



HERE TO STAY. HERE TO GROW.
**With Resilience
& Respect**



2020 SUSTAINABILITY REPORT

Hengyuan Refining Company Berhad

Registration No. 196001000259 (3926-U)

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What We Do

Set up in 1960 and operational since 1963, Hengyuan Refining Company Berhad (HRC or the Company) operates as one of the most established and reliable refiners in Malaysia. Our oil refinery in Port Dickson, Negeri Sembilan has played an integral role in the nation's oil and gas industry. Every day, we process crude oil from Malaysia and all over the world to deliver up to 156,000 barrels per day of petroleum products to customers in Malaysia and within Southeast Asia.

Our main business activities are focused around operating and maintaining our refinery and supplying our customers through three channels: the multi-product pipeline to the Klang Valley and KLIA, our truck loading gantry for local customers (West Malaysia) and exporting products to vessels through our jetty.

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



MULTI-PRODUCT
PIPELINE



TRUCK LOADING
GANTRY



EXPORTING
THROUGH JETTY



About This Report

This is HRC's fourth annual Sustainability Report (Report). The Report focuses on HRC's sustainability performance and initiatives in relation to the material economic, environmental and social (EES) impacts identified by HRC in 2020. HRC aims to share its continuous commitment in our approach to sustainability and what is important to our stakeholders, in a clear and transparent manner.

Reporting Scope and Boundaries

The Report covers the financial year (FY) 2020 and highlights HRC's sustainability performance in our refining operations in Port Dickson, Negeri Sembilan from 1 January 2020 to 31 December 2020. HRC publishes its sustainability report on an annual basis, with our last report issued in May 2020.

Reporting Standards

This Report is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa) and Bursa's Sustainability Reporting Guide. Our disclosures are also guided by the core principles of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and the environmental, social and governance (ESG) factors used by the FTSE4Good Bursa Malaysia Index. This Report includes references to the United Nations (UN) Sustainable Development Goals (SDGs).

For a comprehensive overview of the Company's financial and non-financial performance for FY2020, this Report should be read together with HRC's Annual Report 2020 (AR2020).

HRC Board Statement for Sustainability Report 2020

Here to Stay. Here to Grow. With Resilience & Respect

We are pleased to present to you our fourth Sustainability Report.

Amidst a challenging 2020, Hengyuan Refining Company Berhad (HRC) stood committed in our sustainability journey towards long-term value creation through continued focus on enhancing and expanding our Economic, Environmental and Social impacts.

The year’s forefront concern was ensuring business continuity amidst the COVID-19 pandemic. HRC had initiated preventive and proactive measures to protect the health and safety of our employees and contractors at site and implement new operating norms in a timely manner. Our ability to transition seamlessly within the new norms, respond with agility to our customers’

changing needs and meet services and product quality standards are a credit to our robust Business Continuity Plan and effective COVID-19 preventive measures.

The pandemic’s continued impact on our economy and society might give rise to economic uncertainties, but we, at HRC, are steadfastly focused on achieving successful and sustainable operations. Therefore, driving our way forward are two key attributes - **Resilience & Respect** - which we strive to display in the way we operate, work and engage with our stakeholders and the greater Port Dickson community. We will work hard to fortify resilience in the economic and social fabric through business continuity, employment opportunities, environmental responsibility and positive contributions to the state and national economy.

We continue to serve a business model built around creating and delivering long-term value for:

Our Community

Being a good neighbour and maintaining close relationships with the community we operate in, which includes ensuring no safety disruptions to their lives, capability building support and creating jobs.

Our People

Building and retaining talent as part of our succession plan for a sustainable business.



Our Shareholders

Profitable and sustainable business performance anchored on running a safe, efficient, responsible and competitive refinery.

Our Environment

Managing our environmental footprint in order to minimise impact on the environment and the surrounding communities and progressing our business to continuously provide energy solutions.

Responsible Operations

We emphasise, at all times, health and safety in our operations to ensure that everyone goes home safely each day.

Moving forward, our immediate priority is to strengthen our sustainability performance and management by identifying current gaps, implementing improved measures and setting defined targets to drive on-going efforts towards operational excellence. At the same time, we strive to further align the United Nations Sustainable Development Goals into our business strategy and activities, as we navigate our way towards an era of new energy solutions.

The Board

Hengyuan Refining Company Berhad

2020 Key Sustainability Highlights



Economic

- Zero work-related fatalities track record in 27 years
- Be Well 2.0 Campaign
- Zero Product Quality Incidents reported
- 3 million manhours without Loss Time Injury as of 31 December 2020



Environment

- GHG emissions reduced by 7 per cent
- Winner of Prime Minister's Hibiscus Award 2019 / 2020 for Excellent Achievement and Joint State Award for Negeri Sembilan
- Energy Masterplan launched



Social

- 48 hours average training per employee
- HRC Cares Campaign
- Established New Norm Committee
- Tightened safety and preventive measures in response to the COVID-19 pandemic

Our Governance Framework

Sustainability Approach

HRC’s sustainability approach for FY2020 is focused on its redefined five main strategic pillars: **People and Leadership, Operational Excellence, HSE and Compliance, Stakeholder Value** and **Future Focus**, which guides HRC’s business decisions and overall responsibilities to our stakeholders in how we manage our operations, the environment, the surrounding communities and people connected to us.

Sustainability Governance

By ensuring a robust sustainability governance structure, HRC’s Board of Directors (Board) and management team (Management) are able to set a culture of integrity, accountability and transparency across all levels of the organisation. This framework provides a strong assurance to our stakeholders that HRC is committed to achieve its business objectives as well as ensures stakeholders value is a priority for the long-term. The governance framework also played a key role in how the Board of Directors and the Management team supported the Company to navigate through the COVID-19 pandemic during the year under review.

 Further details of HRC’s COVID-19 response and management are on pages 4 to 5 of the AR2020.

Governance Structure

There are no significant changes to the sustainability governance structure since the last sustainability report. Whilst the Board is responsible for HRC’s overall sustainability matters, it is supported by Management and Steering Committees to address the relevant material issues. The diagram below provides an overview of HRC’s sustainability governance structure and the assigned roles and responsibilities.



Our Governance Framework

Risk Management

The effective management of risks is crucial in HRC's continued long-term sustainability strategy. The Board is committed to maintaining a sound internal control and risk management system to ensure smooth running of the business. HRC's Control Framework enables HRC to identify, assess and prioritise risks and opportunities, including the material EES risks that impact HRC's business. HRC's internal controls are in place to ensure sound operations of its business and increase corporate value. Potential risks are tracked in the Company's risk register and reviewed on a quarterly basis to assess their severity, the actions required to be taken and to ensure the existing risk control measures continue to be adequate. HRC's risk register is segregated into four major components: (a) Operational Risk; (b) Financial & Commercial Risk; (c) Strategic Risk; and (d) Legal & Regulatory Risk. The Risk and Integrity Department is the custodian of HRC's risk profile. There are no significant changes to the risk management framework since the previous sustainability report.

The Board has overall responsibility for HRC's risk management and internal control system, as well as reviewing the system's adequacy and integrity. The Board Audit Committee (BAC) supports the Board in reviewing the adequacy of the HRC Control Framework and the effectiveness of the internal control system. The Board Risk Management Committee (BRMC) provides oversight on risk management matters to ensure prudent risk management over HRC's business and operations.

The Board is also supported by the internal audit and risk and integrity functions to ensure internal controls are properly managed.




Further details on the nature and scope of HRC's risk management and internal control framework are in the Company's Statement on Risk Management and Internal Control on page 58 of the AR2020.




Stakeholder Engagement


HRC’s key stakeholders are identified as individuals or entities who are expected to be affected by or whose actions can influence our business and activities. HRC recognises regular dialogue and engagement with its stakeholders are essential. During the year, HRC endeavoured to communicate with our stakeholders amidst the unprecedented challenging business environment we faced. In our interactions with our employees, business partners and our fence line communities, we seek to listen to them honestly and responsibly.

