SWAN) Leadership Talk
 <p>SDG 6 <i>Ensure availability and sustainable management of water and sanitation for all</i></p>	<ul style="list-style-type: none"> Commitment to improve water quality by reducing and minimising release of effluent and pollution into the sea 	<ul style="list-style-type: none"> Continuous water quality and effluent monitoring and compliance with all parameters under the Environmental Quality (Industrial Effluent) Regulations 2009


MATERIALITY AND OUR SUSTAINABILITY MATTERS

UN SDGs	How We Contribute	Examples of Our Contribution
 <p>SDG 7 <i>Ensure access to affordable, reliable, sustainable and modern energy for all</i></p>	<ul style="list-style-type: none"> • Commitment to produce cleaner fuel in Malaysia 	<ul style="list-style-type: none"> • Providing significant fuel needs for the country since 1963 as the third largest refinery in Malaysia • Clean Air Regulations (CAR) project • Compliance with government mandate to produce cleaner fuel in Malaysia
 <p>SDG 8 <i>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</i></p>	<ul style="list-style-type: none"> • Ensuring safe working environment for all stakeholders via the HSSE and Social Performance (HSSE & SP) framework • Provide employment opportunities to the surrounding community in Negeri Sembilan 	<ul style="list-style-type: none"> • Risk assessment before commencement of any new project to ensure mitigation plans are put in place to minimise any environmental and social impacts to surrounding communities
 <p>SDG 12 <i>Ensure sustainable consumption and production patterns</i></p>	<ul style="list-style-type: none"> • Promote responsible resources consumption and production within our operations and in our supply chain 	<ul style="list-style-type: none"> • Ensure due diligence in procurement practices • Commitment to report on annual sustainability practices and measures in operations • Commitment to manage resources such as hydrocarbon and water efficiently and managing waste in an environmentally responsible manner
 <p>SDG 13 <i>Take urgent action to combat climate change and its impacts</i></p>	<ul style="list-style-type: none"> • Committed to tackle climate change and reducing our carbon footprint 	<ul style="list-style-type: none"> • Managing GHG emissions by improving energy efficiency and integrating GHG emissions management into our operations • CAR Project • Development of Energy Masterplan since 2020

MATERIALITY AND OUR SUSTAINABILITY MATTERS

Overview of our Material Topics

We have mapped the material topics with the relevant stakeholders impacted by the material topics, to the applicable GRI topic standards and the corresponding UN SDGs that are aligned with the respective EES topics.

Material Topics	Stakeholders Impacted	GRI Topic Standards
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="display: flex; align-items: center;">  Economic </div> <div style="display: flex; align-items: center; gap: 10px;"> <div style="display: flex; align-items: center;">  SDG 3 </div> <div style="display: flex; align-items: center;">  SDG 7 </div> <div style="display: flex; align-items: center;">  SDG 8 </div> <div style="display: flex; align-items: center;">  SDG 12 </div> </div> </div>		
Ethics and Integrity	<ul style="list-style-type: none"> Shareholders / Investors Employees Trade Union Government Agencies / Local Authorities 	<ul style="list-style-type: none"> Regulators Customers Suppliers GRI 205 : Anti-Corruption 2016
Economic Performance	<ul style="list-style-type: none"> Shareholders / Investors Employees 	<ul style="list-style-type: none"> Trade Union GRI 201 : Economic Performance 2016
Customer Management	<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Non-GRI
Supply Chain Management	<ul style="list-style-type: none"> Customers Suppliers 	<ul style="list-style-type: none"> GRI 204 : Procurement Practices 2016
Product Quality	<ul style="list-style-type: none"> Shareholders / Investors Customers 	<ul style="list-style-type: none"> Regulators Non-GRI
Reliable Operations and Production	<ul style="list-style-type: none"> Suppliers Customers 	<ul style="list-style-type: none"> Employees Trade Union Non-GRI
Health & Safety	<ul style="list-style-type: none"> Employees Trade Union 	<ul style="list-style-type: none"> Government Agencies / Local Authorities Regulators GRI 403 : Occupational Health and Safety 2018
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="display: flex; align-items: center;">  Environment </div> <div style="display: flex; align-items: center; gap: 10px;"> <div style="display: flex; align-items: center;">  SDG 6 </div> <div style="display: flex; align-items: center;">  SDG 7 </div> <div style="display: flex; align-items: center;">  SDG 12 </div> <div style="display: flex; align-items: center;">  SDG 13 </div> </div> </div>		
Water and Effluent Management	<ul style="list-style-type: none"> Local Community Government Agencies / Local Authorities 	<ul style="list-style-type: none"> Regulators GRI 303 : Water and Effluents 2018
Waste Management	<ul style="list-style-type: none"> Local Community Government Agencies / Local Authorities 	<ul style="list-style-type: none"> Regulators GRI 306 : Waste 2020
Climate Change and GHG Emissions	<ul style="list-style-type: none"> Employees Government Agencies / Local Authorities 	<ul style="list-style-type: none"> Regulators Shareholders / Investors Local Community GRI 305 : Emissions 2016
Energy Management	<ul style="list-style-type: none"> Government Agencies / Local Authorities 	<ul style="list-style-type: none"> Regulators GRI 302 : Energy 2016
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="display: flex; align-items: center;">  Social </div> <div style="display: flex; align-items: center; gap: 10px;"> <div style="display: flex; align-items: center;">  SDG 4 </div> <div style="display: flex; align-items: center;">  SDG 5 </div> <div style="display: flex; align-items: center;">  SDG 8 </div> </div> </div>		
Employee Value Proposition	<ul style="list-style-type: none"> Employees Trade Union 	<ul style="list-style-type: none"> GRI 401 : Employment 2016 GRI 404 : Training & Education 2016
Diversity & Equal Opportunities	<ul style="list-style-type: none"> Employees Trade Union 	<ul style="list-style-type: none"> Shareholders / Investors Regulators GRI 405 : Diversity & Equal Opportunity 2016
Local Community	<ul style="list-style-type: none"> Local Community 	<ul style="list-style-type: none"> GRI 413 : Local Communities 2016



The details of our sustainability initiatives and performance in FY2021 are outlined in the next section of this Report.



Economic Sustainability

The economic performance of our Company is critical to support the growth of our business, ensuring profitability and sustainable value whilst maintaining a safe, efficient, responsible and competitive refinery environment for all our stakeholders. We emphasise at all times the importance of health and safety in our operations to ensure that everyone goes to home safely each day.



SDG 3



SDG 7



SDG 8



SDG 12

- GRI 205 : Anti-Corruption 2016
- GRI 201 : Economic Performance 2016
- GRI 204 : Procurement Practices 2016
- GRI 403 : Occupational Health and Safety 2018



Ethics and Integrity

In line with our Core Values, ethical business practices and integrity are non-negotiable commitments for us to remain a sustainable business with long-term value for our stakeholders. We recognise our stakeholders' expectations and have remained focused to ensure our governance and internal controls are robust and that we carry out all dealings internally and externally at the highest standards of integrity, accountability, fairness and transparency.

We uphold our values, principles, standards and norms based on our Core Values of **Integrity, Collaboration, Accountability, Respect and Entrepreneurial**, and ultimately, provide guidance on how we go about our work in HRC and manage our relationships with others. These fundamental principles are embedded into HRC's General Business Principles (HGBP), supported by the Company's Code of Conduct, Anti-Bribery & Corruption and Anti-Money Laundering Manual (ABC & AML Manual) and the Whistleblowing Policy. All employees, officers, directors, contractors and business associates of HRC are expected to comply with these policies and procedures that set out the ethical behaviour standards expected from them.



Annual Business Integrity Week

During our annual Business Integrity Week held in October 2021, an officer from the Malaysian Anti-Corruption Commission (MACC) was invited to deliver a virtual talk on integrity. The session was well received with more than 100 participants, comprising of members of the Board, the Management team, and HRC employees. The objective of the session was to reinforce ethical leadership, good governance, accountability and importance of individual integrity across the organisation.

We track non-compliance or breach of ethical practices reported through our grievance and whistleblowing channels. The Board receives quarterly reports and has oversight over the ethical performance of the Company.



Further details are outlined on page 56 of the AR2021, HRC's HGBP, the Code of Conduct, ABC Policy, ABC & AML Manual and Whistleblowing Policy are all available on HRC's website at www.hrc.com.my.

ECONOMIC SUSTAINABILITY

If we want to ensure a sustainable business for the long-term, we must foster ethical practices in our work settings and across our value chain. We have zero tolerance for corrupt practices and do not condone unethical behaviours that are not aligned with our Core Values.

Our strong foundation based on our Core Values set the tone on how we manage relationships, do business and the decisions we make.

Core Values: INTEGRITY & ACCOUNTABILITY

Anti-Money Laundering (AML)

We trust our business dealings are not used for money-laundering purposes and that customers whom we deal with do not indulge in such practices.

The ABC Policy and the ABC & AML Manual address best practices on anti-money laundering activities.

Anti-Bribery & Corruption (ABC)

We safeguard against corruption under our ABC Policy and ABC & AML Manual and abide by the requirements of the ISO 37001:2016 ABMS.

Both documents address countering relevant forms of bribery, anti-corruption and money laundering activities in our business dealings. These include but are not limited to not accepting or paying any bribes or facilitating any payments of such bribes. To further inculcate an integrity culture within the organisation, each department is represented by a dedicated anti-bribery ambassador.

The ABC Policy and the ABC & AML Manual explicitly prohibit engaging in bribery or corruption in any form. We also assess risks of exposure to bribery and corruption when working with our suppliers and business partners. We will take the necessary corrective action against suppliers or business partners who fail to meet our requirements.

The Board via the BRMC has oversight over the implementation and is the overall governing body of the ABC Policy. The Risk and Integrity Department reviews bribery risks on a quarterly basis which are discussed in the ABMS Management Review meeting annually.

Whistleblowing Policy

We encourage our employees, contractors and vendors to speak up to raise any issues or concerns. HRC's Whistleblowing Policy, which is accessible on HRC's website, allows individuals to report any improper conduct within the Company. 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.

As at 31 December 2021, there were four whistleblowing emails received by BWC via the various whistleblowing channels. All cases were investigated by the relevant parties authorised by BWC or Board and have been addressed and closed.

Conflict of Interest

All individuals including 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.

Compliance with Applicable Laws & Regulations

HRC strives to comply with all applicable laws and regulations that apply to all that we do in the areas that we operate.

ECONOMIC SUSTAINABILITY

Core Values: RESPECT

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.



Reference to our commitment on human rights is further discussed under the Employment Standards and Best Practices on page 56 of this Report.

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 Company's interests.

Core Values: COLLABORATION & ENTREPRENEURIAL

Anti-Trust

HRC supports free enterprise and fair competition in the industry. We do not engage in price-fixing or any other market manipulation activities with competitors, customers or suppliers.



ECONOMIC SUSTAINABILITY

Targets	FY2021 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"> • ABC Policy, ABC & AML Manual and Code of Conduct refresher training for existing employees. • Business integrity on-boarding session for new employees. • Declaration of commitment from all employees and active business associates to comply with the ABC & AML Manual and Code of Conduct, and to disclose any potential or perceived conflict of interest via HRC's annual declaration process. • "Virtual Business Integrity Week" was held in October 2021. This event focused on "Integrity" as one of the Core Values in the Company and aimed to strengthen the business integrity culture within the Company by creating awareness on values, business principles, bribery and corruption risks. • In October 2021, a mandatory training on anti-bribery was conducted and attended by 289 employees, whereby staff were required to complete an online integrity test. The test submission and results were tracked in the Office Automation (OA) system.
Upholding ethical business culture	<ul style="list-style-type: none"> • There were no major non-compliance cases or breach of ethical business culture practices and no confirmed incidents of corrupt practices recorded in FY2021. • HRC is not aware of any incidents of human rights violations that have occurred in this reporting period.
Compliance with laws and regulations	<ul style="list-style-type: none"> • There is no material non-compliance of any applicable laws and regulations in FY2021.
Embed good corporate governance into our systems and processes	<ul style="list-style-type: none"> • Continuous integrity due diligence is conducted on appointment of senior management roles, new business partner's registration and SAP System user access request.
Complete the ISO 37001: 2016 ABMS surveillance audit	<ul style="list-style-type: none"> • The surveillance audit by SIRIM QAS International Sdn Bhd (SIRIM QAS) was successfully completed in February 2021 with no non-conformance findings reported. • Surveillance audit was also conducted on the ISO 27001: 2013 Information Security Management System (ISMS). Two opportunities for improvements (OFIs) each for the ISMS and ABMS were recorded for the above audits.

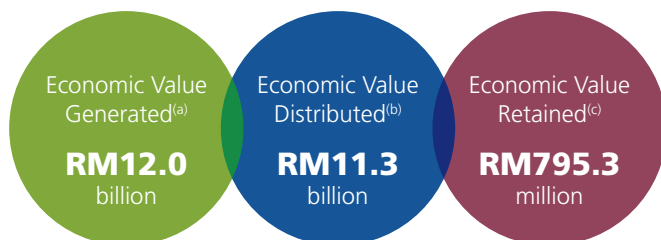
ECONOMIC SUSTAINABILITY

Economic Performance

The year 2021 continued to see pockets of lockdown across the globe including here in Malaysia, with the new Omicron variant spreading around the world in Quarter Four of FY2021. As part of the essential services in Malaysia, HRC continued to supply products to our customers. Due to the volatility of crude oil prices, HRC continued with strategic hedging efforts to protect cracker and inventory value in order to provide financial protection against potential adversities.

In FY2021, HRC recorded revenues of RM12.0 billion as compared to RM7.2 billion in FY2020, while profit after tax amounted to RM82.7 million compared to RM251.0 million recorded in FY2020. The increase in revenue of RM4.8 billion or 67.3 per cent is attributed by the higher price and sales volume. Higher sales volume recorded in FY2021 is primarily supported by improved product cracker and better crude processing margin with increases in oil demand amidst the improved COVID-19 situation across many countries.

HRC's economic values generated, retained and distributed by the Company for the year ended 31 December 2021 are as follows:



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 39 of the AR2021.



Key Investment Projects

HRC has heavily invested in several projects relating to air quality improvements and meeting new product specifications as mandated under the requirements issued by the Government of Malaysia since 2017. These projects aim to support HRC's long-term sustainable commitments on climate change while ensuring HRC remains competitive in the challenging times.



The updates on the key investment projects such as the Euro 5G (E5G), Euro 4M (E4M) and the H2Gen in FY2021 are highlighted on page 38 of the AR2021.



Customer Management

We have always focused on our customers and respond to their changing needs to deliver the right solutions for them. We recognise that our long-standing reputation and financial performance may be compromised if we fail to do so.