Due to the pandemic, we continued to engage with our stakeholders virtually and where necessary, on-site meetings were held to identify sustainability challenges, risks and opportunities that allow us to stay focus on priorities. Our stakeholder engagement channels and frequency vary differently depending on the stakeholder and their respective interests and needs. Some of the events and campaigns planned for FY2020 with our stakeholders were cancelled, held virtually or, where possible, proceeded in line with the Government’s guidelines.


01 **Employees** 

05 **Shareholders and Investors** 

02 **Union** 

06 **Community** 

03 **Customers** 









07 **Regulators** 

04 **Suppliers** 

08 **Government Agencies** 

Stakeholder Engagement

As previously reported, the list of our key stakeholders, engagement mechanisms and outcomes with our key stakeholders are summarised below:

Stakeholders	Engagement Channel	Frequency	Purpose
 Employees	<ul style="list-style-type: none"> • Town Hall • Employee Information • Intranet • Individual Development Discussions • Events and Campaigns • Training • Team Meetings • Informal Meetings 	Quarterly & as required On-going On-going Annually On-going On-going On-going & as required On-going & as required	Nurture and engage employees to instill a sense of pride in the Company, provide a conducive work environment while ensuring growth opportunities and career development
 Union	<ul style="list-style-type: none"> • Meetings 	Quarterly & as required	Build and sustain relationship, obtain feedback on concerns and provide update on current issues
 Customers	<ul style="list-style-type: none"> • Survey • Email Communication • Supply and delivery meetings • Site visits • Conferences 	Annually As required Quarterly & as required As required On-going	Offer high quality products and service offerings
 Suppliers	<ul style="list-style-type: none"> • Vendor registration • Bid / Tender Process • Meetings • Audit • Conferences 	On-going On-going As required Annually On-going	Set clear expectations to maintain high standards for delivery of products or services to the Company
 Shareholders and Investors	<ul style="list-style-type: none"> • Annual General Meeting • Annual Report • Announcement 	Annually Annually As required	Disseminate and provide timely material information on the Company's activities and financial performance to facilitate decision-making by investors
 Community	<ul style="list-style-type: none"> • Community Events and Campaigns • Dialogue 	On-going On-going & as required	Build and maintain good relationships while being a "Good Neighbour" i.e. carrying out our corporate social responsibilities to the local communities
 Regulators	<ul style="list-style-type: none"> • Consultation and Dialogue • Email Communication • Inspection 	On-going On-going As required	Strict compliance with all laws and regulations to maintain operating licenses Participation in discussions and knowledge sharing for improvements in industry's best practices
 Government Agencies	<ul style="list-style-type: none"> • Meetings 	On-going	Provide business familiarity and sustain efficient business operations

Our Material Sustainability Issues




Material Issues

In FY2020, HRC continued to assess and review its material sustainability matters, for their relevance and changes to their risks and opportunities impacting HRC’s business, the environment, our people and the community around us.

HRC considered the changes and challenges in FY2020 together with the stakeholders’ perspectives under the current climate when prioritising the material issues. The material sustainability topics identified previously remain valid and relevant to HRC’s sustainability efforts in FY2020.



By applying the above methodology, which was also applied in the previous year in review, and guided by the GRI Sustainability Reporting Guidelines, the following material issues are identified as priority for HRC in this Report:

Category	Sustainability Topics	Global Reporting Initiative (GRI)
 Economic	<ul style="list-style-type: none"> • Ethics and Integrity • Economic Performance • Customer Management • Supply Chain Management • Product Quality • Reliability and Production • Quality, Health, Safety, Security and Environment (QHSSE) Management and Performance 	<ul style="list-style-type: none"> • GRI 205 • GRI 201 • Non-GRI • GRI 204 • Non-GRI • Non-GRI • GRI 403
 Environment	<ul style="list-style-type: none"> • Water and Effluents • Waste Management • Climate Change and Gas Emissions • Energy 	<ul style="list-style-type: none"> • GRI 303 • GRI 306 • GRI 305 • GRI 302
 Social	<ul style="list-style-type: none"> • Employment • Local Community 	<ul style="list-style-type: none"> • GRI 401 / 404 / 405 • GRI 413

The material sustainability matters will be reviewed and reassessed from time to time for continued relevance in our business.

Our Material Sustainability Issues

UN Sustainability Development Goals

As a responsible organisation, HRC supports the UN SDG's in our business and sustainable practices.

In our last sustainability report, HRC identified seven SDGs that are most aligned with HRC's material issues and we continue to promote the same SDGs into our sustainability efforts in FY2020. HRC recognises the need to progressively take active steps to ensure our continuous commitment to contribute to the global development under the 17 SDGs. In this Report, we refer to the respective SDGs and how HRC contributed to promote them in our sustainability initiatives under the respective material EES topics.



The following sections of the Report provide the overview and analysis on how we approach each of the identified material issues on the respective EES topics.

2020 Disclosures on Identified Material Sustainability Issues



Economic



Environment



Social



Economic Sustainability

To remain resilient in the face of a global pandemic, it is vital for HRC to sustain its long-term corporate value by delivering sustainable solutions through ethical business practices and ensuring the health and safety of our people and our surrounding communities.

UN SDGs – HRC’s Contributions & Efforts

UN SDG 7

Ensure access to affordable, reliable, sustainable and modern energy for all

- Providing significant fuel needs for the country since 1963 as the third largest refinery in Malaysia.
- On-going key projects, Euro 4 Mogas (Euro 4M) and H2GEN are on track for completion in 2021.



UN SDG 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment

- Ensuring stable and sustainable operations for the refinery amidst the challenging economic climate.
- Ensuring safe working environment for all its stakeholders via a defined Health, Safety, Security, Environmental and Social Performance framework.



UN SDG 12

Ensure sustainable consumption and production patterns

- Commitment to report on annual sustainability practices and measures in our operations.
- Ensuring due diligence in procurement practices throughout the supply chain process and management.



UN SDG 3

Ensure healthy lives and promote well-being for all at all ages

- Promoting health and wellness campaigns to encourage a healthy lifestyle through the “Be Well 2.0” and “HRC Cares” campaigns.
- COVID-19 safety and preventive measures taken to strengthen and manage health risks at site with introduction of new health and safety protocols, campaigns and new working arrangements.



 **Ethics and Integrity**

We remain committed to uphold the highest standards of business ethics to promote integrity, accountability, fairness and transparency in all that we do. Our policies, procedures and practices adopted throughout our value chain support an ethical business culture that is based on our Core Values.



The Core Values are reflected in HRC’s General Business Principles (HGBP), described in pages 12 to 13 of our AR2020, supported by the Company’s Code of Conduct (Code), Anti-Bribery & Corruption Policy (ABC Policy) Anti-Bribery & Corruption and Anti-Money Laundering Manual (ABC & AML Manual) and the Whistleblowing Policy. All employees, officers, directors, our business partners such as suppliers, vendors and contractors of HRC are expected to comply with these policies and procedures which set out the ethical behaviour standards expected of them.

The Board has oversight over the ethical performance of the Company, receiving quarterly reports from periodic tracking of any non-compliance or breach of ethical practice.

 Further details are outlined on pages 12 to 13 of the AR2020, HRC’s HGBP, the Code, ABC Policy, ABC & AML Manual, and Whistleblowing Policy, which all are available on HRC’s website at www.hrc.com.my.



Economic Sustainability

The following table provides an overview of how HRC's Core Values are assimilated into HRC's policies, procedures and business practices:

<p>Integrity & Accountability</p> <p>Anti-Money Laundering (AML)</p> <p>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.</p>
<p>Anti-Bribery and Corruption (ABC)</p> <p>HRC does not tolerate any corruption and bribery practices and is committed to mitigating the risk of bribery and corruption within the Company. The ABC Policy and the ABC & AML Manual seek to counter all 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. HRC is certified with ISO 37001:2016 Anti-Bribery Management Systems (ABMS). 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 is responsible over the implementation and ensuring the requirements of the ABMS are met. The Risk and Integrity Department also reviews bribery risks on a quarterly basis which are discussed in the ABMS Management Review meetings.</p>
<p>Whistleblowing Policy</p> <p>HRC's Whistleblowing Policy facilitates the disclosure of genuine and legitimate improper conduct raised by HRC's employees, employees of HRC's contractors, vendors, customers and members of the public of any improper conduct within the Company, i.e. any malpractices or breach of the ABC & AML Manual and the Code, for example, any potential improper business conduct and corruption, including bribery. A whistleblower will be accorded (to the extent reasonably practicable) with protection of confidentiality of identity. The Board Whistleblowing Committee (BWC) was established in November 2019 to oversee whistleblowing governance, including the development and implementation of the Whistleblowing Policy. The BWC members receive reports independently via various whistleblowing channels including a dedicated email address or in writing to the Chair of the BWC. The BWC supports the Board to further strengthen its corporate governance to ensure greater integrity, accountability and confidentiality in the whistleblowing process. There were no whistleblowing disclosures reported to the BWC via the various whistleblowing channels in FY2020.</p>
<p>Conflict of Interest</p> <p>To avoid any potential conflict of interest situations, employees, officers and directors are required to declare potential or perceived conflicts of interest on an annual basis, or as required. All business partners are also required to declare any conflict of interest on an annual basis, during the tendering process or as required. If there is an actual, potential or perceived conflict of interest situations, employees, officers and directors must protect themselves from any suspicion of misconduct by being transparent and entering details in HRC's Code of Conduct register.</p>
<p>Compliance</p> <p>Compliance with all applicable national and international laws and regulations in places where we operate and have commercial dealings.</p>
<p>Respect</p> <p>Human Rights</p> <p>We are committed to respect, support and uphold fundamental human rights as expressed in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. As a responsible organisation, we adhere to Malaysian Employment Laws, that amongst other requirements, ensures fair minimum wages, fair working hours, and prevention of child or forced labour. Human Rights issues are embedded into HRC's corporate practices, manuals and policies and include key areas covering social performance, safety, human resources and contracting and procurement. The Board of Directors has the overall responsibility of ensuring that these practices are adhered to for the upholding of human rights. The Company commits to remedy affected parties where it has been identified that it has caused or has impacted human rights.</p> <p> Further details on Human Rights are discussed under "Employment Best Practices" on page 47 of this Report.</p>
<p>Political Activity</p> <p>HRC does not participate in any political activities or use funds or resources to support any political candidate, political party or their representatives. Any employee who wishes to participate in any political activities or run for a public office position, is able to do so as long as it does not conflict with the Company's interests.</p>
<p>Collaboration & Entrepreneurial</p> <p>Anti-Trust</p> <p>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, wherever applicable.</p>

Targets	FY2020 Activities
<p>Communicate and create awareness by building necessary capacity on anti-bribery and corruption policy and procedures to combat corruption</p>	<ul style="list-style-type: none"> • Refresher training for existing employees and business partners. • On-boarding training programmes for new employees. • Declaration of commitment required from all employees and active business partners to comply with the ABC & AML Manual and to disclose any conflict of interest via HRC’s annual declaration process. • “Virtual Business Integrity Week” was held in October 2020. This event focused on “Integrity”, as one of the Core Values of the Company, and aimed to strengthen the business integrity culture within the Company by creating awareness on values, business principles and risks.
<p>Upholding ethical business culture</p>	<ul style="list-style-type: none"> • No major non-compliance cases or breach of ethical business culture practices were recorded during the year. This includes no confirmed incidents of corruption recorded in FY2020. • HRC is not aware of any incidents of human rights violations that have occurred in this reporting period.
<p>Compliance with laws and regulations</p>	<ul style="list-style-type: none"> • There were no material non-compliance of any applicable laws and regulations in FY2020.
<p>Embed good corporate governance into our systems and processes</p>	<ul style="list-style-type: none"> • The Gift & Hospitality Registration is a compulsory procedure for all employees. To ease the process, we operationalised ethical workflows and e-learning into the online portal (via HRC’s Office Automation (OA) application). It is now ready to be accessed by all employees to register any gifts received from business partners and declare conflicts of interests through the new OA for ease of tracking and compliance review. • Continuous Integrity Due Diligence on high-ranking employees, new vendor registration and SAP System user access request.
<p>Complete the ISO 37001: 2016 Anti-Bribery Management Systems surveillance audit</p>	<ul style="list-style-type: none"> • The surveillance audit by SIRIM QAS International Sdn Bhd (SIRIM QAS International) was initially planned to be conducted in December 2020. However, due to COVID-19 challenges, the audit was postponed and successfully completed in February 2021.

Economic Sustainability

Economic Performance

FY2020 was a difficult year due to COVID-19, which resulted in significant economic slowdown as markets went into lockdown globally, diminishing oil demand, pressuring oil price and refining margins. Our initiative in hedging product cracks and inventory value provided a level of financial protection, enabling HRC to stay afloat through FY2020.

In FY2020, HRC recorded revenues of RM7.2 billion, while profit after tax amounted to RM251 million. Revenue for the year was comparably lower than FY2019 due to lower sales volume coupled with lower product selling prices in FY2020. The Company recorded higher operating expenditure primarily resulted from the recognition of allowance for doubtful debts for Hin Leong Trading (Pte.) Ltd., which was offset by higher operating gain, lower depreciation and amortisation, finance costs and taxation.

HRC’s economic values generated, retained and distributed by the Company for the year ended 31 December 2020 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 details of our financial performance can be found under the Management Discussion & Analysis (MD&A) section on pages 29 to 37 of the AR2020.



Key Investment Projects

HRC continues to make progress on the key projects that it has invested since 2017 although timelines have been extended due to the COVID-19 challenges and the Government deferment on the Go-Live dates. These projects are critical for HRC to be commercially competitive and cost-effective for its long-term sustainability.



The details on the Euro 4M, Euro 5 Gasoil and the H2GEN projects are discussed on pages 34 to 35 of the AR2020.

Customer Management

Keeping our customers happy is the foundation of our business success and critical to our reputation and financial performance. Our customers are mainly based across the Malaysian market, where 80 per cent (by volume) of our refined products are sold. The remaining 20 per cent of our production, including propylene and surplus petrol, jet fuel and diesel, is exported within Southeast Asia.

Customer feedback is obtained annually via the customer survey and from discussions with focal contacts to measure the quality of services and opportunities to identify areas for improvements with our customers.

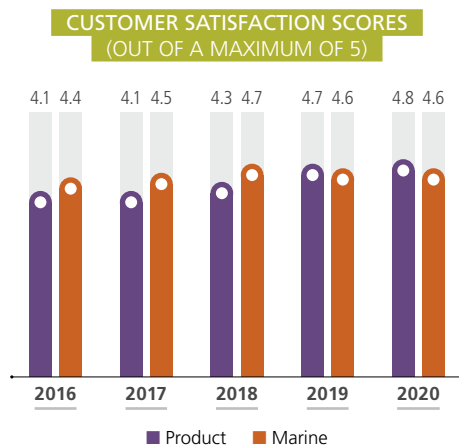
HRC Customer Satisfaction Survey

HRC's Customer Survey focuses on customers' satisfaction based on the following factors:

- Product / service delivered on time
- Delivered the right quality product / service
- Delivered the right quantity product / service
- Product / service delivered as per the terms of the agreement
- Willingness to provide product / service
- Response to customer's request and complaint
- Staff competence
- Ease to contact
- Availability of information / advice customer needed
- Offered solutions for problems
- Product / service provided value for money

Results from the Customer Survey in FY2020 indicate that the average satisfaction scores for our Product and Marine services stand at 4.8 and 4.6 respectively.

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



Target	FY2020 Activities
Seek new avenues to supply products in order to strengthen and diversify customer base	Continue to focus on increasing inland sales by consolidating relationships with our existing partners and by adding more new customers and expanding existing channels.

Supply Chain Management

Our suppliers are crucial business partners who contribute to our long-term business growth. We continue to work with suppliers and service providers who are responsible in delivering their products and services and are like-minded in our values and principles. All our suppliers are expected to comply with HRC's ethical business practices that guide our business direction and decisions. Having suitable, qualified and competitive partners will enable us to provide quality products and services at the best rates available in the market.

In HRC, suppliers are selected only through the supply chain process set out in the Contracting Policies and Procedures Manual. International best practices are applied in the contracting and procurement processes at HRC to support fair and equal treatment of all suppliers and separation of technical and commercial assessments.