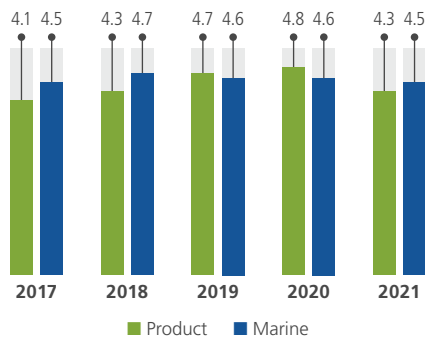
In order to assess our performance and areas for improvements, we seek our customers' feedback in an annual customer satisfaction survey. The customer satisfaction survey focuses on HRC's delivery time, quality, quantity of the product or service, delivery as per the terms of the agreement, willingness to provide the product or service, response to customer's request and complaint, staff competence, ease of contact, availability of information and whether solutions and advice were offered when needed. Customers are also asked if the product or service provided is value for money.

The results of the customer satisfaction survey in FY2021 indicates that the average satisfaction scores for our Product and Marine services stand at 4.3 and 4.5 respectively. We take all feedback received seriously to understand the challenges faced by our customers. In FY2021, we strived to deliver timely solutions to our customers after listening to their concerns and delivery expectations. Our scores dipped slightly in FY2021 with lower ratings recorded on the value for money criteria as customers sought the lowest cost possible during the year, bringing the overall rating down from the previous year.

ECONOMIC SUSTAINABILITY

Our customer survey scores over the last five years are set out below:

Customer Satisfaction Scores
(out of a maximum of 5)



Target	FY2021 Activities
To continue maintaining customer satisfaction level and to identify opportunities for products and services Improvements	<ul style="list-style-type: none"> Actively monitored, addressed and provided solutions based on our customer feedback in a timely manner.

Supply Chain Management

We recognise the importance of working closely with the right suppliers and partners throughout our supply chain for a long-term, sustainable and successful growth for our business. We are committed to work with parties who think and work like us, and comply with HRC's ethical business practices to deliver sustainable solutions for us. Any disruptions in the delivery of services or products will have an impact on our operations and business continuity. We rely on the good relationship and co-operation we have fostered over the years with established business partners, who have helped us overcome challenges we faced in FY2021 especially on the services front. HRC's supply chain management covers the procurement of materials and services and not commodities, which are handled separately under the Trading department.

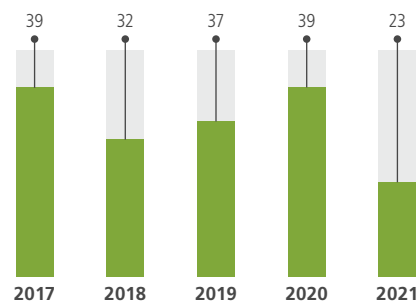
All our contracting and procurement activities must be conducted in full compliance of HRC's Contracting Policies and Procurement Procedures Manual (C&P Policy). The C&P Policy outlines an established selection and contracting process to identify and engage the right suppliers and business partners to deliver quality products and services at the best price. Suppliers are short-listed based on technical experience and expertise, financial situation as well as successful Integrity Due Diligence (IDD) screening overseen by the Risk and Integrity Officer.

During the tendering stage, further assessment and auditable process is managed and controlled by the Governance team, who report directly to the CEO. The suppliers are then evaluated against a pre-set list of criteria and shortlisted based on the best proposal for the company. Contract execution is subject to the Company's internal Limit of Approval. We strive to follow international best practices in the contracting and procurement processes at HRC to support fair and equal treatment of all suppliers and other business partners.

Overall in FY2021, we did not suffer significant disruptions in our supply chain as we engaged reliable vendors with good track record to deliver products and services notwithstanding the pandemic issues faced globally.

Contracts with our Suppliers and Business Partners

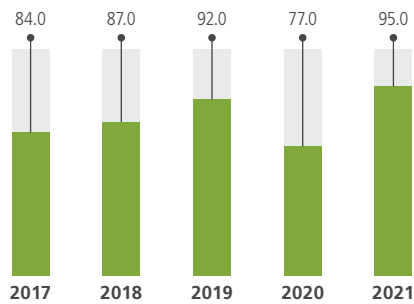
Total No of Contracts Awarded



In FY2021, a total of 23 contracts valued at RM50 million were awarded to suppliers and other business partners through our selection and contracting processes.

ECONOMIC SUSTAINABILITY

Contracts Awarded to Local Companies (%)

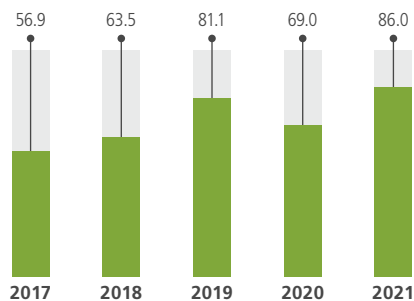


We strived to source from local suppliers in Malaysia, especially for service contracts on our key projects to optimise cost savings and fulfil our commitment to support the local economy by providing employment opportunities to the local community. The number of contracts awarded to Malaysian suppliers increased in FY2021 to 95.0 per cent from 77.0 per cent in FY2020.

A total of 22 contracts valued at RM38 million were awarded to local suppliers. The increase in local sourcing contracts is a result of the impact of the global pandemic, where we sourced more from local suppliers when logistics costs and delays in the supply chain were on the rise.

Moving forward in FY2022, the Company will continue to fully utilise local resources while engaging with key international vendors with good quality and high reputation. HRC will also explore opportunities to leverage on recommendations from our major shareholder in China to diversify to a wider pool of vendors.

Contracts via Competitive Bidding Process (%)

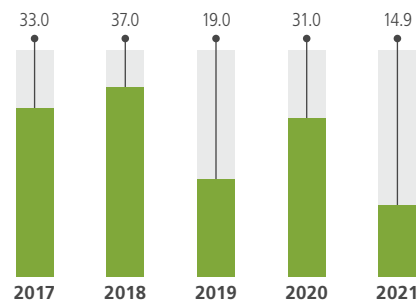


86.0 per cent of the contracts valued at RM45 million were awarded through the competitive bidding process in FY2021.

Suppliers are selected based on competitive bidding via sound and confidential contracting strategies outlined in the C&P Policy. The number of contracts awarded via the competitive bidding process increased from 69.0 per cent in FY2020 to 86.0 per cent in FY2021.

HRC continued to strengthen its competitive tendering processes by leveraging on electronic tendering and e-contract management system capabilities to increase efficiencies in the process. With support and recommendations from our major shareholder company, HRC received more competitive bids for commodities, materials and services from a wider selection of suppliers, both domestic and international. In addition, expert advice from HRC's technical department provided support in evaluating the best offer of quality products at a competitive price.

Contracts via single source (%)



In FY2021, there was a significant reduction in the number of single source contracts awarded, i.e. purchase of materials, works or services from one supplier without competitive tendering. Single-sourcing practice is not encouraged in HRC as the Company aims to benefit from competitive pricing from a more open tender process. Single or sole source contracts will only be considered when there is clear explanation as to why the tender option is not practical.

14.9 per cent of the contracts valued at RM5 million were awarded through the single sourcing process in FY2021.

ECONOMIC SUSTAINABILITY

Supplier Performance Monitoring

We conduct periodic discussions every six months with our key suppliers to ensure all risks and delivery under the contracts are progressing as expected. As required under the C&P Policy, an annual Business Performance Review (BPR) on our key strategic contracts must also take place.

For non-critical contracts, the respective internal contract owners measure and track the performance of the contracts, 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 for opportunities for a competitive bidding process.

There were 30 rounds of BPRs conducted on key contracts in FY2021.

Targets	FY2021 Activities
Diversify selection of local and international supplier pool	<ul style="list-style-type: none"> Source and invite more competitive bids for materials and services by widening our selection of both domestic and international suppliers. Established better process control for selection of valued and appropriate bidders.
Maintain good partnership and cooperation with key suppliers	<ul style="list-style-type: none"> Carried out yearly Technical and Commercial Performance review and negotiations with our key business partners. Included contractor partners in HRC events and meetings such as morning toolbox meetings and Business Integrity Week.
Cost optimisation	<ul style="list-style-type: none"> HRC deployed different strategic procurement methods to source for common materials by sourcing and inviting suppliers directly instead of going through third party suppliers. Hence, we managed to leverage on best pricing in sourcing for materials and products such as RTK test kits, bicycles, walkie talkie and HR systems.
Ensure delivery of materials and services in a timely manner	<ul style="list-style-type: none"> We constantly explored different logistics companies to provide better delivery services for HRC.



Product Quality

In FY2021, we continued to focus on delivering products at the highest level of quality to our customers.

We have stringent Product Quality (PQ) processes defined under the Quality Policy that aim to ensure 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. The in-house Laboratory Assurance Programme continues to provide high levels of quality lab testing to ensure that our customers receive high quality products that meet their requirements and expectations.

Our Focus on Product Quality Performance in 2021

- The Health Check structure which was rolled out in 2019 forms the basis of PQ health check framework. This framework allows us to track any improvements or gaps and actions required for closure on PQ issues. There were no major findings identified from our assessments conducted on PQ issues in FY2021.
- Focus groups for the E4M and E5G projects were established to resolve any PQ concerns and to identify margin opportunities. The transition from E2M diesel to E5G was successful in the first quarter of FY2021 without any significant PQ incidents.
- As part of the Ensure Quality Process (EQP) work process, the PQ risk register review for non-main fuels were completed in FY2021. The PQ risk register review for main fuels such as Mogas, JET and Gasoil was completed in FY2020.
- Our product quality giveaway (PQGA) performance in FY2021 was at its historical best when compared over the last five years. Our PQGA performance reflects HRC's solid performance through HRC's delivery of higher quality products exceeding client's specifications and expectations.

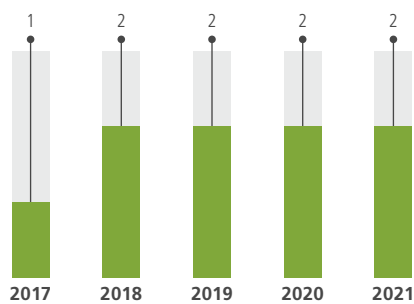
ECONOMIC SUSTAINABILITY

Product Quality Audits

There were two audits conducted in FY2021 relating to product quality. An internal audit on ISO 17025: 2017 Testing and Calibration Laboratories and an external audit by SIRIM QAS on HRC for ISO 9001: 2015 Quality Management System, were carried out successfully.

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

Product Quality Audits



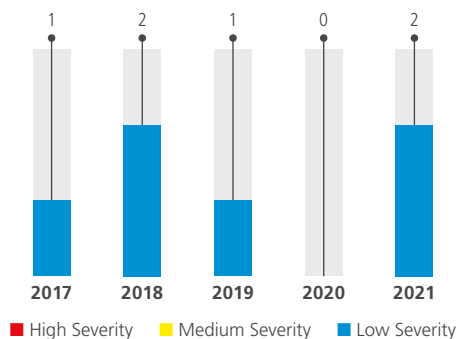
Product Quality Incidents (PQIs)

We recorded two Risk Assessment Matrix (RAM) low severity PQIs in FY2021.

As per the Company's best practice, high risk incidences are followed through using Incident Investigation methods. In FY2021, there were no major product quality incidents recorded that required an incident investigation. For all other low and medium severity Product Quality incidents, investigations were carried out to ensure learnings were captured to avoid any recurrence.

Summary of PQIs over the last five years:

No of PQIs



Targets	FY2021 Activities
Achieve zero high and medium PQI	<ul style="list-style-type: none"> No high and medium PQI recorded in FY2021, although two low severity PQIs were recorded.
Sustain laboratory's operational excellence	<ul style="list-style-type: none"> In-house Laboratory Assurance Programme continues to provide high levels of quality lab testing. Collaboration with other refinery laboratories in the region for mutual exchange of learnings and support in specific testing capabilities and facilities. As part of product quality improvement plans moving forward, HRC is exploring other automation platforms to help improve accuracy of results and reduction of testing time.



Reliable Operations and Production

Reliable Operations

HRC's performance is linked to how efficiently our refinery and equipment operate at optimal level to support our business strategies with agility and without any unexpected downtime or shutdown.

Our Reliability Management Framework is outlined under the procedures for executing Mitigate Threats to Availability, that encompasses work processes and practices applied to identify equipment and maintenance needs and upgrade projects required to ensure continuous equipment availability and operability.

The Mitigate Threats to Availability procedures provide details on the responsibility and methods for identifying reliability threats, and actions required to mitigate the threats to business plan delivery. It also provides a structure that improves the effectiveness of eliminating threats by prioritised actions. These processes essentially contribute to the effective management of resources.

ECONOMIC SUSTAINABILITY

Threats are mitigated by using the following basic steps:



The “Reliability” mindset continues to be instilled in our people 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 achievements in operational performance in FY2021 were contributed by the collaborative efforts of a strong and committed team equipped in both 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.

Plant Reliability and Availability Improvements in 2021

HRC continued in its efforts to improve on reliability and availability issues to ensure our targets were on track in FY2021. The UPDT in FY2021 stands at 2.5 per cent, which is a significant improvement compared to the UPDT of 4.6 per cent recorded in FY2020.

Platform for Improving Reliability and Availability Issues

The Reliability Steering Team (RST) revived its monthly meetings to review and discuss work prioritisation, resource allocation and alignment and sharing site reliability KPIs. The RST’s main objective is to set reliability strategies and tactics to drive better reliability performance for the site. Our CEO is appointed as the Chairman of the meetings, a position which was previously held by the COO.

The Technical Steering Committee’s (TSC) structure and its charter were formalised to streamline the technical review process. The TSC is solutions oriented and driven by the Technical Leadership team to review and resolve specific technical issues faced at site, mostly on-site reliability threats which are shared in RST sessions. We also invited technical experts from our major shareholder to participate in the TSC and provide independent views and technical solutions on site reliability issues based on their experiences and best practices in China.

Several other initiatives and activities carried out in FY2021 to enhance the reliability management framework include:

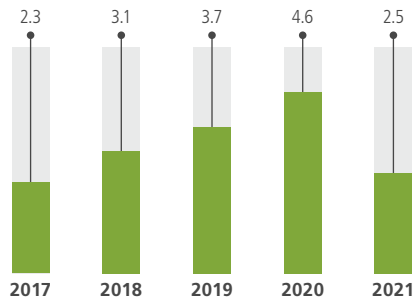
- **Reliability Plan 2021.** Development of a yearly plan from 2021 to 2024 to achieve continuous reliability improvements for HRC.
- **Workshops and Training.** Reliability team and other engineering disciplines attended workshops and training on reliability topics, with increased number of hands-on training from experienced senior supervisors and technicians to the junior technicians to share technical knowledge and improve rework at the workshop.
- **Asset Master Plan (AMP).** The AMP was rejuvenated and consolidated site-wide to help manage the road map for the required level of investment to meet future business goals. The AMP aims to better manage potential issues on obsolescence through proactive management of equipment and parts to minimise business interruptions in the future.

The progress of some of the abovementioned initiatives are updated on a quarterly basis to the Board via the CEO’s report and risk register.

ECONOMIC SUSTAINABILITY

Unplanned Downtime (UPDT)

Unplanned Downtime (%)

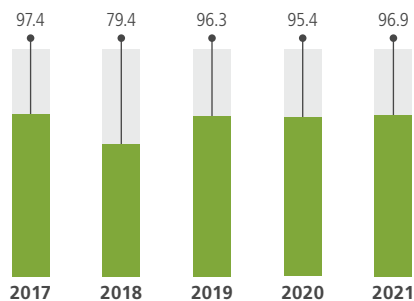


We recorded UPDT of 2.5 per cent in FY2021, which is well within the target of 2.9 per cent contributed by the steadfast reliability initiatives and improvement plans carried out in FY2021.