Supplier Selection and Contracting Processes

Selection Process	Contracting Process
<ul style="list-style-type: none"> • Suppliers and service providers are shortlisted based on their technical experience and expertise. • Assessment of financial position from any red flags raised in the industry across Malaysia and other international forums and platforms. • Other selection criteria include available manpower, price, feedback from market survey, evaluation criteria and screening results. 	<ul style="list-style-type: none"> • Additional evaluation of suppliers against pre-set list of criteria. • Suppliers are shortlisted based on the most optimised proposal for the Company. • Contract awarded subject to HRC's internal limit of approval process.

Economic Sustainability

Contracts with our Suppliers and Business Partners

In FY2020, a total of 39 contracts valued at RM47.8 million were awarded to suppliers and other business partners through our selection and contracting processes.

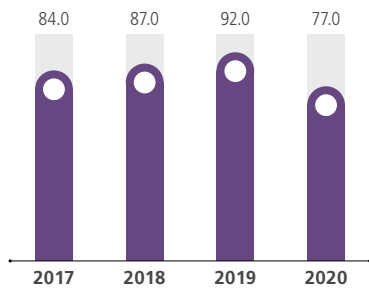
A total of 27 contracts valued at RM30.2 million were awarded through the competitive bidding process and 12 contracts valued at RM17.6 million awarded through the single sourcing process and previous engagements.

Contracts Awarded to Malaysian Companies

We endeavour to source from local suppliers to support the local economy and optimise purchasing costs. The number of contracts awarded to Malaysian suppliers reduced by 15 per cent in FY2020 from FY2019. A total of 30 contracts, valued at RM23.6 million were awarded to local suppliers.

Several supply contracts had expired during the year under review. For this reason, HRC re-tendered, re-negotiated and thereafter, awarded the supply contracts to the overseas based Original Equipment Manufacturer (OEM) suppliers, who were able to supply the site equipment with the required specifications.

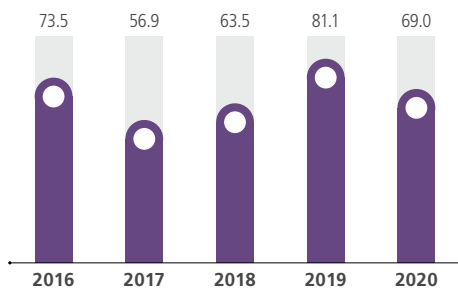
CONTRACTS AWARDED TO MALAYSIAN COMPANIES (%)



Contracts Awarded via Competitive Bidding

In FY2020, there was a reduction of contracts awarded via the competitive bidding process, from 81.1 per cent in FY2019 to 69 per cent in FY2020.

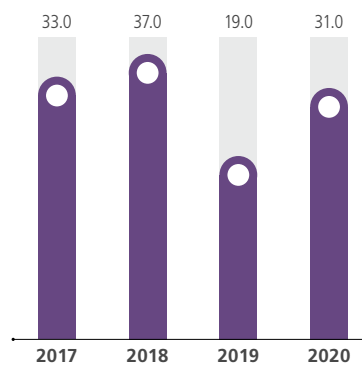
CONTRACTS VIA COMPETITIVE BIDDING PROCESS (%)



Contracts Awarded via Sole Source and through Previous Engagement

In FY2020, 31 per cent of contracts were awarded without any competitive bidding. This is a 12 per cent increase in FY2020 from FY2019, mostly due to the award of the OEM supply contracts to the same suppliers as HRC was satisfied with their previous delivery and service performance after their respective contracts expired.

CONTRACTS VIA SOLE SOURCE AND THROUGH PREVIOUS ENGAGEMENT (%)



Supplier Performance Review

Supplier performance is reviewed depending on the nature, value and risks of the contracts. Two rounds of Business Performance Review (BPR) were conducted in FY2020. The BPR is conducted annually on critical contracts to review and monitor performances of the suppliers and service providers on the assigned scope of work. Other key contracts are reviewed, measured and tracked by the internal contract owner. Results of the review are discussed internally and directly with the suppliers and business partners.



Contract and Procurement – Optimising Governing Procedures


HRC's contract and procurement team have also embarked on plans to improve governing procedures to manage all procurement processes and warehouse activities, with the aim to shorten completion time for purchases while maintaining good governance to protect the Company's interests.

Target	FY2020 Activities
Optimise procurement processes and minimise procurement costs	HRC's procurement team continued to optimise the number of contracts signed and to get the most value from running contracts in view of challenging market conditions. Apart from purchasing OEM materials from overseas suppliers, most materials were purchased locally to minimise overall spending including logistic costs to transport the equipment or parts to the site.

 **Product Quality**

HRC strives to deliver products at the highest level of quality in line with our stringent Product Quality (PQ) processes defined under the Quality Policy. These processes include systematic quality checks along the production chain in our laboratory.

In FY2020, HRC's laboratory continued to deliver a high level of performance in quality lab testing through its in-house Laboratory Assurance programme. This is an important internal control to assure that customers continue to receive products that fully meet their requirements.

 **Laboratory Assurance Programme**

HRC's key initiatives under the Laboratory Assurance programme include:

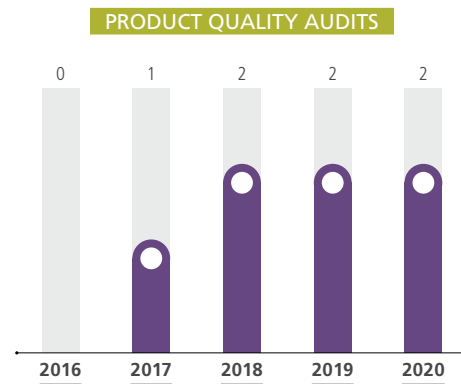
- Ensuring the quality of lab testing in HRC is at par or surpasses industry standard.
- Monthly monitoring of lab performance and improvement efforts undertaken when needed.
- Close collaborations with lab analysts are conducted to address lab testing challenges proactively.

PQ Audits

Towards PQ excellence, PQ audits are conducted to ensure that our procedures and processes are adequately in place, whether in execution of timely deliveries or meeting quality specifications.

There were two audits conducted in FY2020 that touched upon Product Quality. One was an internal audit on ISO 17025: 2017 Testing and Calibration Laboratories and the other being an external audit by SIRIM QAS International on HRC for ISO 9001: 2015 Quality Management Systems.

Summary of PQ Audits over the last five years:



 **Efforts to Improve Product Quality**

HRC's efforts in FY2020 to meet customer expectations and improve product quality include:

- Completion of an assessment in the first quarter of 2020 to release U95 Sulphur and Gasoil Distillation via on-line analysers to provide enhanced product quality assurance, which placed the refinery in a favourable economic position.
- With the significant drop of jet fuel demand globally due to the COVID-19 pandemic, HRC stepped up efforts to maximise blending of jet fuel components as diesel. This aimed to ensure the refinery continued to produce products that are in line with the communities' and market's needs.
- A well-established transition plan is in place to comply with the Euro 5 Gasoil specifications in 2021*.

* In accordance to the Government's mandate

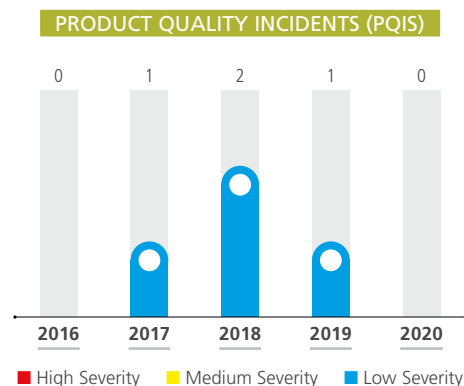
Economic Sustainability

PQ Incidents (PQIs)

There were no PQIs in FY2020. All products were delivered as per customers' expectations.

However, there were three medium severity Product Quality Reliability Incidents (PQRIs) recorded in 2020. These include product quality challenges within the refinery that involved diesel and propylene products from the refinery. The PQRIs were identified early and addressed, hence, the end customer received all the products which fulfilled their requirements. Lessons learned from the incidents have also been adopted to ensure no recurrence.

Summary of PQIs over the last five years:



Targets	FY2020 Activities
Achieve zero, high and medium PQI	<ul style="list-style-type: none"> No high and medium PQI recorded in FY2020.
Sustain laboratory's operational excellence	<ul style="list-style-type: none"> Adoption of Lab Testing Assurance Programme to ensure the quality of lab testing in HRC is at par with industry standards. Monthly monitoring of lab performance and improvement efforts undertaken whenever the need arises.
Enhance competencies in refinery to achieve zero, high and medium severity PQI	<ul style="list-style-type: none"> The PQ team completed the Process Effective Review (PER) in January 2020 to assess the maturity and health of the site's Ensure Quality Product (EQP) process. No major findings were identified and PER Rating was fair which indicated that the process objectives were met. Key learnings, relevant EQP concepts and how frontliners (e.g. plant operators) play a role in enabling the work process were shared to frontliners during shift engagement by the PQ team in the first quarter of 2020. As part of the EQP work process, the site is required to maintain a register of product quality risks and their controls. The intent is to create a register of product quality risks and identify barriers in place to mitigate threats. The PQ risk registers are updated routinely to reflect new global and local experiences, at an interval not exceeding five years. This includes updating barriers as required from PQI and PQRIs learnings. The PQ risk registers for main fuels Mogas, JET and Gasoil were reviewed in the third quarter of 2020, and where necessary, updated to reflect new experiences. A health check structure framework that was put in place since the fourth quarter of 2019 forms the basis of the PQ health check framework. This framework enables HRC to track in monthly meetings for any improvements, gaps and actions identified for closure. There were no major findings identified in assessment during FY2020.

 **Reliability and Production**

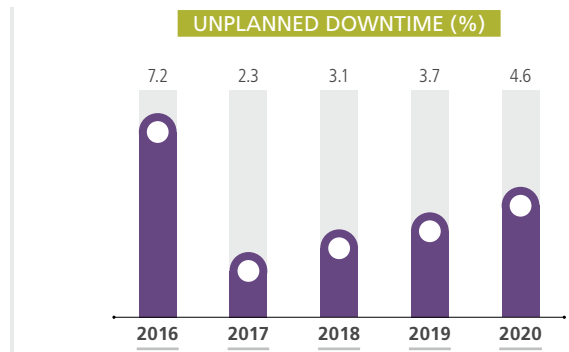
For our production to run efficiently, our equipment must be reliable to perform at optimal level.

HRC’s Proactive Threats Identification and Elimination (PTIE) and reliability management framework work processes are applied to identify equipment maintenance needs and upgrade projects to ensure continuous equipment availability and operability.

We instill a “Reliability Mindset” culture at our workplace to promote individual accountability and excellence in every phase of asset management. This encourages our people to participate proactively in our asset integrity management.

Unplanned Downtime (UPDT)

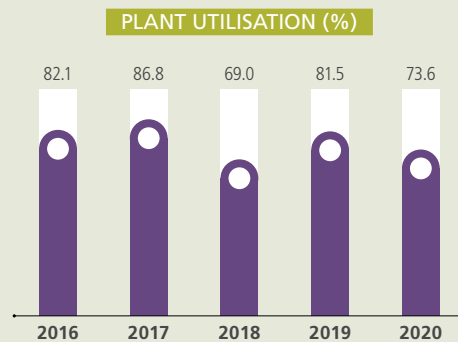
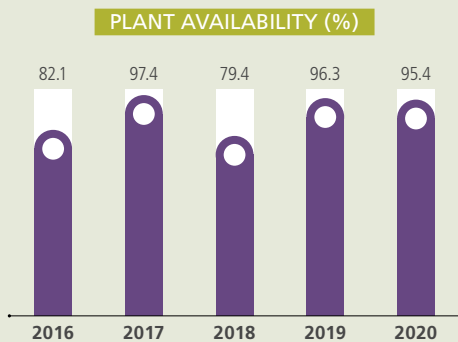
The UPDT of 4.6 per cent recorded in 2020 was higher than the targeted UPDT of 2.6 per cent mainly due to new challenges that happened for the first time in HRC’s history, such as the Long-Residue Catalytic Cracking Unit (LRCCU) experiencing an all-instrument air compressor trip simultaneously. New learnings from the incident have been adopted to ensure that any new UPDT involving trips or failures are well understood and the right solutions are implemented. HRC is now able to prevent any recurrence of such an event.



Operational Availability Initiatives in FY2020

- As part of HRC’s commitment to improve plant availability, several initiatives were carried out in FY2020. We have taken steps to strengthen the threat management process with prioritisation given to top threats. As a result of this exercise, HRC established four reliability task force to focus on improvements in the following areas: Maintenance Execution (ME) process, pump and motor rework, Chloride management and the robustness of the Instrumentation protection function (IPF). We also focused on improving jetty reliability and asset rejuvenation by developing an Asset Master Plan (AMP) to manage obsolescence. In addition, a monthly engineering KPI reporting process provided a channel for gap analysis, improvement tracking and sharing of knowledge to prevent further recurrence.

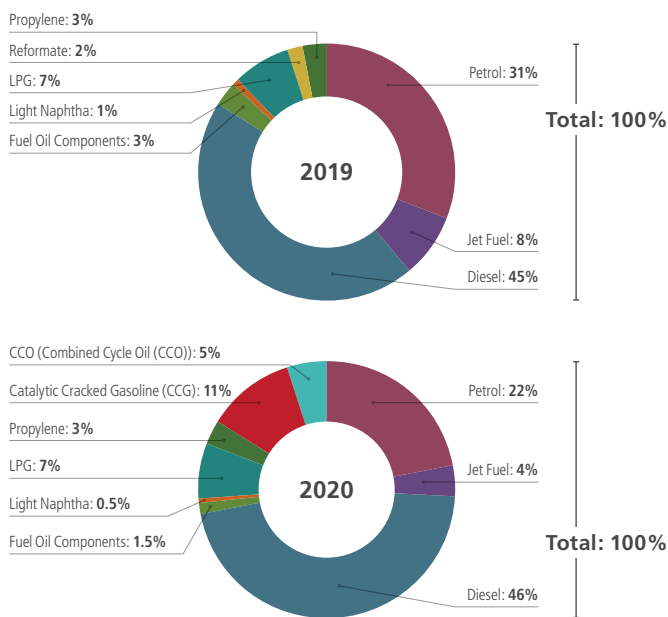
HRC continued to achieve high operational plant availability in FY2020 although a slight reduction was recorded when compared to the previous year.



Economic Sustainability

Product Yields

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



We actively review production planning based on margin and demand, and as part of optimisation, HRC has taken the initiative to reduce production when margins are not favourable. Some of the key initiatives taken to increase overall product value include reducing Jet-A1 production by re-optimising middle distillates blend and outlets and maximising Propylene production.



FY2020 Production Review

An overview of HRC’s production for FY2020 is as follows:

Total production in FY2020 was 34.2 million barrels, which is below FY2019 production by 4.6 million barrels. This is due to the lower crude processing in FY2020 driven by the poor refinery margin as a result of the pandemic.

Petrol production was 7.8 million barrels, 36.5 per cent lower than FY2019, primarily due to the grade switch from E2 RON95 gasoline to E4 RON95 gasoline production. The grade switch occurred in December 2019.

Kerosene / jet production was 1.5 million barrels in FY2020, which is lower than FY2019 production by approximately 54.5 per cent. The lower production is contributed by grounding of flights and border closures since March 2020 due to the COVID-19 situation.

Gasoil production was 15.8 million barrels, approximately 9.3 per cent lower than FY2019 gas oil production, due to the lower crude processing in FY2020. We commenced Light Cycle Oil (LCO) cargoes sale in July 2019 to capitalise on the better product value as compared to the typical 500 ppm gasoil export tier. LCO production was 1.6 million barrels in FY2020 against 0.5 million barrels in FY2019.

LPG and propylene production were 3.6 million barrels, 15.4 per cent lower than FY2019. LPG and propylene production were lower in FY2020 due to lower LRCCU intake across FY2020 as compared to FY2019.

Targets	FY2020 Activities
Plant Availability Target (>96.61 per cent)	Achieved 95.4 per cent
Plant Utilisation (>87.3 per cent)	Achieved 73.6 per cent
UPDT <2.6 per cent	Achieved 4.6 per cent

 **QHSSE Management**

HRC is committed to creating a safe and healthy workplace. We prioritised our commitment on health and safety even more so this year when the COVID-19 pandemic hit, as we needed to ensure the safety of our employees and contractors while managing business continuity.