Plant Availability and Plant Utilisation

HRC experienced high reliability with high plant availability of 96.9 per cent, surpassing the target of 96.6 per cent.

Plant Availability (%)



Targets	FY2021 Activities
Plant Availability > 96.6 per cent	<ul style="list-style-type: none"> Achieved 96.9 per cent plant availability.
UPDT < 2.9 per cent	<ul style="list-style-type: none"> Improvement on UPDT achieved in FY2021 as compared to similar period last year in FY2021. <p>With improved reliability initiatives in place, the total active threats score reduced by 26.0 per cent to 172 towards end of FY2021 as compared to 188 in January 2021. As a result, UPDT reduced to 2.5 per cent in FY2021 as compared to UPDT in FY2020, which is a significant improvement from the UPDT recorded in previous years.</p>



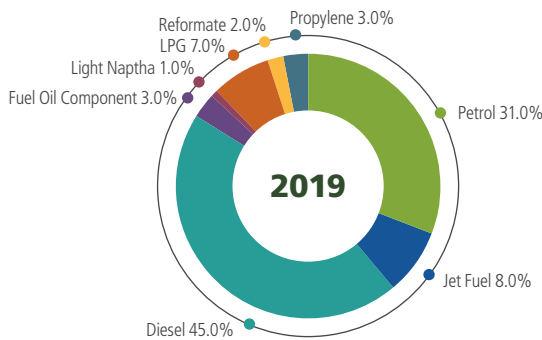
ECONOMIC SUSTAINABILITY

Production

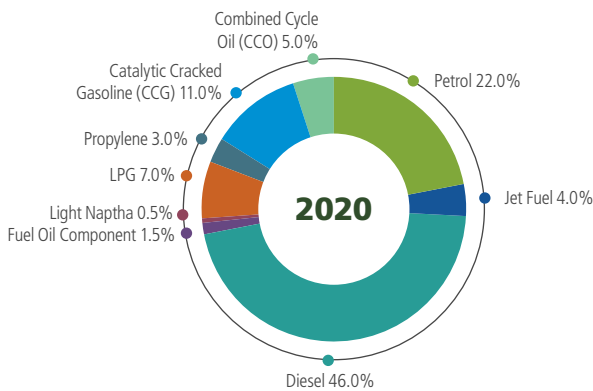
Product Yields

HRC's comprehensive range of petroleum products are set out below.

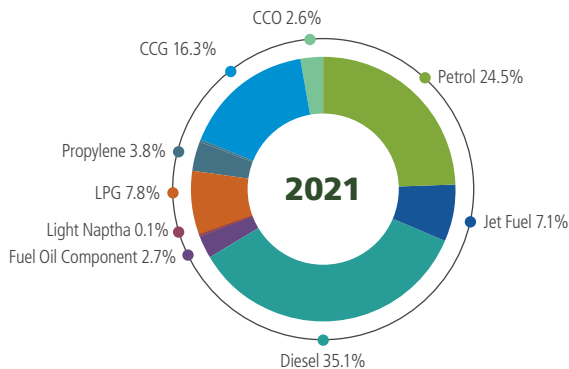
2019 - 100%



2020 - 100%



2021 - 100%



Our Focus on Production in 2021

With the pandemic uncertainties in FY2021, we actively reviewed production planning based on margin and demand. We continued to optimise and purchase 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.

The new gasoil specification under the E5G phase-1 implementation (with lower Sulphur content from 500 parts per million (ppm) to 10 ppm) was mandated in Malaysia on 1 April 2021. As a result, HRC's gasoil desulphurisation capability was limited by hydrogen supply constraints pending the H2Gen project, which was planned for commissioning in year 2022. Despite the challenges, HRC successfully delivered the new gasoil specifications supply as per the mandated date and optimised fuel oil components value in parallel while benefiting from higher price gains. This was done by nimbly managing the sale of CCO to favourably reflect CCO value when pooled as fuel oil while still providing room to capture the gains from higher CCO processing into the new gasoil specifications in actual daily operations.

Other key initiatives in FY2021 to increase overall product blending value was to secure better valued MTBE blending component under supportive market conditions from August 2021 to year end. We also took the opportunity to maximise our Mogas production when margins were high in Quarter Four of FY2021.

ECONOMIC SUSTAINABILITY

Overview of FY2021 Production Review

- Total production in FY2021 was 35 million barrels, which is above the FY2020 production by 0.8 million barrels. Production rate was mostly lower during first half of FY2021, while the refinery ramped up production rates from July 2021 in tandem with demand and product cracks improvement to capture the higher refining margin in second half of FY2021.
- Petrol production was 8.8 million barrels, 12.7 per cent higher than FY2020 primarily due to improved gasoline demand seen especially during Quarter Four of FY2021.
- Kerosene / jet fuel production was 2.5 million barrels in FY2021, which is higher than in FY2020 by 66.7 per cent. However, jet fuel demand remained weak in first half of FY2021, due to reduction in air travel that has gradually improved from September 2021 onwards.
- Gasoil production was 12.6 million barrels, 20.0 per cent lower than FY2020 gas oil production, due to new gasoil specifications implementation from 1 April onwards in FY2021.
- LPG and propylene production were 4.1 million barrels, 14.0 per cent higher than FY2020. LPG and propylene production were higher in FY2021 due to higher long residue catalytic cracker unit (LRCCU) intake across FY2021 as compared to FY2020.

Targets

To increase and sustain overall products commercial value

FY2021 Activities

- Protected commercial value through product cracks and inventory hedging strategies.
- Actively reviewed production planning based on margin, market demand and increased overall product value by sweating plant production facilities and re-optimising all oil products' yields in accordance with market movement.

Maintain good partnership with key customers and seek avenues to increase inland sales

- Secured renewal of a 5-year term crude oil supply contract with an existing key customer at a competitive value with better working capital and extended payment terms.
- Increased gantry sales due to increase of our local customer base from introductions by existing customers.



HEALTH & SAFETY

Health and safety aspects continues to be a primary focus in the heart of our operations and our people. Throughout FY2021, we maintained our commitment to safeguard the well-being of our employees despite the COVID-19 pandemic.

Our established Occupational Health and Safety Management System provides the framework for us to deliver safe, reliable and compliant operations. Apart from ensuring a safe workplace, we focused on strengthening our COVID-19 preventive measures while restrictions were being slowly lifted towards the end of the year in FY2021.

Governance & Framework

We have maintained a strong health and safety framework that is supported by the following policies:

- HSSE & SP Policy
- Quality Policy



ECONOMIC SUSTAINABILITY

HRC's Commitment Statement



- Pursue the goal of no harm to people;
- Protect the environment;
- Use materials and energy efficiently to minimise the impact to the environment;
- Operate the refinery safely and assures its integrity;
- Respect our neighbours and contribute to the community at large;
- Advocate best practices in our industry and lead by example;
- Embrace HSSE & SP as a core value in all our business activities;
- Deliver our products and services in a responsible manner consistent with these aims;
- Report our HSSE & SP to our stakeholders;
- Promote a culture in which all HRC employees and business partners share these commitments; and
- Provide a secure and respectful working environment for the well-being of employees and business partners.

Under HRC's Commitment Statement, all our employees and business partners are required to promote these commitments designed to ensure compliance with the applicable laws and regulations and achieve continuous performance improvement.

The Board has oversight over the management of health and safety risks of the Company. HSSE performance is shared with the Board on a quarterly basis in the CEO's quarterly reports to the Board.

QHSE Audits

There were three external audits carried out on our existing systems in relation to QHSE at our refinery.

Surveillance external audit conducted by SIRIM QAS on the Integrated Management System (IMS) covering the following:

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

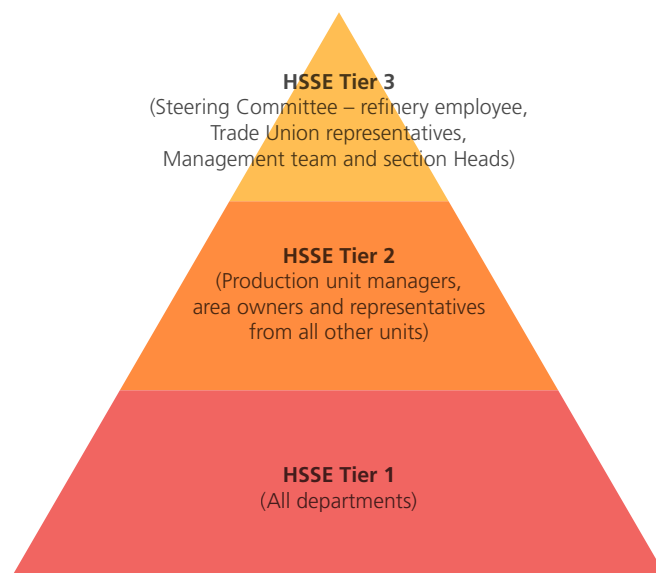
The IMS is an approach deployed by HRC to integrate the ISO 45001, ISO 14001 and ISO 9001 systems.

Zero non-conformity findings and Zero OFI were recorded.

3-Tier HSSE Communication Framework

We have a 3-tier HSSE communication framework with several committees responsible to review the QHSE performance.

3-tier HSSE Communication Framework



ECONOMIC SUSTAINABILITY

➤ HSSE Tier 1

Meetings held at Tier 1 level consist of departmental and shift level committees, involving individuals from each department to raise any concerns related to QHSSE in the Company.

➤ HSSE Tier 2

The Asset Level meetings at Tier 2 review 11 QHSSE work processes and escalations from Tier 1. The QHSSE performance is also monitored on a weekly basis, reviewed and communicated on a monthly basis during these meetings. If required, matters can be escalated to the Steering Committee (Tier 3), which also serves as the ERCMC, for further review of environmental issues.

➤ HSSE Tier 3

The Steering Committee meets on a monthly basis with the Management team and section heads, including representatives from the Trade Union. The Committee meetings provide an opportunity for Management to discuss critical HSSE issues and endorse any programmes or campaigns including review of the Company's environmental performance and compliance as required by the Department of Environment (DOE) under the Guided Self-Regulation (GSR) initiative. The ERCMC, under the Steering Committee, meet on a quarterly basis to review environmental matters. Through the ERCMC, the Company has been able to closely monitor potential environmental risks and quickly address those risks. The matters discussed at the ERCMC include the outcomes from the marine water quality monitoring, noise and vibration levels of the perimeter fencing, environmental campaigns, management of public complaints and overall site compliance on all applicable environmental regulations.

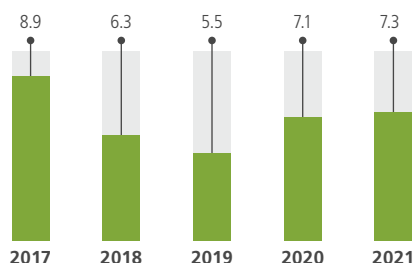
Our QHSSE Budget

In FY2021, RM7.3 million was allocated for HSSE aspects, out of which RM7.09 was utilised during the reporting year. The funds were used on training, campaigns, emergency response exercises, including COVID-19 related activities. The increase in the allocation for FY2021 included COVID-19 response and preparedness costs which were previously covered under a separate cost centre.

QHSSE Budget allocation over last five years

QHSSE Budget

(RM in million)



How We Monitor and Measure our Health and Safety Performance

HRC's HSSE Annual Plan details HSSE KPIs, targets and action plan for each year. HRC has established a mixture of leading and lagging indicators to monitor the health and safety performance. For monitoring purposes, HSSE's performance metrics is updated weekly through the Safety Pyramid referred to above and is shared site-wide on a monthly basis. On a quarterly basis, the current QHSSE performance and scorecards are shared with the Board for their review.

HRC is committed to advocating best practices and to ensure its HSSE performance is benchmarked against industry standards. HRC maintains an ISO 45001: 2018 Occupational Health and Safety Management System site-wide.

In order to ensure all new projects adhere to HRC's health and safety standards, relevant teams are required to carry out risk assessment on potential new projects to mitigate any adverse impact on the health and safety of workers. For existing projects, any changes to the scope and depending on the risk classification, risk assessment is mandatory to ensure all risks are identified at the earliest stage for necessary action to be taken and addressed.

Reporting Incidents

At HRC, we encourage our staff and business partners to report near miss incidents at the workplace via the Near Miss and Potential Incident (NMPI) submissions. These reports are tracked and monitored to reduce risk and potential for harm in our refinery.

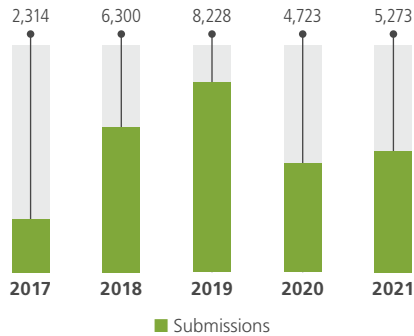


NMPI Reports

In FY2021, a total of 5,273 NMPI reports were received and recorded. These figures are considered healthy and commendable given the number of disruptions of the Assurance Walks (See further details in HSSE Campaigns, Initiatives and Training Programmes in 2021 on page 38) due to the COVID-19 pandemic, and the fact there were no turnarounds scheduled in FY2021, which is a major contributor to NMPI registry.

ECONOMIC SUSTAINABILITY

Near Miss and Potential Incidents



Personal Safety

Our safety performance in FY2021 has proved that our actions and measures are keeping our people safe at the refinery. The measures taken include the COVID-19 preventive practices put in place to curb the spread of the virus at the workplace.

The New Normal Committee continued to review and implement new COVID-19 protocols and measures in the refinery during the year. HRC also participated in the vaccination programmes under Government PIKAS programme for companies. (See further details on *Our COVID-19 Response - New Normal Culturisation & Protocols*).

Our COVID-19 Response - New Normal Culturisation & Protocols

New Normal Protocols

HRC's New Normal Committee continued to actively establish new measures and programmes to ensure smooth business continuity, safety and wellbeing of its employees from spread of the COVID-19 virus at site. New guidelines introduced in FY2021 include:

- All visitors and vendors must submit valid RTK / PCR screening results before entering HRC premises.
- COVID-19 Department Self-Evaluation - monthly COVID-19 compliance evaluation by each department to instill ownership based on areas of workplace.
- Establishment of Company Directive on Vaccinated and Non-vaccinated entry management to HRC.
- Make or Break (MOB) Protocol - strict protocols for specialist contract manpower recruited to repair critical equipment. These protocols are intended to keep these specialists safe and protected at all times to the best of HRC's ability as any delay to repairs or works will result in plant disruptions.
- Compliance to bi-weekly testing among employees.
- Virtual Safety Induction Training for visitors and vendors to ensure the goal of no harm to people is extended to all who visit the worksite.

During the year, a total of 50 employee information communications on pandemic risks and actions, and up to 25 new normal protocols were rolled out since the New Norm Committee was established in 2020.