(i) QHSSE Governance

HRC has in place the Health, Safety, Security, Environmental and Social Performance (HSSE&SP) framework that supports an effective and efficient implementation of the HRC Commitment and Policy on HSSE & SP together with the Quality Policy. Our policies provide a well-established governance structure and stringent standards in line with our commitment to continuous improvements to reduce health and safety impact on our workforce. All employees and contractors are required to adhere the HSSE & SP management designed to ensure compliance with the laws 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.

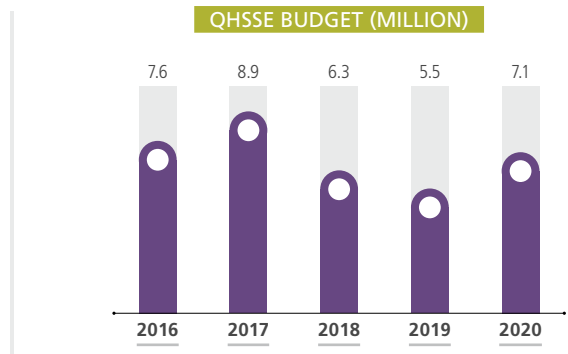
QHSSE Framework

HRC’s QHSSE governance is based on a three-tier communication framework, with several Committees responsible for reviewing the QHSSE performance, implementing corrective and preventive actions and disseminating QHSSE information on a monthly basis.

Committees	Roles
HSSE Tier 1 (All departments)	<ul style="list-style-type: none"> Addresses HSSE issues raised by employees and contractors from the ground level at department or shift level meetings.
HSSE Tier 2 (Production unit managers, area owners and representatives from all other units)	<ul style="list-style-type: none"> Reviews 11 QHSSE-related work processes and escalations from HSSE Tier 1 Committee. Management monitors HSSE performance on a weekly basis.
HSSE Tier 3 ("Steering Committee" or "Environmental Regulatory Compliance Monitoring Committee" – refinery employee, trade union representatives, Management and major contractors)	<ul style="list-style-type: none"> Discusses and identifies critical HSSE issues and implements QHSSE programmes. Attends to escalations from the HSSE Tier 2 Committee. Meets on monthly basis to cover standing agendas and on a quarterly basis to review the Company’s environmental performance and compliance, as required by the Department of Environment (DOE) directive for Guided Self-Regulation (GSR) initiative. Reviews on performance and results of internal and external audit programmes. Conducts annual HSSE Management Systems review.

In FY2020, RM7.1 million was allocated for HSSE aspects. The budget allocated increased in FY2020 as compared to FY2019 due to the commissioning of the Clean Air Regulations (CAR) Project which included additional environmental monitoring programmes and the Emergency Response support membership fee under the Petroleum Industry of Malaysia Mutual Aid Group (PIMMAG).

As QHSSE continued to be a key priority for us in FY2020 especially during the COVID-19 pandemic, HRC invested on development and training, campaigns and emergency response exercises to create more awareness and improve QHSSE performance.



Economic Sustainability

(ii) QHSSE Management

HRC’s Annual Plan details HSSE KPIs, targets and action plan for each year. HRC has established a mixture of leading and lagging indicators to ensure high standards are maintained. For monitoring purposes, HSSE Performance Metrics is updated weekly through Safety Pyramid and is shared site-wide on a monthly basis.

The set KPIs are measured through the review of HSSE statistics and performance at HSSE Site Steering Committee and Monthly Leadership meetings. The Board also reviews the HSSE scorecards on a quarterly basis.

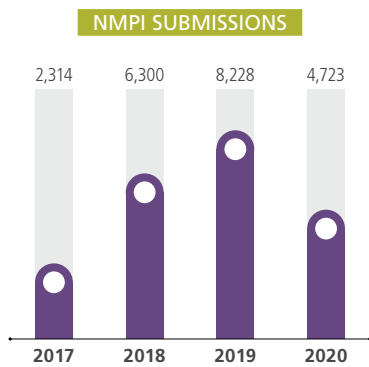
HRC is committed to advocating best practices and to ensure its HSSE performance is benchmarked against industry standards. HRC maintains an ISO 45001: Occupational, Safety and Health Management Systems (OSHMS) site-wide.

For any new projects, relevant teams will go through a process of Project Development Request where risk assessment will be carried out to ensure newly established projects will not adversely impact the health and safety of workers. This is a multi-stage process that involves review of the scope definition, risk assessment matrix, timelines, and multiple approval levels. Any changes to existing operations or projects will be managed through the Management of Change (MOC) process. Depending on the risk classification, risk assessment is mandatory to be conducted to ensure all risks are identified at the earliest stage and for necessary action to be taken accordingly.

Near Miss and Potential Incidents

One of the key QHSSE indicator is the submission of intervention on unsafe act and condition by both employees and business partners through the Near Miss and Potential Incident (NMPIs) submissions.

In FY2020, the total submission of NMPIs was 4,723. Despite the challenging COVID-19 year, whereby most HSSE Assurance Walks were put on hold and low construction manhours on site, HRC was still able to register a healthy NMPI reporting.



2020 Award Highlight

The Company’s HSSE’s efforts to improve its QHSSE performance are being recognised by the industry through its participation in national level awards. In February 2020, HRC received the National Council of Occupational Safety and Health (NCOSH) Award, a prestigious national level award, as the winner for 2019 in the category of Major Industries-Petroleum / Gas / Chemicals.

Audits

There were three external audits carried out in FY2020 at HRC, and all were completed successfully. The audits are listed below:

• ISO 9001: Quality Management Systems	Audits were conducted in August 2020 by SIRIM QAS International.
• ISO 14001: Environmental Management Systems	One Non-Conformity and three Opportunities for Improvement recorded.
• ISO 45001: Occupational Safety and Health Management Systems	Auditors recommended continuation of certification of all the systems for the site.

All other related management systems are in place and well-implemented. In the year under review, our site is certified with the following:

- ISO 9001 : 2015 Quality Management Systems
- ISO 45001 : 2018 Occupational Health and Safety Management Systems
- ISO 14001 : 2015 Environmental Management Systems
- ISO 17025 : 2017 Testing and Calibration Laboratories
- ISO 27001 : 2013 Information Security Management Systems
- ISO 37001 : 2016 Anti-Bribery Management Systems

(iii) Personal Safety

HRC cares about our employees and contractors who work in our refinery and we aim to maintain and promote a safe working environment with appropriate measures to support these practices. Additional personal safety measures have been put in place in FY2020 specifically in response to the COVID-19 pandemic.

Further details of HRC's response and management of the COVID-19 pandemic are found on pages 4 to 5 of the AR2020.

We continue to drive the “Chronic Unease Mindset” into all our employees, contractors and visitors, so that they will constantly remain vigilant about the potential risks and dangers in their surrounding environment when performing their tasks. All individuals are reminded to be responsible for their part to uphold the safety requirements on site.

HRC's GOAL ZERO vision states our aim to operate without any fatalities or significant incidents.

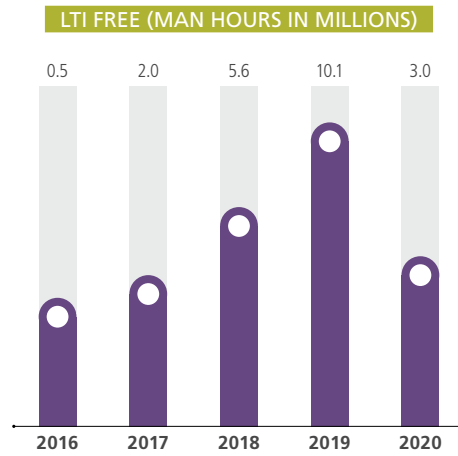
The following 12 Life Saving Rules support our Goal Zero vision.



QHSSE Performance

Lost Time Injury (LTI) Free Manhours in Millions

Throughout the year, HRC achieved safe execution of major projects with zero major incidents at our Euro 4M, Euro 5 Gasoil and H2GEN project sites. However, one LTI was recorded in FY2020 from refinery operations due to an accident during caustic unloading activity at the Effluent Treatment Plant (ETP). This incident reset our LTI Free Manhours from our previous record of 10.1 million. Since that incident, we achieved a 3 million manhours without an LTI by 31 December 2020.



Fatalities

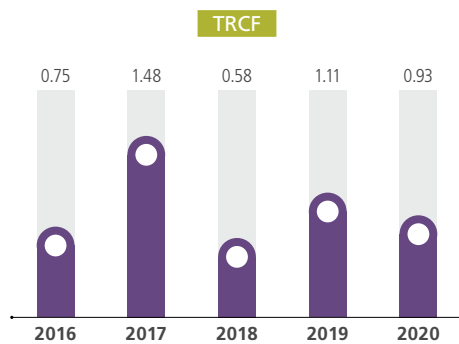
In FY2020, there were no fatalities, which is in line with our zero fatalities record for more than 27 years.



Economic Sustainability

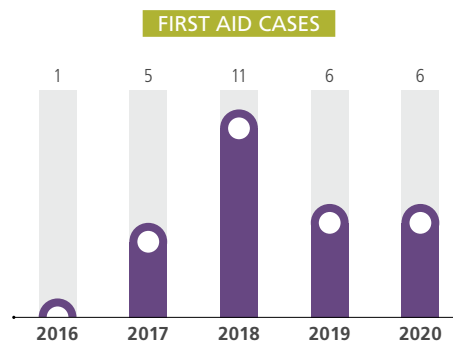
Total Recordable Case Frequency (TRCF)

Our total TRCF reduced in FY2020 as compared to the previous year due to fewer Total Recordable Cases (TRC) recorded from the Exposed Hours, which represents the total working hours recorded in FY2020.



First Aid Cases

Six minor personal safety incidents requiring first aid treatment were recorded during FY2020.



Personal Safety Incidents in FY2020

Despite our efforts to ensure our employees are in a safe environment and having appropriate measures in place, several safety incidents were recorded during the year under review:

(a) Loss Time Injury

One LTI was recorded in January 2020 related to an accident during caustic unloading activity at the ETP. The injured contractor received immediate medical treatment. An investigation was launched on the incident followed by a series of discussions, site verification and immediate preventive actions. All preventive actions were carried out onsite to prevent the recurrence of the incident. LTI free manhours were reset from our previous record of 10.1 million and on-site improvements post-accident were implemented comprehensively.

(b) Restricted Work Case (RWC)

One RWC was reported in February 2020 related to an injury that occurred while collecting oil sample in an offplot area. On-site improvements were immediately implemented based on the learning outcomes with stricter glove requirements, improved safe access path and sampling bottle backpack provided to the technicians.

(c) Medical Treatment Case (MTC)

One MTC incident was reported in the first quarter of 2020 related to a finger injury during a bearing block installation for a pump. The learning outcomes from

the incident was shared during Safety Stand Down session conducted to the maintenance team as well as site-wide. On-site improvements were implemented through a revised workshop on safety procedures and additional signages and visuals around the area.

(d) First Aid Cases

Similar to FY2019, six cases were recorded in FY2020. All incidents were investigated, and learnings were shared through a weekly incident investigation review session.

(e) Fire Incidents

Two fire incidents occurred in FY2020. A rim seal fire occurred at one of the crude tanks due to lightning strike and the fire was extinguished safely. The second fire incident occurred during a process unit outage due to a reliability issue. For both cases, no personal injury was recorded. A thorough investigation of both events was conducted to identify the root cause of the incidents. Improvement plans and actions were also put in place and actively tracked. Further details of the incident are discussed under the Process Safety Incidents in FY2020.



Environmental Incident

Oil Leak near Kampung Gelam, Port Dickson

An oil leak was discovered at a monsoon drain near Kampung Gelam. It was later confirmed that the leak originated from HRC's old fuel oil line connected to the nearest power station. HRC's Emergency Management Team was triggered and immediate action was taken to deploy aid and worked with the local authorities to contain and stop the leak. The close collaboration between HRC's internal team, our on-site contractor and the local authorities allowed all necessary cleaning, draining and other activities to be conducted and resolved successfully within a week.

Targets	FY2020 Activities
Educate all new employees, contractors or visitors on potential risks and dangers at site	All parties were required to attend a mandatory safety induction programme.
Reinforcing the "Keep in Mind" and "Chronic Unease" mindset on potential risks and dangers in the workplace	On-going campaigns and programmes such as "Just Intervene" and "iCARE4SAFETY" were held to support "Goal Zero" aspiration.
In-house Office Automation system on Incident & Audit Finding tracking	The Incident Management and Assurance Excellence (iMax) in the OA application was completed in the third quarter of 2020. The iMax enables all registered reported incidents and their immediate, interim and long-term control measures to be tracked until closure in the incident tracking management system and contributed a significant cost savings of RM170,000 per annum.
"Goal Zero" Vision	Zero LTI was not achieved in FY2020. One LTI was recorded in January due to an accident during caustic unloading activity at the ETP. As a result, the LTI-free cumulative manhours was reset from our previous record of 10.1 million manhours.

(iv) Process Safety

We are aware that process safety requires a disciplined framework to address issues on hazardous material management and prevention of any accidental release which could result in undesired incidents such as personal injury, fire, equipment damage or regulatory non-compliant environmental release. At HRC, process safety is upheld with appropriate measures in place to ensure proper design, operation, maintenance and inspection of our facilities.

Our Process Safety improvement strategy focuses on three main areas:

Measures	Scope
Preventive	Implement structured operations and maintenance programmes, which include diligent execution of procedures and plans, training, governance, documentation and communication to prevent spills and releases. Focus on understanding and identifying key factors that may impact safe and proper operations. We also strengthen our asset integrity inspections and monitoring activities.
Design	Design processes to avoid process safety events or provide systems to mitigate and contain any release. Existing facilities are reviewed every five years via a structured Process Safety Review process to identify opportunities to improve its design and operations.
Crisis Management	To strengthen our emergency response capabilities and mitigation measures.

Economic Sustainability

Process Safety 9 Fundamentals (PS9F)

The PS9F lays down the minimum requirements of process safety in HRC, which must be adhered to at all times. These fundamentals emphasise good practices to reduce unsafe acts and conditions, eliminate high severity process safety events and ultimately, to save lives.

The PS9F also support our Goal Zero vision.



Process Safety Reviews

To improve our process safety performance, it is crucial to review all reported incidents, near misses and other unplanned incidents related to Process Safety. These incidents are analysed through a causal learning investigation protocol to uncover the root causes. Recommendations are then translated into action items and subsequently included in learning and information packs to be distributed to all concerned parties. Under our Learning From Incident (LFI) process, a working team meets on a monthly basis to jointly review incidents from external sources, including those related to process safety and ensure applicable learnings are adopted in HRC.

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 people, equipment and systems in the process plant.

Process Safety Hazards and Effects Management Process (HEMP) requires HRC to conduct a Five-Yearly Process Safety Review cycle for all systems within HRC. In FY2020, HRC completed four Process Safety reviews which identified opportunities that would reduce site exposure to major process safety risks to As Low As Reasonably Practicable (ALARP).

Four years into the HEMP cycle, the team has completed a total 18 out of 22 systems throughout the refinery. Improvement opportunities are being tracked systematically.

Process Safety Incidents in FY2020

HRC tracks and monitors its Process Safety performance through the utilisation of American Petroleum Institute’s (API) Recommended Practice (RP) 754.

API Tier 1 Process Safety Event (PSE)

A rim-seal fire incident occurred on a crude tank during a heavy thunderstorm in Port Dickson in May 2020. The investigation showed that weaknesses with the rim-seal contributed to the release of higher than normal amounts of hydrocarbon vapour from the tank that led to a lightning strike during a heavy thunderstorm. There were no injuries reported.

Immediate action was taken post incident to improve the health and functionality of Fire Fighting Equipment (FFE) within HRC. This included the creation of the Fire Fighting Equipment Maintenance Plan Procedure, a sweep through of foam facilities and testing for floating roof tanks and rectification of defective FFE. The progress on actions from the investigations are tracked by the QHSSE focal point and reviewed by the Leadership Team regularly.