Work From Home Arrangements

HRC continued to allow work from home for non-critical business units during peak of the COVID-19 cases in FY2021. Split Resource Operations and Work-From-Home for support functions were deployed to minimise face-to-face interactions at site.

At site, HRC also provided masks and supplied test kits for employees bi-weekly RTK self-tests. Once a close contact exposure is established, PCR testing will be arranged in accordance with HRC's COVID-19 protocols.

PIKAS Programme

HRC was one of the first companies in Negeri Sembilan to participate in the Government's PIKAS Programme to help accelerate national vaccination drive. As a result, HRC was the first few companies in Negeri Sembilan to achieve 80% vaccination rate by August 2021.

Myth & Fact Forum

The Myth & Fact Forum was held on May 2021, aimed to encourage vaccination among employees.

COVID-19 Cases

We encountered several number of COVID-19 cases in May 2021 involving contract workers who worked on their barge whilst performing repair works. Our safety protocols have helped control the spread of infections at site and with good cooperation from contractors, the Health District Office and other government officials, collectively ensured a smooth quarantine process.

ECONOMIC SUSTAINABILITY

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

"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



Refer to *HSSE Campaigns, Initiatives and Training Programmes* on page 38 for other campaigns in FY2021.

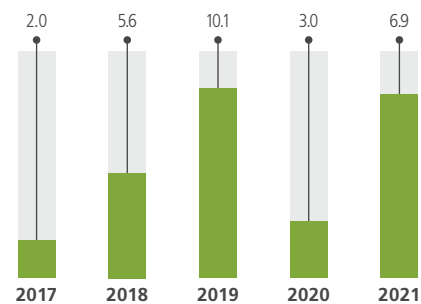
Personal Safety Performance

We monitor our safety performance very closely and track them consistently.

Lost Time Injury (LTI) free manhours in millions

LTI is the sum of injuries resulting in fatalities, permanent disabilities and lost workday cases (which includes contractors' manhours), but does not include restricted work and medical treatment cases (MTC). HRC recorded LTI free manhours of 6.9 million as at 31 December 2021, while maintaining Zero Total Recordable Cases from both 'Run and Maintain' and major projects.

LTI Free
(man hours in millions)

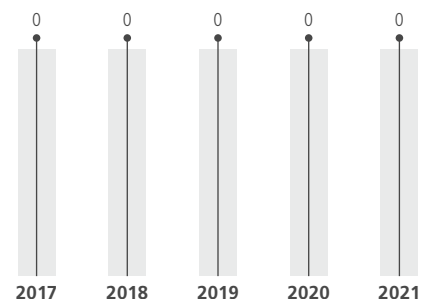


* Note: LTI free manhours refers to the total cumulative man-hours clocked without having any LTI

Fatalities

In FY2021, there were no work-related (employee and contractor) fatalities, continuing the track record of 28 years.

Fatalities

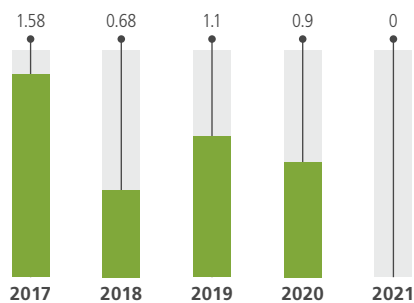


ECONOMIC SUSTAINABILITY

Total Recordable Case Frequency (TRCF)

In FY2021, zero TRCF was recorded, indicating zero injury involving LTI, Restricted Work Case (RWC) and MTC. This is one of HRC's best performance over the past five years and we aim to sustain the culture of intervention and reporting the findings adequately and consistently. By doing so, safety interventions and promotion can be done in a timely manner to reflect weak signals observed on site.

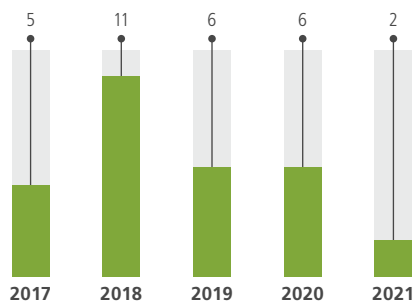
TRCF



First Aid Cases (FAC)

Two cases of FAC were recorded in the final month of FY2021, involving workers tripping while working on site. Even though the identified root causes were straightforward, deeper investigations were conducted including checks on the behavioural aspects of workers involved. Nevertheless, the number of FAC reduced and improved by more than 50.0 per cent as compared to FY2020.

First Aid Cases



Targets	FY2021 Activities
"Goal Zero" Vision	<ul style="list-style-type: none"> Zero LTI and recordable incidents for 'Run and Maintain' and major projects achieved in FY2021.
Implement COVID-19 New Norm Protocols	<ul style="list-style-type: none"> One of the first companies in Negeri Sembilan to participate in the PIKAS Programme and to achieve 80.0 per cent vaccination of its employees by August 2021. Virtual Safety Induction training for visitors and vendors to ensure the goal of no harm to people is extended to all who visited the worksite.

Review of HSSE Incidents

In order to improve HRC's process safety protocols, it is crucial for us to review all reported HSSE incidents, near misses and other unplanned events. Working groups meet on a monthly basis to jointly review HSSE incidents from internal and external sources.

Learning from Incidents (LFI) Review

LFI work process focuses on the review of external incidents, primarily from the oil and gas industry. The LFI review is one of the elements in the PSM framework.

- On a monthly basis, the LFI Committee, which consists of representatives from various departments in HRC, meet and review one LFI report and discuss the applicability of the lessons learned to HRC's operations. Some of the topics covered include Bicycle Safety, Diesel Tank Overfill and Incidents involving hand-held devices.
- In FY2021, we extended an additional LFI review meeting, to be held on a quarterly basis, to include the CEO, senior management as well as technical experts from our parent company. The objective of this meeting is to increase LFI awareness among the Management team. There were four LFI meetings held with the Management team in FY2021.
- After every LFI meeting, lessons learned are shared site-wide to all and discipline-specific LFI shared on a monthly basis. These recommendations are also centrally tracked in the incident management and reporting platform (iMAX).

ECONOMIC SUSTAINABILITY

Causal Learning (CL) Process for Incident Investigation

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

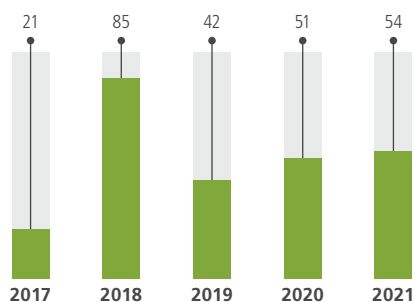
CL LEVEL 1	CL LEVEL 2	CL LEVEL 3
<ul style="list-style-type: none"> To identify physical / direct causes By personnel or department where the incident occurred Awareness of CL Protocol Completed within 2 weeks (or earlier for straightforward cases) 	<ul style="list-style-type: none"> To identify behavioural causes (e.g. actions, decisions) By cross functional investigation team members Facilitated by a trained CL facilitator(s) Typically requires > 2 weeks to complete 	<ul style="list-style-type: none"> 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 another facilitator with required competency By cross functional investigation team members Requires > 1 month to complete

DEPTH OF CAUSE

CL 1	CL 2	CL 3
<ul style="list-style-type: none"> Physical Causes Failure Mode Failure Mechanism 	<ul style="list-style-type: none"> Human System Causes & Behaviours 	<ul style="list-style-type: none"> Work Processes & Organisation & Systemic Beliefs

Number of Investigations Conducted and Presented Under Causal Learning Process

No of Investigations Conducted and Presented



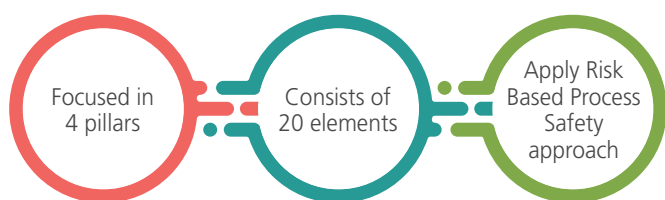
ECONOMIC SUSTAINABILITY

Process Safety

Process Safety Management

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 aimed at achieving Process Safety Excellence by 2023.



The new PSM framework aims to achieve Process Safety Excellence and Goal Zero Process Safety Events by 2023 by enhancing existing practices, controls and processes that are key to effective PSM. Many of the elements in the new PSM framework incorporate existing safety critical work processes with enhancements to align with industry best practices.

The four pillars of PSM framework are:



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* on page 32. The goal of PS9F is to ensure that the PS9F requirements are always met to reduce and eliminate process safety incidents and ultimately, to save lives in the refinery. To enhance the PS9F implementation and compliance, Process Safety team has established a written procedure with clearer definition on the rules and requirements.

PROCESS SAFETY 9 FUNDAMENTAL



Always Use Two Barriers



Do Not Leave Open Drain Unattended



Take Interim Measures for Safety Critical Equipment Failure



Follow Startup and Shutdown Procedures



Walk The Line



Do Not Change Without Management of Change



Verify Tightness



Provide Safe Isolation



Install Backflow Protection

Description

1. Always use two barriers for hydrocarbon & chemical drains & events
2. Do not leave an open drain unattended
3. Take interim mitigating measures in case of failure of safety critical equipment (SCE)
4. Follow the start-up & shutdown procedures and sign off after each step
5. Walk the line - verify and validate any line-up change
6. Do not make a change without proper Management of Change (MOC)
7. Verify for completeness of tightness after maintenance work
8. Always check that equipment is pressure free and provide safe isolation before starting maintenance work
9. Perform MOC and install backflow protection when connecting utilities to process

ECONOMIC SUSTAINABILITY

Process Safety Reviews

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 for personnel, equipment and systems in the process plant.

In FY2021, HRC completed two process safety reviews and identified several opportunities that would reduce site exposure to major process events to tolerable levels as well as to demonstrate risk reductions to As Low As Reasonably Practicable (ALARP). Improvement opportunities are being tracked systematically.

Process Safety Events in 2021

HRC tracks and monitors its process safety performance based on the utilisation of American Petroleum Institute's (API) Recommended Practice (RP) 754. One Process Safety Event (PSE) was recorded in January 2021.



API Tier 2 Process Safety Event

A Loss of Primacy Containment (LOPC) of Kero Minus stream occurred in January 2021 from a leaking pipe in the Crude Distillation 1 (CDU-1) unit. The leak exceeded API Tier 2 threshold and was immediately addressed and repaired.

Recommendations from the learning outcomes have been captured, shared site-wide and centrally tracked in the iMAx incident management and reporting platform.

Target

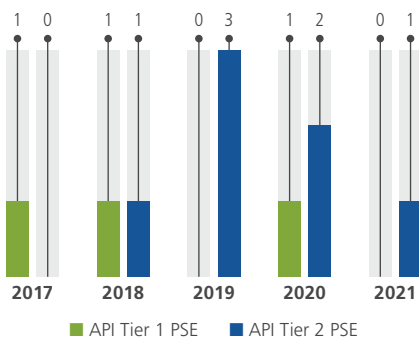
Roll-out of refreshed PSM framework and performance

FY2021 Activities

Some of the key PSM framework activities carried out in FY2021:

- The new PSM framework was rolled out in April 2021. Three series of virtual engagements were conducted site-wide throughout April 2021 to build awareness and implement the new PSM framework.
- We rolled out the Hazards and Effects Management Process (HEMP) critical positions to identify critical positions and their key competencies to support the Process Safety Competency requirement of the framework. HEMP critical positions are crucial in ensuring process safety barrier management are working well.
- In November 2021, the Process Safety team successfully rolled out the Document Matrix as an improvement opportunity on Process Knowledge Management, under the "Understand Hazards & Risks" pillar. The primary objective of this element is to maintain accurate, complete and understandable information that can be accessed on demand via the Document Matrix, that lists the inventory of documents critical to Process Knowledge and Process Safety as a whole. The Document Matrix specifies the custodian of each document and the required review and approval whenever an update to these documents is done. This strengthens the management of critical documents to prevent adverse process safety consequence due to inaccurate process knowledge and information. The Document Matrix is accessible through the HRC intranet.

Process Safety Events



ECONOMIC SUSTAINABILITY

Emergency Preparedness and Response

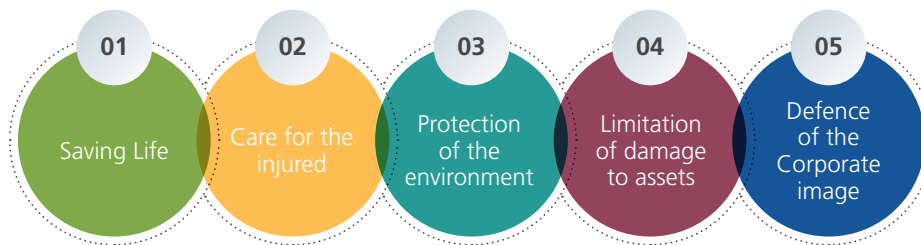
HRC has in place robust emergency preparedness and response systems that support safety measures on the site's available resources for timely and effective deployment during emergency. There are no significant changes in our emergency preparedness and response framework since our last report.

The Emergency Response (ER) Policy provides HRC's commitment to pursue the goal of no harm to people and to protect the environment in response to any emergency. The Emergency Response Plan (ERP) and Oil Spill Response Plan (OSRP) are subjected to the site's robust assurance and regular review process based on the established standards and best industrial practices.

The ERP provides the framework and procedures for the strategic management of incidents in order to accommodate for enterprising and emergency function.

The OSRP on the other hand, covers the management of an oil spill including setting out the roles and responsibilities of the relevant teams in the event of any response or recovery management activities.

In an oil spill situation, primary consideration is given to the following objectives, in order of priority:



The Emergency Response (ER) and Security departments maintain a close working relationship with the local agencies such as the Seremban and Port Dickson Fire and Rescue Department, Royal Malaysia Police Department, Marine Department, and the PIMMAG. We also engage a qualified Occupational Health Nurse stationed at site to provide support during working hours and deal with any immediate medical emergencies.

ER training and drills are carried out throughout the year. In a non-COVID pandemic year, a minimum of 4 drills (Tier-1) are carried out on a quarterly basis to cater for all shift hours. Under Tier-2 training, a minimum of 1 drill is conducted each quarter and for Tier-3, 3 drills are carried out every 3 years. One major drill was carried out together with the local Fire and Rescue department (BOMBA) in December 2021. The training and drill activities carried out in FY2021 are highlighted in the next section of this Report.

ECONOMIC SUSTAINABILITY

HSSE Campaigns, Initiatives and Training Programmes in 2021

We continued to promote health and safety awareness among our employees and contract workers through various initiatives, activities and campaigns. Although we were restricted by the pandemic uncertainties, we strived to deliver these initiatives virtually and introduce new channels of engagement, where possible.

Assurance Walks

The HSSE Field Assurance Walks such as the weekly Leadership Team 'Turun Padang' walkabout and the Daily Goal Zero Walk were held at a pre-determined schedule, being an important element for visible safety leadership and serve as a pulse check on the current health of our HSSE standards implementation on site. The Assurance Walks also provide an opportunity for leaders to engage with employees and contractors on HSSE matters.

On the other hand, the Daily Goal Zero Walk centered on various themes of key process assurance arranged for each day of the week. For example:

Process Safety Field Observation

Permit to Work (PTW) & HSSE

Ensure Safe Production and Process Isolation

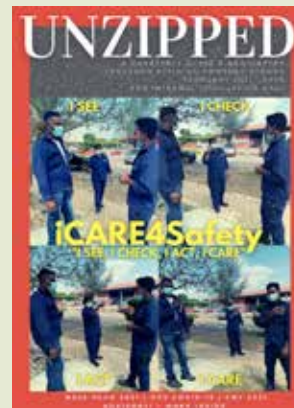
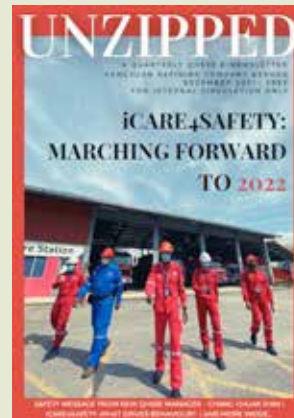
Reliability

COVID-19 Health Check

Newsletters

The HSSE internal "UNZIPPED" e-newsletter, which was first issued in FY2020 during the early part of the COVID-19 pandemic, has remained a permanent communication tool to provide updates on upcoming events on refinery operations and information pertaining to HSSE matters including short surveys, tips, and safety reminders. The e-newsletter was published twice in FY2021, in February and October 2021 respectively.

As for external communication, there were also publicly available information curated jointly with DOSH through its CIMAH (Controls of Industrial Major Hazard Regulations 1996) newsletter. CIMAH states the need to communicate major hazards present at our site and our community safety protocols to our fenceline communities every three years.



ECONOMIC SUSTAINABILITY

Monthly CEO HSSE Award

Although on a smaller scale and entering its second year, the monthly CEO award proceeded to catalyse positive trend on on-site intervention through NMPI reporting and to strengthen safety culture on site.

COVID-Response Programmes

We carried out several initiatives and activities during the year to ensure the well-being of our employees from risks of COVID-19. (See *Our Response to COVID-19 - New Norm Culturisation and Protocols on page 31*)

Safety Campaigns

Several new campaigns and initiatives to highlight safety awareness were introduced in FY2021.

- RAM Refresher & Familiarisation - To update HRC's distinct safety language across the Company.
- Slip, Trip and Fall Campaign - Double Lanyard Implementation to ensure safety while working from heights.
- Ideal Workstation Awareness Campaign - To promote adoption of ergonomic workspaces at home.
- Safety Day - This event was originally fixed for Quarter Four of 2021. However, with the sharp increase of COVID-19 cases, the Annual Safety Day event was rescheduled to January 2022. Smaller scale activities that led up to the annual event went on as planned, for example, the monthly CEO HSSE Award.



ECONOMIC SUSTAINABILITY

HSSE Training Programmes

We regularly carry out site-wide training programmes to ensure our people are kept abreast of the current and applicable regulatory requirements and instil additional skills which are required to carry out projects and their assigned roles. Specific HSSE training are mandatory for selected personnel who are legally required to attend for compliance purposes. The effectiveness of each training programme will be evaluated based on employee feedback and training needs assessment.

In FY2021, a total of 392 participants attended HSSE training programmes (which included ER training) consisting of approximately 26 sessions. The training modules covered the following topics:

Emergency Response

- On Scene Commander - Physical Training session attended by 19 personnel to prepare participants to manage emergency incidents, including understanding the role and functions of the command team.
- Incident Command Centre Training (ICS)



Operational and Safety

Structured and specific qualification trainings were provided in the following areas:

- PTW Levels - 1 training was conducted in FY2021. Aim of the module is to focus on PTW applicant and holder.
- 16 personnel attended the Authorised Entry and Standby Person (AESP) training that focused on improved competency training for new and existing AESP holders.
- Authorised Gas Tester and Entry Supervisor (AGTES-R) training attended by 32 personnel to upskill technical competency.



ECONOMIC SUSTAINABILITY

Health & Industrial Hygiene (IH)

- 11 participants attended the Safe Handling of Chemical training to raise awareness on safe handling of chemicals and associated hazards.

Targets	FY2021 Activities
Sustaining the Emergency Readiness awareness	<ul style="list-style-type: none"> • 16 staff from the Fire, Rescue and Medical Team (FiRM) team and 3 staff from the ER and Security teams attended the On-Scene Commander training in December 2021.
Testing the Emergency Readiness strategies	<ul style="list-style-type: none"> • The number of drills reduced in FY2021 due to the movement control order restrictions imposed during the year. • A major on-site emergency response drill with BOMBA was held in December to maintain emergency preparedness responsiveness. • 18 Tier-1 and 3 Tier-2 drills were conducted in collaboration with HRC operations team, FiRM team, business partners and local authorities. • ICS training was held virtually over two days in September 2021 for employees from various levels and departments in preparation for effective management of incidents, including understanding the role and functions of the command team.
Zero Theft and Zero Intrusion	<ul style="list-style-type: none"> • HRC's security CCTV integration project was completed in FY2021 with increased and enhanced security surveillance, whereby all CCTV systems are now integrated and can be monitored centrally from the main gate. • HRC achieved zero theft and zero intrusion, a record achieved for the 6th year in a row.



Environmental Sustainability

Wherever possible, we aim to minimise our carbon footprint from our operations by mitigating environmental impacts through our sustainable efforts and practices to manage resources and continuously seeking ways to adopt alternative energy sources.



GRI 303 : Water and Effluents 2018

GRI 306 : Waste 2020

GRI 305 : Emissions 2016

GRI 302 : Energy 2016

Environmental Governance & Framework

With a robust internal control framework, HRC's environmental stewardship is driven by our commitment to minimise any adverse impacts on the environment from our business operations through reduction of pollution, waste and resource use. The Environmental Policy provides for HRC to fulfil its obligations and ensure compliance of the Environmental Quality Act (EQA) 1974 and all other applicable environmental laws and regulations. We set our targets annually through our HSSE Annual Plan to improve and measure, appraise and assess our performance for continuous improvements on our environmental footprint in and around the areas we operate.

All matters related to the environment including environmental compliance status and other arising environmental issues are reported and reviewed at the ERCMC. The ERCMC forms part of the Steering Committee and is represented by key members of the senior management who meet on a quarterly basis. Some examples of matters presented at the ERCMC throughout FY2021 involve compliance status of applicable environmental regulations, outcomes of environmental monitoring and audits, introduction of the enhanced public complaints framework and status of key environmental projects.

HRC recognises that climate change is a key risk. Therefore, climate change risks from HRC's operations are now included into the risk register since Quarter Four of FY2021 to be closely monitored and quickly addressed, when necessary. Moving forward in FY2022, HRC will conduct and review GHG emissions accounting on a quarterly basis with the aim of analysing trends more closely and as much as practical,

minimising any potential risks quickly. HRC is certified with the new IMS which encompasses the ISO 45001, the ISO 14001 and the ISO 9001 systems, to streamline internal processes into one manual. This supports HRC's efforts to maintain standards on par with industry best practices to tackle the environmental issues.

At all times, HRC aspires to achieve and maintain **GOAL ZERO - No harm and No leak to people, environment, asset and reputation**. The HSSE Management systems and work processes govern various disciplines in HRC to achieve GOAL ZERO.

To manage any disruptions in our operations, we have a robust Business Continuity Plan (BCP) and procedures in place. The BCP is triggered upon 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.

Apart from our engagements with the local authorities and companies at the local level, HRC aspires to participate or collaborate in any viable global initiatives or networks that promote reduction of pollution, waste or resource use, in the near future.

In FY2021, there were no environmental fines or penalties imposed on HRC.

ENVIRONMENTAL SUSTAINABILITY

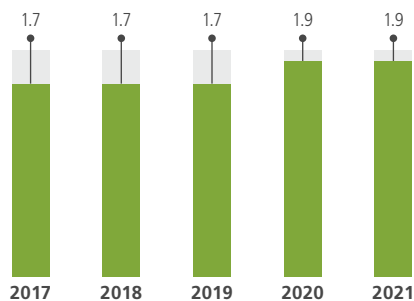
Water and Effluent Management

Water Consumption

We use water in various ways throughout our operations. Water is mainly used in the refinery processes: to generate steam in the boilers, for cooling purpose in the cooling water towers and since 2019, in the wet gas scrubber to comply with the Environmental Quality (Clean Air) Regulations 2014 (CAR 2014).

We recognise water is a limited resource and have consistently placed importance on using water efficiently in the plant. We source our raw water supply directly from the local municipal council for use in the entire refinery.

Refinery Raw Water Consumption (Million m³)



Our water consumption has been consistent over the last few years, with the same levels recorded in FY2021 and FY2020.

HRC tracks water consumption (including steam) based on invoices from the local raw water supplier and the same is monitored and measured very closely internally against available historical data. HRC conducts its own internal verification by comparing flow rate registered by our local municipal raw water supplier's flow meter against HRC's own flow meter. If there are any significant discrepancies found, we immediately investigate and take corrective steps to ensure water usage remains at the desired optimal level throughout the refinery. This includes water consumption at specific high-consumption equipment and maximising recycling of water in the refinery boilers and cooling towers.

We are clear on our mission to ensure water resource continues to be used efficiently throughout our operations. We also recognise that without the modern steam-condensate recovery system installed in our refinery to recover condensate (as water) from steam, HRC would likely be consuming 50.0 per cent more water than what it does today.

Effluent Discharge

As a responsible operator, HRC constantly remains vigilant to minimise effluent discharged into the sea. HRC monitors its treated effluent water and sea water quality at the jetty under its Effluent Monitoring Programme.

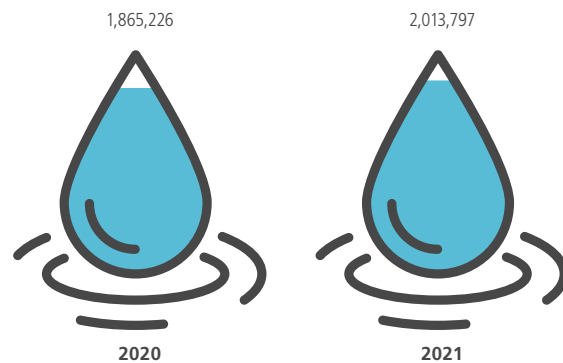
Steps taken to ensure effluent water quality are within the DOE limits:

- Daily performance monitoring by collecting samples for testing at an approved DOE laboratory.
- Monthly sampling at HRC's final discharge point is collected and sent to the lab for testing. The results from the lab analysis are uploaded into the DOE website.

The above activities enable HRC to proactively detect and take necessary corrective action on any parameters exceeding the acceptable boundaries to ensure final release stays within legal limits under the DOE's Standard B limits as stipulated under the Environmental Quality (Industrial Effluent) Regulations 2009 and the Marine Water Quality Criteria and Standards (MMWQS). The water quality findings are reported to the DOE on a quarterly basis.

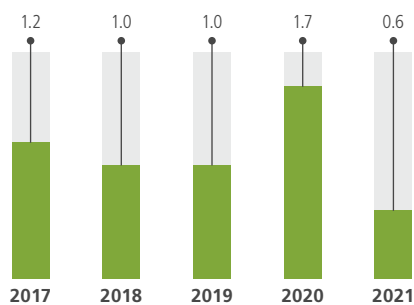
The chart below indicates the total volume of effluent water discharged into the sea through the DOE approved pipeline and discharge point. The effluent quality levels in FY2021 were within the parameters of the Environmental Quality (Industrial Effluent) Regulations 2009 Fifth Schedule Standard B.

Refinery Effluent Water Discharge (m³)



ENVIRONMENTAL SUSTAINABILITY

Oil In Effluent
(mg/L)



Target

Improve the overall treated effluent and water quality levels

FY2021 Activities

- There were no major non-compliance incidents recorded in FY2021.
- HRC recorded one of the best oil in effluent quality levels as compared to recent years as a result of vigilant monitoring efforts.



Waste Management

HRC's waste management procedures outline the importance of our waste hierarchy which is to avoid generation of waste, reduce and reuse waste where possible, recovery and finally dispose waste when all other methods are not viable. We prioritise our waste management towards prevention and minimisation of hazardous waste such as those listed under the Scheduled Waste in the Environmental Quality (Scheduled Waste) Regulations 2005.

Various types of hazardous waste are generated from our operations, which include spent oil water emulsion, ETP sludge and spent catalysts from LRCCU. HRC engages only DOE approved and licensed contractors to collect and dispose the hazardous waste from our refinery to ensure all our waste are disposed responsibly.

We have not set any long-term targets on our waste management performance. However, we strictly follow our waste management procedures and embedded the 3R practices - reduce, reuse and recycle into our processes and practices.

Our 3R Practices



Reduce

Minimise waste generation via reduction at source by using more efficient practices and improved housekeeping (for e.g. minimising generation of contaminated containers and filters).



Reuse

Reuse material or products in their original form or after processing. For example, use of spent caustic at ETP, recovery of oil from tank bottoms into slop for subsequent reprocessing through oil slops systems which allows off specifications product or leaked oil to be recycled and reprocessed again, which reduces the amount of waste generated.



Recycle & Recovery

Convert waste into usable materials through further processes. For example, metal recovery from catalyst, use of spent catalyst as raw feed stock for cement industry, recycle of scrap metal / paper and printer cartridges. Disposal of hazardous waste must be safely carried out and only when other options are not available.

ENVIRONMENTAL SUSTAINABILITY

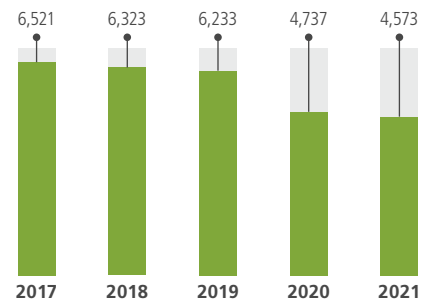
Internally, HRC carried out improvements on its scheduled waste storage, which included construction of sump pit for collection of spillages, levelling of flooring and construction of internal drainage as well as repair of rain gutter to avoid flooding.

Due to the lockdowns and travel restrictions in FY2021, HRC's scheduled waste disposal management at site was indirectly impacted, in particular, on the disposal of Spent Catalyst and Sludge waste from our refinery. After extensive applications and negotiations with the Negeri Sembilan DOE, DOE approved HRC's application on issues relating to restrictions imposed by the local DOE where our vendors were operating in during the lockdown period, for the collection and disposal of our scheduled waste. HRC managed to resolve the issue with DOE without any penalty or fines imposed. Internally, collaborative action between several departments provided an effective and practical support and management of the issues we faced on scheduled waste during the year. Improved workflow processes on waste management were identified accordingly to be better prepared for any unplanned event or disruption like a lockdown in future.

We continued to collaborate with two other local companies to make use of our waste streams, in particular, for the disposal of Fluidized Catalytic Cracker (FCC) spent catalyst to be converted as raw feedstock for cement processing plant. We also sent our platformer spent catalyst to a third party who is able to recycle the waste by extracting platinum for re-use in the production of fresh catalysts.

Hazardous Waste Generation

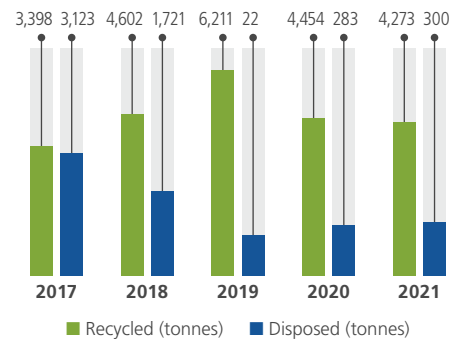
(tonnes)



HRC generated a total of 4,573 tonnes of hazardous waste in FY2021, a reduction of 3.5 per cent in FY2021, as compared to FY2020. The reduction was contributed by the continuous improvement efforts to minimise ETP sludge and spent oil water emulsion generation from our operations. Non-hazardous waste or domestic waste generated from our operations are generally not tracked.

Recycled and Disposed Hazardous Waste

(tonnes)



The recycling rate of hazardous waste in FY2021 decreased by 4.0 per cent as compared to FY2020, mainly due to the reduction in hazardous waste generated by ETP sludge and spent oil water emulsion. Other hazardous waste generated such as those found in contaminated containers and filters, also reduced by 69.0 per cent in FY2021 from FY2020, contributing to the overall reduction in recycled hazardous waste.

Recycle for The Life Cycle

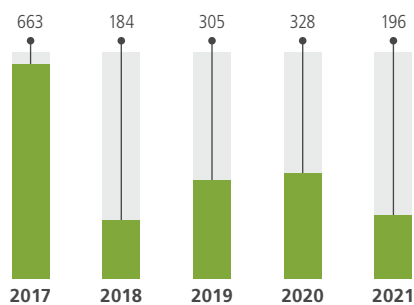


The QHSSE department successfully organised an **Environmental Campaign** entitled **"Recycle for the Life Cycle"** on 12 to 13 October 2021. The campaign focused on promoting recycling of e-waste in conjunction with **"Hari Alam Sekitar Negara 2021"** (HASN 2021) organised by DOE and a third-party waste management company. Various departments and individuals in HRC participated and contributed recyclable electrical waste as well as household e-waste. One tonne of e-waste was collected from this campaign, which also helped create awareness on the opportunity for monetary gains from the recycling efforts, as opposed to disposing them as scheduled waste with costs.



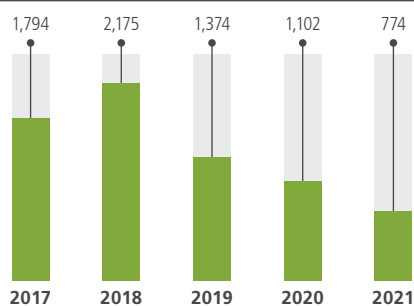
ENVIRONMENTAL SUSTAINABILITY

Effluent Treatment Plant (ETP) Sludge
(MT)



The ETP is designed and operated according to set guidelines and parameters to ensure it operates efficiently. This enables HRC to achieve the good effluent water quality levels, as mentioned above in the Water Management section of this Report on page 43. ETP sludge generation reduced by 40.0 per cent in FY2021 from FY2020. With improved identification and mitigation of excess water content during the processing stage, water content in the ETP sludge generated reduced (as less tonnage is produced). Throughout the year, continuous analysis and improvements to the ETP operations were carried out to meet HRC's multiple production requirements in the refinery.

Spent Oil Water Emulsion
(MT)



The spent oil-water emulsion generation reduced by 30.0 per cent in FY2021 from FY2020. The reduction is a result of the treatment of spent caustic through the ETP.

Target	FY2021 Activities
Consistently look for other ways to reduce, recycle or recover generated waste	<ul style="list-style-type: none"> HRC strictly follows the 3R practices in various parts of our operations. The team continues to explore other strategies to reduce, reuse, or recycle our waste to minimise disposal of waste. "Recycle for the Life Cycle" campaign was held in October 2021.

Climate Change and Greenhouse Gas (GHG) Emissions

Climate Change

Climate change is a global problem and collectively, we must step up our efforts continuously to combat and mitigate any impact on our environment. HRC is committed to protect the environment and minimising its environmental footprint. HRC recognises climate change as a fundamental long-term risk to the business, and added it into our Risk and Opportunity register to be regularly reviewed, monitored and tracked to address and minimise any climate-related risks.

We are committed to support the UN SDG 13 agenda on climate change by aligning our efforts towards reducing our GHG emissions and to take all necessary steps to ensure HRC establishes the right framework to mitigate climate change issues from the work that we do. We also recognise the need to review our existing practices and disclosures to understand where we are currently at and address gaps to meet international standards of disclosures on climate change.

Measures and Initiatives

All environmental matters including climate-related risks are discussed during ERCMC meetings held on a quarterly basis. As part of our efforts to minimise climate change risk from our operations as well as compliance to the CAR 2014, HRC commissioned two air pollution control systems known as Wet Gas Scrubber and Chlorosorb. HRC also commissioned and installed the Emission Monitoring System (EMS) at the end of 2019, that went live in 2020. These initiatives were implemented by HRC to align with the DOE's iREMOTE online system. The EMS provides real time information to ensure all emissions are well below the limit and are mitigated in a timely manner in the event of issues arising from operational disruptions.

HRC has since 2017 invested substantially in key projects that involve improving quality air emissions coming from our refinery operations and the quality and level of cleanliness of the fuel we market, through the E5G Project which was commissioned in FY2021 and the ongoing E4M project.

ENVIRONMENTAL SUSTAINABILITY

Other focus areas initiated and are being explored to reduce HRC's carbon footprint include:

- Measuring energy efficiency of our operations by adopting industry accepted standards, based on the Solomon Associates Energy Intensity Index (EII).
- Moving forward, 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 of Malaysia's initiative for cleaner fuel. Subject to appropriate reviews and approvals, this initiative is tentatively expected to be commissioned from 2025 to 2027.
- HRC also recognises the rise and importance of renewable energy and will continue to actively explore new technology and solutions to reduce energy consumption and strive to move towards green building practices.

At this stage, HRC has yet to participate or commit to any business or trade associations that promote climate change or climate-related issues. HRC aspires to participate in one in the future after carefully reviewing the options. Nevertheless, the Company is fully committed through all our internal controls and established practices to support global efforts in mitigating climate change and environmental impacts.

GHG Emissions

We maintain and report emissions inventories, undertake projects to manage operating emissions and apply innovative technologies to improve the energy efficiency of our operations. In FY2022, we aim to conduct quarterly reviews and monitoring of our GHG emissions to enable us to analyse trends more efficiently and minimise any potential risks quickly.

We adopted the methodology and guidelines outlined in 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 to calculate our gas emissions. Independent verification of HRC's GHG emissions was conducted by SIRIM QAS in 2018 and 2019. HRC has continued to apply the same approach used by SIRIM QAS at the time of the verification to ensure the reported GHG emissions are in line with the ISO 14064-1 and international standards and best practices.

Targets and Measurements

HRC has set an 8-year Energy Masterplan since year 2020 with targets to reduce GHG emissions. However, due to the challenges posed by pandemic-related disruptions, several energy related

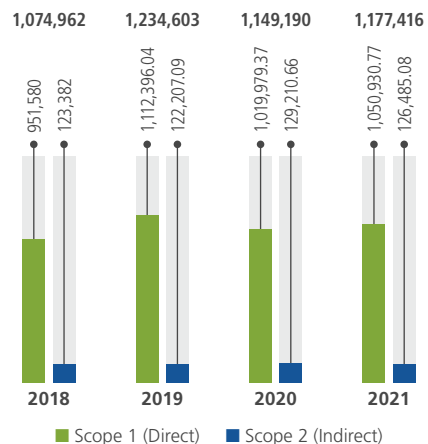
tactics that require hardware change and funding had slight delay in implementation. Based on the Energy Masterplan 2020, with the reduction of energy usage by the final target year, the GHG emissions are targeted to reduce to 16,500 tonnes of CO₂ per month, approximately 16.0 per cent from base year emission. HRC set the targets on the 2017 base year emissions data of 1,278,588 tonnes CO₂.

HRC's GHG emissions are measured as CO₂ equivalent emissions. Direct GHG emissions (Scope 1) from stationary combustions, flaring, process and fugitive emissions together with indirect emissions (Scope 2) tracked based on electricity consumption are monitored and accounted for through our GHG accounting exercise.

Our total GHG CO₂ emissions increased by 2.4 per cent from 1,149,190 tonnes CO₂-eq in FY2020 to 1,177,416 tonnes CO₂-eq in FY2021. The increase in GHG CO₂ emissions was due to the increase of our Scope 1 emissions whereby direct emission increased by 3.0 per cent from 1,019,979.37 tonnes CO₂-eq in FY2020 to 1,050,930.77 tonnes CO₂-eq in FY2021 with the increase in fuel gas, fuel oil, LPG and coke make consumption during the year, parallel to the increase in production from 34.2 million barrels in FY2020 to 35 million barrels in FY2021.

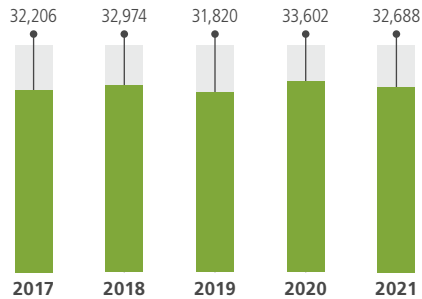
However, our GHG emissions per million barrels produced in FY2021 indicated a 2.7 per cent improvement in carbon efficiency from FY2020 from 33,127 tonnes CO₂-eq / mln bbl in FY2020 to 32,688 tonnes CO₂-eq / mln bbl in FY2021. Our indirect emission (Scope 2) also reduced by 2.1 per cent from 129,210.66 tonnes CO₂-eq in FY2020 to 126,485.08 tonnes CO₂-eq in FY2021, contributed by reduction in electricity consumption in FY2021.

GHG Emissions
(tonnes CO₂-eq)

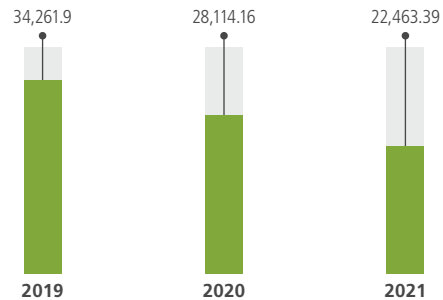


ENVIRONMENTAL SUSTAINABILITY

CO₂-eq per million barrels

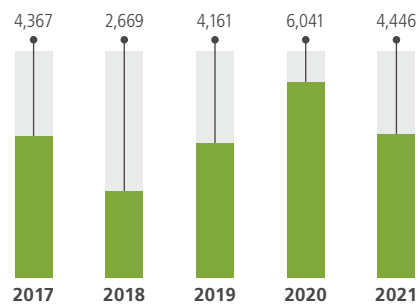


Flaring Emissions (CO₂-eq)



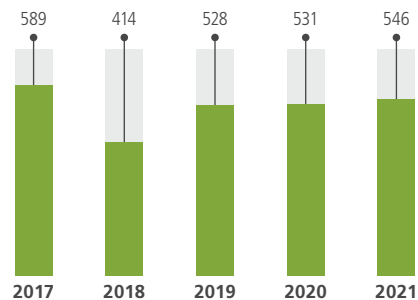
SO_x Emission

(tonnes Sox-eq)



NO_x Emission

(tonnes Nox-eq)



For FY2021, we have included data on the performance of our flaring emissions over the last 3 years. Flaring emissions decreased 20.0 per cent from 28,114.16 tonnes CO₂-eq in FY2020 to 22,463.39 tonnes CO₂-eq in FY2021. HRC recorded a reduction in our flaring emissions from our operations by 20.0 per cent from 9,701 MT in FY2020 to 7,751 MT in FY2021 as a result of improvement initiatives on plant reliability.

Targets

Produce cleaner fuels and help create cleaner living environment for Malaysians

FY2021 Activities

- HRC successfully rolled-out Phase 1 of the E5G specification in March 2021 in compliance with the Environmental Quality Regulations 2015. This new gasoil product specification reduces Sulphur by 98.0 per cent with the change of specifications from E2M diesel to E5G.

Our SO_x emissions also reflected a significant improvement during the year with a reduction of 26.4 per cent in FY2021, from 6,041 tonnes to 4,446 tonnes. However, our NO_x emissions demonstrated an increase of 2.7 per cent from 531 tonnes in FY2020 to 546 tonnes in FY2021, as a result of higher consumption of fuel gas, fuel oil and LPG. Nevertheless, NO_x emission per million barrels indicated a reduction of 0.98 per cent from 15.31 per million barrels in FY2020 to 15.16 per million barrels in FY2021.

ENVIRONMENTAL SUSTAINABILITY



Energy Management

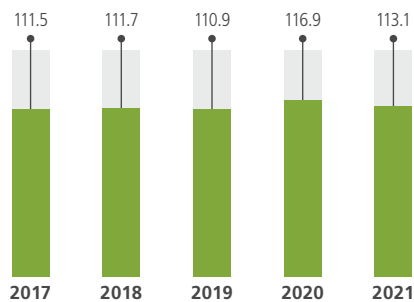
How we use and conserve energy across our value chain is essential in our operations and ultimately, important for us to mitigate climate change risks. The energy sources to operate the refinery are mainly from fuel gas, catalyst coke, purchased electricity, fuel oil and LPG.

For the last few years, we adopted the Solomon Associates Energy Intensity Index (EII), a widely used energy indicator to measure our refinery energy performance. This is done by comparing actual consumption against standard consumption. The Solomon Associates' approach considers plant load, feed quality, plant complexity and severity of the major process units and utilities.

The EII is determined by calculating overall fuel usage and comparing them against industry benchmarks and normalised with refinery throughput and utilisation. We set the EII target annually and is monitored regularly to ensure process units operate at an optimum level in terms of energy efficiency for any given unit throughput, thereby optimising the use of valuable fuels.

In FY2020, we developed and launched a long-term Energy Masterplan to drive the refinery to achieve breakthrough in energy performance with the aim to achieve a combined EII reduction of 14.5 points through implementation of various energy tactics. The Energy Masterplan also supports HRC's commitment to reduce its carbon footprint which is key in addressing climate change impacts.

Energy Intensity Index

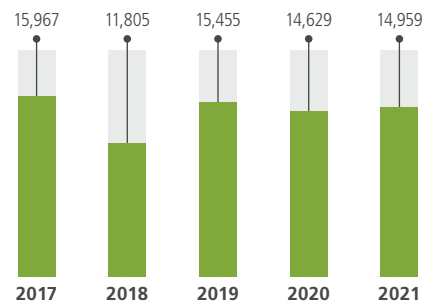


Energy Consumption

HRC's energy consumption over the past five years is as follows:

Actual Energy Consumption

(TJ)



We did not undertake any independent verification on our energy consumption data in FY2021. Since the energy consumption data was verified by SIRIM QAS in 2018, we continue to use the same approach to calculate energy consumption in FY2021.

Targets	FY2021 Activities
To improve overall refinery energy efficiency and achieve EII target of 109.1	<ul style="list-style-type: none"> EII index for FY2021 was 113.1. HRC did not achieve the set target for the reporting year due to the lower refinery output as a result of the pandemic.
To formulate and commence execution of HRC's long-term Energy Masterplan	<ul style="list-style-type: none"> Delays in implementing the Energy Masterplan due to impacts of the COVID-19 pandemic.



Social Sustainability

We empower our people by building and retaining engaged, skilled and motivated individuals for a productive workforce and ensuring succession planning for a sustainable business and growth. Beyond our employees, we value our close relationships with our fenceline communities and are committed to continuously support and make a positive impact on their lives.



SDG 4



SDG 5



SDG 8

- GRI 401 : Employment 2016
- GRI 404 : Training and Education 2016
- GRI 405 : Diversity and Equal Opportunity 2016
- GRI 413 : Local Communities 2016



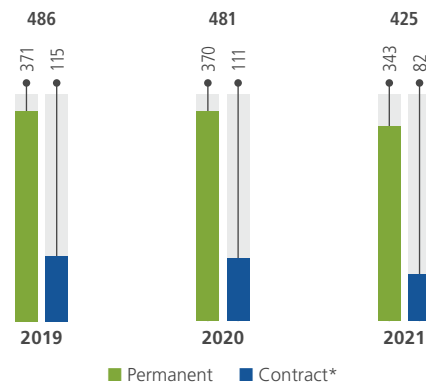
Employee Value Proposition

Our people are the heart of what we do. We constantly strive to foster a holistic working environment and culture to maintain an engaged workforce which is key to deliver greater value and a sustainable competitive advantage. We are guided by our Core Values and an established Code of Conduct that outlines the desired attitudes and best practices for our employees.

For this reporting year, our strategic focus on our people and leadership was directed on our HRC family through various initiatives and efforts that reflect our Core Values. We have established employment policies that provide adequate support to ensure the right working conditions and experience for all our employees across the organisation. The existing policies address employment practices for all permanent employees, including recruitment, promotion, consequences management, working hours, leave, insurance, compensation, training and development and benefits. The minimum benefits offered for full-time employees include health care insurance for both hospitalisation and specialist care and maternity leave. Our male employees are also entitled to five days paternity leave. Several HR policies and benefits were enhanced and updated during the year to remain up-to-date with industry practices. In FY2021, the Head of HR continued to be responsible to oversee the implementation of the HR policies and processes across the organisation.

HRC's Workforce Profile

Total Workforce
(Permanent & Contract)



* Note: Contract employees include third party contract workers employed by our third-party contractors to carry out work for HRC.

As at 31 December 2021, the total headcount of permanent and contract employees is 425.

SOCIAL SUSTAINABILITY

Recruitment and Retention

Although we are committed on recruitment and career planning as critical strategies to attract and retain our employees, our priority in FY2021 focused on continuous efforts to nurture a culture that values the welfare our existing workforce.

For recruitment of new employees, HRC continues to adopt an objective and transparent evaluation and selection criteria to ensure the right candidates are hired for the appropriate role. The HR department is guided by the Recruitment Policy and the hiring processes to ensure that the recruitment process is carried out effectively.

We acknowledge that retaining quality talent is crucial for the success of our business and that having in place the right strategies will help ensure our employees continue to work for us in the long term. In our efforts to provide a safe and secure work environment for our employees, HRC maintained all salary and benefits in FY2021, demonstrating the Company's strong support of our values during this period of uncertainty. In FY2021, we reviewed some of the benefits against industry benchmarks to strengthen our Employee Value Proposition (EVP) initiatives to ensure our benefits remain competitive and attractive. Through this exercise, we managed to rework our medical benefits with a different offering. Among others, a new medical provider was introduced with a wider pool of panel clinics and hospitals and made available a premium top-up programme with competitive rates specially designed for HRC employees.

Several other policies were updated to align with current industry standards:

- **Pay As You Go Bonus Policy:** Issuance of performance bonus for leavers such as retirees or end of contract staff. The updated policy is intended to provide clearer guidelines on payouts to employees upon retirement or expiry of contract.
- **Inconvenience Allowance and Time-Off In Lieu Policy:** Compensation for employees who return to work on rest days and public holidays.

To align with the new protocols in the "New Normal", we provided flexibility for employees in utilising their existing benefits.

Wellness Coverage allowance for gym and fitness activities extended to cover purchase of home wellness support items such as health-related equipment and ergonomic home furniture for our employees. Voluntary PCR and RTK swab tests are also claimable under this allowance.

To ensure our employees are performing and are on the right career path, we continue to practise a transparent annual performance appraisal process to evaluate work performance and identify training needs. For employees who perform well during the year, salary increments are offered and promotion is assessed based on positions.

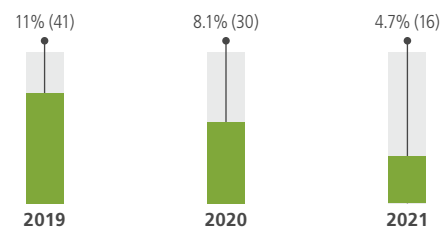
Moving forward, HRC will continue to ensure remuneration and benefits remain competitive and at par with industry standards, allow growth and create every opportunity for our employees in their career progression.

New Hire and Turnover Rates

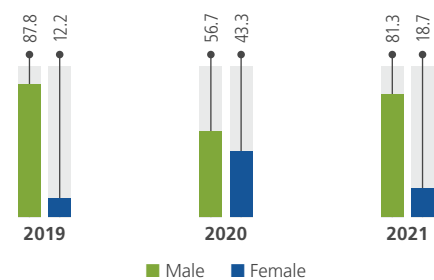
New Hire Rate

Breakdown and details of our new hire rates by gender and age over the last three years are as follows:

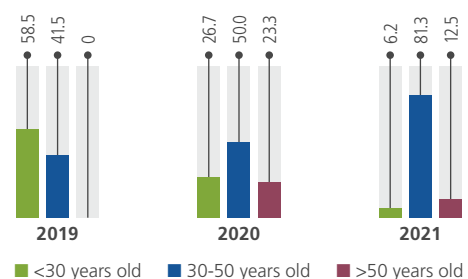
New Hire Rates (Total)



By Gender (%)



By Age (%)



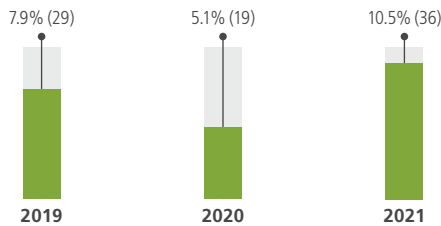
SOCIAL SUSTAINABILITY

Turnover Rate

The turnover rate increased in FY2021 by 5.4 per cent from FY2020. Based on feedback from exit interviews, better job opportunities with career progression was the main reason for the resignations in FY2021. In addition, the COVID-19 shifted the way people work and we found that employees are now more selective on where, how and where they want to work. We have taken steps to better understand the reasons for the high turnover rate and have implemented several enhanced measures such as the LDP Programme, increased management engagement as well as updating policies as part of our strategy to retain our workforce in future. We will continue to work on enhancing our strategies to further reduce the attrition rate.

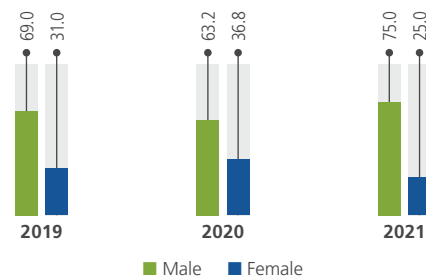
Breakdown and details of our turnover rate by gender and age over the last three years are as follows:

Turnover Rates (Total)



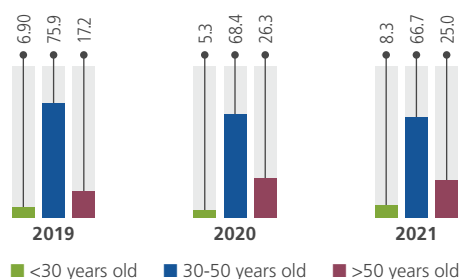
By Gender

(%)



By Age

(%)

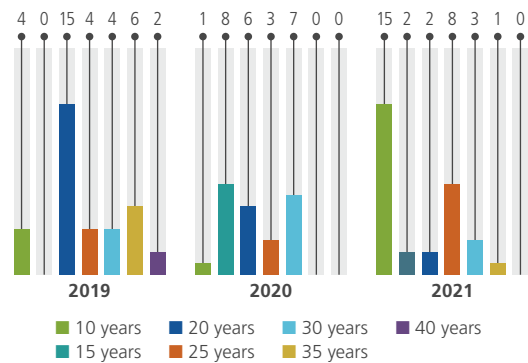


Long-Service Award

As a reward for long-term service in the Company, eligible employees are presented with long-service awards for their contribution, commitment and loyalty.

Long-Term Service

(Age)



See further details on Long-Service Award under Employee Engagement Activities in FY2021 on page 57.

Training and Development

It is important for us to attract, develop and retain high performing employees with the right skill set for the long-term growth and success of the Company. We provide and make available adequate training programmes for all our employees, including our Board members, for their personal and professional growth on various competencies and other pertinent topics. HRC is committed to focus on continuous development of our human capital and provide learning opportunities throughout the year. Our comprehensive learning and development offered covers technical and non-technical programmes, where required, and on the job training (OJT).

If there are any gaps in skills, each employee is responsible to discuss with his or her supervisor on the next course of action. Every employee is also provided with an opportunity to discuss their personal development training needs with their respective line managers during the annual Individual Development Plan (IDP) planning process. Upon completion of the competency training, employees are responsible to apply skills and knowledge learned and demonstrate improved levels of performance.

SOCIAL SUSTAINABILITY

Leadership Development Programme (LDP)

As part of HRC's succession planning and to recognise future talents to serve as future leaders in the organisation, HRC launched a LDP in July 2021. The aim of this programme is to provide a clear and structured career progression plan for talented employees while providing an opportunity for HRC to fill up any internal vacancies in critical leadership roles at all levels immediately. A total of 20 individuals were identified by HRC's management through a company-wide employee assessment exercise. Due to the pandemic disruptions, HRC was unable to kickstart the LDP in FY2021. However, we aim to actively initiate the training and development modules in FY2022 to ensure the LDP is successfully carried out.

Training Hours

In FY2021, the following training hours were recorded:

- Average training hours of **48.5 hours** per employee.
- Classroom and online average training hours of **17.2 hours** per employee.
- OJT average training hours of **31.3 hours** per employee.

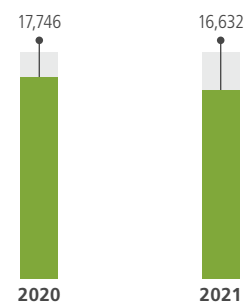
The training offered to employees continued throughout the reporting year covering both technical and non-technical skills. The non-technical areas involve the operations, administration, supervisors and leadership teams. HRC transitioned the method of evaluating and assessing training in FY2021 whereby OJT opportunities were introduced for employees to improve their capabilities in handling refinery machinery, facilities and other operational activities. Generally, most of our trainings were conducted virtually in FY2021 to ensure continuity of training and development and to cater for the increased number of employees working from home during the challenging pandemic year.

Refinery Training Hours

As reported in our previous sustainability report, the refinery training hours were tracked differently in FY2020 as compared to the previous years which is to include on the job-training as part of the employees' training and development to improve their operational capabilities. For consistency, FY2021 disclosures on the progress of our refinery training hours continue to be monitored and tracked to include OJT.

The refinery training hours decreased in FY2021 from FY2020 contributed by the pandemic disruptions.

Refinery Training Hours



Collective Bargaining

HRC's Trade Union plays a key role in how HRC operates. HRC signed a three-year Collective Bargaining Agreement (CBA) with the Trade Union in June 2019 which will expire in FY2022. Parties will commence negotiations for the renewal of the CBA in March 2022. HRC engaged with the Trade Union on a quarterly basis in FY2021 to discuss and work closely to resolve any issues concerning employees on an amicable basis. The Trade Union has also raised several items for discussion during the quarterly engagements.

Mechanisms for discussions are in place to allow representatives 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 members are also consulted on any revision or updates to HRC Policies.

As at 31 December 2021, 43.7 per cent of HRC employees were covered by the CBA. This is an increase from FY2020, where 40.7 per cent of employees were members of the Trade Union.

SOCIAL SUSTAINABILITY

Youth and Graduate Programmes in 2021

As part of our corporate social responsibility initiative to support our local communities, HRC provides programmes for the youth, which helps develop succession planning for the next generation of employees. There are approximately 25 to 30 interns placed in HRC on an annual basis under the Internship Programme. In FY2021, 27 interns were offered positions for practical training experience in over eight departments in HRC for a period of six to nine months.

For the Graduate Programme, there was no new intake of graduates in FY2021 as this is an ongoing five-year programme. The next new intake under this Programme will be opened up from 2023 onwards.

Diversity and Equal Opportunities

Cultivating a diverse and inclusive talent pool in the workplace fosters greater productivity through a healthy and engaged workforce as well as setting a strong foundation for a successful business. Our Core Value of Respect promotes an environment of mutual care and respect for each other and encourages a culture of diversity and inclusion. At HRC, we continue to promote a fair workplace of equal opportunities based on merit, free of discrimination in any way based on race, colour, religion, age, gender, sexual orientation, gender identity, marital status, disability, ethnic origin or nationality. We believe in treating our employees fairly, starting from our objective and transparent evaluation and selection of employees in our HR processes that carries on through to the job interviews, hiring, evaluation, promotion, training, development, discipline, compensation (salary increment based on performance) and up to termination process, if necessary.

SWAN Leadership Talk

To empower women in the workforce and promote gender diversity internally, HRC has established the SWAN since 2018. This is a platform that enables female employees to develop and grow both personally and professionally. Despite the pandemic, an engagement session was held virtually in FY2021 with the female CEO from our related company within the SHPC group, providing an opportunity for the SWAN members to network and discuss leadership topics relating to women in a safe environment. The session focused on learnings from experiences faced by women climbing the corporate ladder while striving for work-life balance with family.

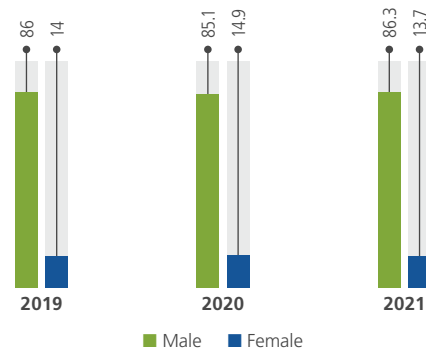
The gender diversity in our workforce as at 31 December 2021 comprised of 13.7 per cent female and 86.3 per cent male employees. Given the nature of the work at the refinery, a majority of our workforce is comprised of men. Despite being primarily male dominated, HRC remains committed to ensure that its workplace is a conducive, inclusive and safe for all women to work.

Irrespective of their age groups, HRC is committed to retain its experienced talent to support the workforce and the business.

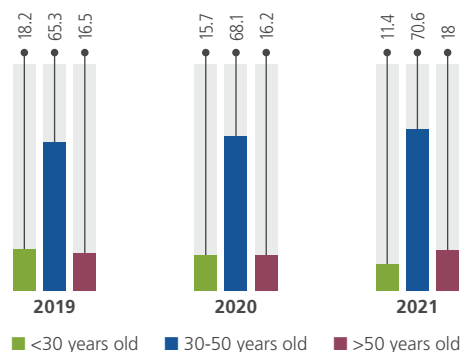
The chart below illustrates HRC's employee diversity by gender, ethnicity, age group and participation in management. From FY2021, we have refined and improved our disclosures to better reflect our workforce profile.

By Gender

Gender in Workforce (%)

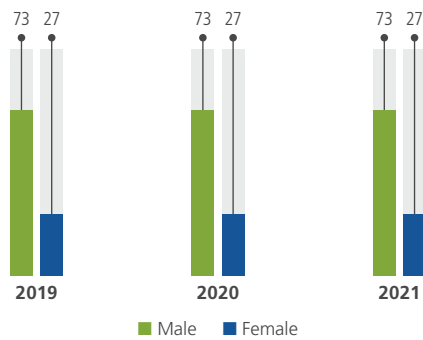


By Age

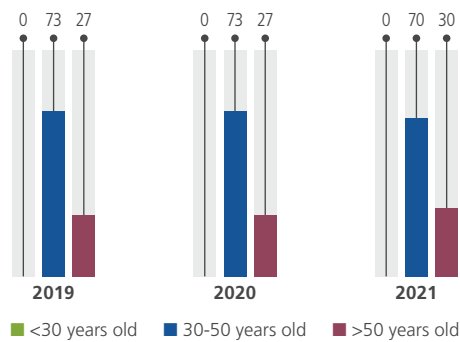


SOCIAL SUSTAINABILITY

Gender in Management (%)



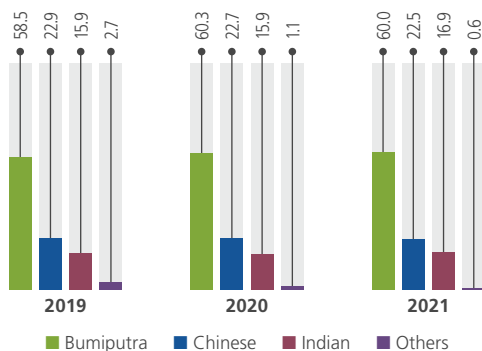
By Age (%)



Ethnic Diversity

The ethnic diversity in our workforce as at 31 December 2021 is 60.0 per cent Bumiputra, 22.5 per cent Chinese, 16.9 per cent Indian and others forming 0.6 per cent of the workforce.

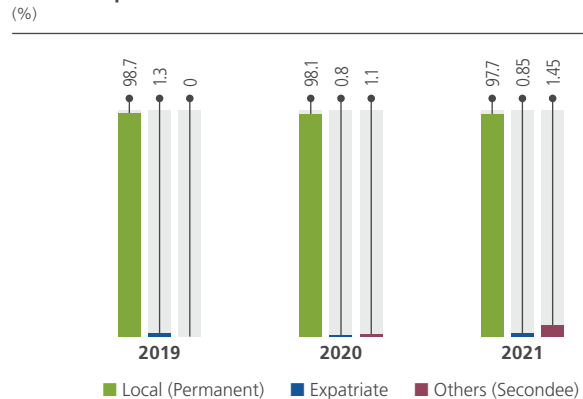
By Ethnicity (%)



Local & Expatriate Workforce

HRC's commitment to source for local talent is embedded in our Recruitment Policy and procedures. If a vacancy arises, local appointment is prioritised unless there is a specified technical or non-technical requirement that cannot be fulfilled by the local talent. Our workforce is built mainly on local Malaysian talent, comprising of all major ethnic groups as highlighted in the previous section. The manpower budget cost is prepared to cater for local hires unless any transfer is nominated by the parent company. In FY2021, there were five personnel seconded from HRC's related company to provide expertise and support in key functions such as the CEO to oversee overall company operations and Project Manager to oversee major projects of the Company.

Local & Expatriate Workforce (%)



SOCIAL SUSTAINABILITY

Employment Standards and Best Practices

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.

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.

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.

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.

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 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.

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.

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 of any non-compliance of labour standards were recorded or reported in FY2021.

SOCIAL SUSTAINABILITY

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 FY2021, 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 2021

Despite the continued disruptions we faced in FY2021, we managed to engage with our employees through various activities and initiatives. Some of the activities were redefined or carried out in smaller scales to meet the COVID-19 standard operating procedures (SOPs). We aim to work on increasing our employee engagements to pre-pandemic levels in FY2022.

• Long-Term Service Award

A small ceremony was held in HRC's Sports Club on 1 April 2021 to celebrate and recognise individuals who have been part of the Company for more than ten years. A total of 32 employees received the long-service awards presented by our CEO.

• Engagement with Management and CEO

With our new CEO on board in August 2021, increased interaction among the top management and the employees were arranged in line with safety protocols. The new CEO visited the refinery and each department, including the jetty area, to share information on the leadership's direction and future plans for the Company. This was the first time such a walkabout took place as part of the new CEO's introduction and was aimed at creating a greater sense of certainty of the Company's direction and job security for the employees going forward.

• Townhall

Townhalls continued to be carried out virtually every quarter in FY2021 to cascade business and operations news and updates to all employees. New Management team members were also introduced to all during these sessions.

• Onboarding Programme

As part of our employee engagement initiatives, we provided monthly onboarding sessions for new employees to assimilate into the Company and bring them up to speed on the Company, company-wide policies and general practices.

• 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.

Targets	FY2021 Activities
Enhanced policies and benefits	<ul style="list-style-type: none"> 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.
Develop and retain talented workforce including leadership growth opportunities	<ul style="list-style-type: none"> 20 individuals were identified to participate in the LDP.

SOCIAL SUSTAINABILITY



Local Community

Our responsibility to the local community where we operate is an important aspect in our sustainability efforts and agenda. Despite a challenging year, HRC remained focus to find ways to contribute and enrich the livelihood of our fenceline communities.

We hope that we made a positive impact and touched the lives of the people with our outreach initiatives and investments during the year. We are guided by our corporate social responsibility pillars in our actions, which focused on these five key areas of importance:



Community Engagement

Due to the impact of the COVID-19 pandemic and the travel restrictions imposed by the Malaysian government in FY2021, we were unable to fully engage with our neighbours for safety reasons. Nevertheless, we continued to maintain close and good relationship with the local communities, and where necessary, address any issues and manage their concerns through our community feedback mechanism. As part of our continuous engagement with our stakeholders, we also provide advance notification texts to our surrounding communities as well key local authorities on any planned operational activities at site.

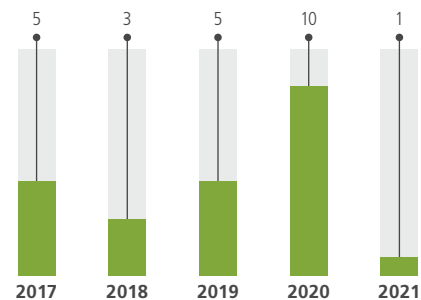
Public Complaints Framework

Our community feedback mechanism allows us to monitor and manage any public complaints or concerns. We strive to address all the complaints we receive and ensure full investigation for swift action and closure. We manage our public complaints based on established Handling of Public Complaints procedures.

During the year, we also took steps to strengthen our public complaints management incorporating an enhanced Public Complaints framework that aims to address severity of complaints fairly through improved verification, communication, monitoring and troubleshooting activities conducted by HRC to ensure minimum potential environmental impact to the surrounding communities. The framework was endorsed by the HSSE Steering Committee in February 2021. The objective of this Framework is to improve efficiency of the complaints procedures with revisions made to the Environmental Impact Assessment form, introduction of a new Noise Monitoring form and an updated Public Complaints Form.

All complaints must be addressed within 48 hours or if it is not possible, as soon as practicable. Our Public Information Officers (PIO), with the support of our Corporate Affairs team, keep in close contact with the complainants until the issue is resolved and a satisfactory feedback is received. The PIO on duty is rotated on a weekly basis.

Number of Public Complaints



Only one public complaint was recorded in FY2021 which is a significant reduction in the number of complaints since FY2020. A complaint was raised regarding noise coming from the refinery due to the start-up of our process units after an unplanned trip. The issue was quickly addressed and resolved.

Community Investments

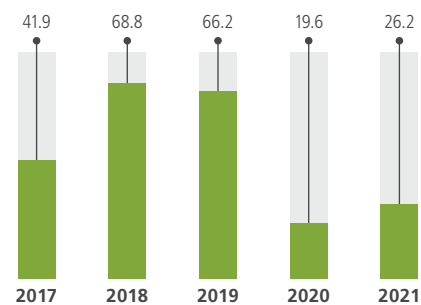
Our community contributions are guided by our internal CSR guidelines, with focus on:

- Areas where the refinery operates
- **5 pillars:** Health, Safety, Environment, Social Development and Education
- Prioritising activities that benefit social welfare for local community at Port Dickson, Negeri Sembilan

SOCIAL SUSTAINABILITY

For the year under review, HRC prioritised meaningful activities that supported social welfare of our local community during the difficult period. The COVID-19 assistance programme is an example of HRC's support through initiatives to improve the well-being of the community. Under this programme, food baskets and COVID-19 safety kits were distributed to the local underprivileged families and frontliners.

Community Investments
(RM'000)



Community Programmes and Engagement Activities

In view of the COVID-19 pandemic, HRC minimised the number of physical events and activities to curb the spread of the virus across the refinery and into the community. HRC identified selective fenceline communities and critical stakeholders to contribute and improve their welfare during the challenging year. Only a few representatives from HRC attended the distribution activities while taking preventive measures to ensure all necessary COVID-19 SOPs were adhered to at all times. Employee participation was not encouraged during these events. Moving forward, HRC will consider re-opening volunteering opportunities once the COVID-19 situation stabilises.

Mandarin Orange Distribution

In conjunction with Chinese New Year, HRC partnered with Majlis Pengurusan Komuniti Kampung (MPKK) of Kampung Teck Lin to spread Chinese New Year festivities with them by distributing 70 boxes of mandarin oranges to the senior citizens in the village.



Ramadan Care Celebration – MyKasih Care

HRC partnered with a local social services NGO based in Port Dickson, MyKasih Care, to help needy families during the Ramadhan month. HRC contributed and distributed basic necessities such as rice, flour, oil and sugar to the homes of 20 eligible families.

SOCIAL SUSTAINABILITY

Deepavali Hamper Distribution

As a result of good working experience with the NGO, MyKasih Care, HRC partnered with them again in FY2021 to spread Deepavali cheer to eligible families. HRC distributed food hampers to the homes of 24 deserving families in Port Dickson to help them prepare for the festive season. The hampers consisted of daily necessities such as rice, milo powder, flour, sugar and cooking oil.



Collaboration with Majlis Perbandaran Port Dickson (MPPD)

HRC collaborated with MPPD to assist underprivileged families affected by the impact of the COVID-19 pandemic. HRC together with MPPD distributed basic necessities such as rice, flour, oil and sugar to 100 eligible families.



SOCIAL SUSTAINABILITY

Fishing Materials for Affected Fishermen

HRC and the Fisheries Department Port Dickson collaborated to assist fishermen who were impacted by the COVID-19 pandemic. With the help from the Fisheries Department, 178 fishermen were identified to receive support. HRC contributed items for fishing activities such as medical kits and torchlights to the eligible fishermen.



Frontliner Support

HRC contributed 500 test kits, 500 hand sanitisers and 4 thermometers to the local police department as part of HRC's social welfare support to frontliners during the COVID-19 pandemic.



Kampung Paya Flood Relief

HRC provided urgent food aid contributions to the Kampung Paya community who were impacted by the recent floods in December 2021.





Feedback

We appreciate your feedback and welcome all comments and suggestions on our sustainability practices and reporting. Please direct them to:

*Corporate Affairs Department
Hengyuan Refining Company Berhad
Batu 1, Jalan Pantai
71000 Port Dickson
Negeri Sembilan, Malaysia
hrcpd-corporate-affairs@hrc.com.my*

Acronyms & Abbreviation

ABC	Anti-bribery and Corruption	HSSE & SP	Health, Safety, Security, Environment and Social Performance
ABMS	Anti-Bribery Management Systems	IMS	Integrated Management System
ALARP	As Low As Reasonably Practicable	ISO	International Standards Organisation
AML	Anti-Money Laundering	KPIs	Key Performance Indicators
AMP	Asset Master Plan	LDP	Leadership Development Programme
API	American Petroleum Institute	LFI	Learning from Incident
bbbl	Barrel	LOPC	Loss of Primary Containment
BCP	Business Continuity Plan	LPG	Liquefied Petroleum Gas
BAC	Board of Committee	LRCCU	Long-Residue Catalytic Cracking Unit
BPR	Business Performance Review	LTI	Lost Time Injury
BRMC	Board Risk Management Committee	mln	Million
Bursa	Bursa Malaysia Securities Berhad	MOC	Management of Change
BWC	Board Whistleblowing Committee	MPKK	Majlis Pengurusan Komuniti Kampung
CAR	Clean Air Regulations	MTC	Medical Treatment Case
CAR 2014	Environmental Quality (Clean Air) Regulations 2014	NMPI	Near Miss and Potential Incident
CCG	Catalytic Cracked Gasoline	NOx	Nitrogen oxides
CCO	Combined Cycle Oil	OA	Office Automation
CEO	Chief Executive Officer	OSRP	Oil Spill Response Plan
CO₂	Carbon Dioxide	PIO	Public Information Officer
COE	Centre of Excellence	PTW	Permit to Work
DOE	Department of Environment	PQ	Product Quality
EES	Economic, Environmental and Social	PQGA	Product Quality Giveaway
EII	Energy Intensity Index	PQI	Product Quality Incident
EQP	Ensure Quality Product	PS9F	Process Safety 9 Fundamentals
ERP	Emergency Response Plan	PSE	Process Safety Event
ETP	Effluent Treatment Plant	PSM	Process Safety Management
EVP	Employee Value Proposition	QHSSE	Quality, Health, Safety, Security and Environment
FAC	First Aid Case	RST	Reliability Steering Team
FiRM	Fire, Rescue and Medical Team	RWC	Restricted Work Case
FY	Financial Year	SCONE	Site Committed As One
GHG	GreenHouse Gas	SDGs	Sustainable Development Goals
GRI	Global Reporting Initiative	SOP	Standard Operating Procedures
GSR	Guided Self-Regulation	SOx	Sulphur oxides
H2GEN	Hydrogen Generation	SWAN	Site-wide Women Action Network
HEMP	Hazards and Effects Management Process	TRCF	Total Recordable Case Frequency
HGBP	Hengyuan General Business Principles	TSC	Technical Steering Committee
HRC	Hengyuan Refining Company Berhad	UN	United Nations
HSSE	Health, Safety, Security and Environment	UPDT	Unplanned Downtime

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