API Tier 2

PSE 1

A Loss of Primacy Containment (LOPC) of propylene gas occurred from a leaking line in the LRCCU unit. The leak was immediately addressed and repaired. Further improvements were triggered after this incident to prevent recurrences in the future. Recommendations from the learning outcomes have been captured, shared site-wide and centrally tracked in the incident management and reporting platform, iMax.

PSE 2

A fire incident occurred at one of the main fractionation columns in the refinery, at its inlet flange joint. This occurred during a process unit outage due to a reliability issue. The fire was quickly put out and damage to the surrounding equipment was minimal. Learning outcomes and recommendations have been shared site-wide and captured by the appointed focal contact.

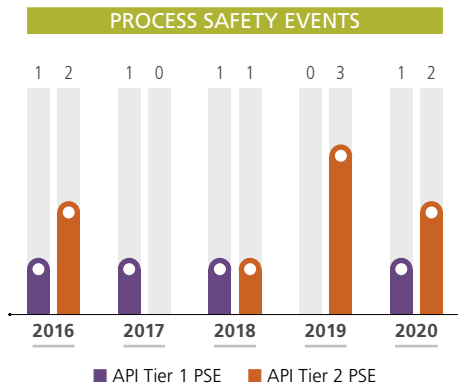
Target	FY2020 Activities
Improve Process Safety Management (PSM) framework and performance	<p>In FY2020, HRC refreshed its existing PSM processes by adopting best practices and guidance available in the oil & gas industry. This has given birth to a new refreshed PSM framework for HRC. This framework is comprehensive and covers all key elements related to Process Safety including business processes, competency, monitoring and leadership among others. Many of these are already pre-existing in HRC although some of these elements will need to be enhanced and developed for alignment with the new framework. The full roll-out and implementation of this refreshed framework will be done in stages beginning from 2021 and is expected to be completed by 2023.</p> <p>Ultimately, the new PSM framework is intended to ensure foundational elements, which is key for world class process safety performance, are sustained and effective in HRC.</p>

Learning from Incidents (LFI) Review

All findings from any incidents are disclosed internally as part of the Incident Investigation & Reporting (IIR) and LFI review. The investigation results are discussed during weekly incident investigation review meetings to ensure learnings are kept and embedded sustainably. This forum is participated by multi-disciplinary attendees. The summary of incidents such as recordable cases and First Aid Cases (FAC) are disclosed through the 3-tier HSSE communications structure. These platforms provide a channel for reviewing the HSSE performance, implementation of corrective and preventive actions and dissemination of QHSSE information of general interest on a monthly basis.

All required actions from the IIR review meetings and immediate, interim and long-term control measures are recorded in the iMAX, the online incident tracking management system. Through iMAX, the registered actions are then tracked until closure.

In FY2020, internal communication packs were distributed to all departments including contractors, on a monthly basis. The LFIs from internal and external parties were synthesised and learnings were packaged appropriately to ensure lessons were sufficiently learnt on site.



Economic Sustainability

Causal Learning (CL) Process for Incident Investigation

CL LEVEL 1

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

CL LEVEL 2

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

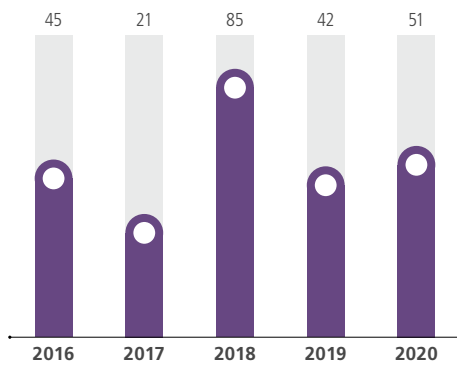
CL LEVEL 3

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

DEPTH OF CAUSE

CL1	CL2	CL3
Physical Causes Failure Mode Failure Mechanism	Human System Causes & Behaviours	Work Processes & Organisation & Systemic Beliefs

NUMBER OF INCIDENT INVESTIGATIONS CONDUCTED AND PRESENTED



(v) Emergency Preparedness and Response

HRC continues to prioritise the safety of its people and business continuity by maintaining a robust emergency preparedness and response system to support the safety measures on the site's available resources for timely and effective deployment during emergency. The Emergency Response Policy sets out 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 Emergency Response (ER) and Security section 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 PIMMAG. At site, the HRC medical support and facility is managed by a qualified Occupational Health Nurse during working hours to deal with any medical emergencies and the well-being of employees.

Target	FY2020 Activities
Sustaining the Emergency Readiness awareness	Three basic industrial fire-fighting training sessions were conducted with a total 104 participants. In FY2020, eight members from the Fire, Rescue and Medical Team (FiRM) team attended two PIMMAG oil spill response trainings. Four refresher first aid training sessions were organised for 16 employees from the FiRM team.
Testing the Emergency Readiness strategies	15 Tier-1 and one Tier-2 drills were conducted in collaboration with the HRC operations team, FiRM team, business partners and local authorities.

QHSSE Training in FY2020

Our people are constantly reminded about the importance of quality and HSSE through our site-wide training programmes. Training needs are assessed between multi-disciplinary teams on a needs analysis basis to identify required training sessions for the year. Specific HSSE training are mandatory for identified personnel as legally required for compliance. The effectiveness of each training programme will be evaluated based on employee feedback.

Regular drill exercises are conducted to ensure that personnel are familiar with precisely defined roles, responsibilities, resources and specific actions that have to be taken during HSSE incidents.

HRC's QHSSE team conducted 26 training programmes during the year covering various topics as follows:

• Emergency Response

- PIMMAG oil spill training aimed to provide practical skills and knowledge to effectively set-up and operate OSR equipment, which was attended by eight FIRM responders.
- First Aid training refresher on first aid techniques was attended by 16 FIRM responders.
- Three training sessions were conducted on basic industrial fire-fighting as a refresher programme involving 104 employees.

• Operational and Safety

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

- Several Permit to Work (PTW) Levels 1 & 2 trainings were conducted so that employees are clear on their responsibilities while performing hazardous on-site activities. PTW Level 1 training focused on new PTW applicants and holders, of which 229 attended the programme during the year. PTW Level 2 training involved employees with signatory technical authority, where 23 employees attended the programme in FY2020.
- 71 personnel attended the Authorised Entry and Standby Person (AESP) training focused on improved competency training for new and existing AESP holders.
- Authorised Gas Tester and Entry Supervisor training attended by 18 personnel to upskill technical competency.
- 24 employees attended the Lifting Engineer and Supervisor training aimed to improve technical competencies and knowledge.

• Health

- 139 employees attended the First Aid training courses aimed at refreshing first aid techniques.
- 27 employees attended the online Fatigue Risk Management training aimed to improve on-site fatigue management understanding.

For legal and business-related trainings, several face-to-face meetings proceeded during the pandemic year. However, proper controls were put in place following HRC's internal guidelines to ensure a safe environment for all participants. The measures taken included:

- Specified number of persons attending the session at a time
- Physical distancing via markings on the table and number of persons limitation per table
- Health declaration form sent upfront (a week or at least three days before the scheduled appointment date)
- Daily temperature screening
- Wearing face mask at all times except during meals
- Dining hall (at the HRC Sports Club) prepared with physical distancing markings on tables

QHSSE Campaigns, Initiatives and Programmes in 2020

HRC is constantly seeking ways to raise awareness on QHSSE issues to cultivate individual ownership and responsibility on QHSSE matters among HRC's employees and contractors as all HSSE framework applies to all employees and contractors.

Efforts to promote QHSSE practices in HRC continued during the year under review. However, some of the planned initiatives were suspended during the year for a few months due to the Movement Control Order (MCO) and additional lockdown restrictions imposed as the COVID-19 risk increased again in the fourth quarter of 2020.



Further details on HRC's response and management of the COVID-19 pandemic are on pages 4 to 5 of the AR2020.

Assurance Walks

One of the key highlights during the year is the HSSE Field Assurance Walk involving the following activities:

Leadership Walks 'Turun Padang': LT 'Turun Padang' is a weekly QHSSE walkabout that promotes visible safety leadership and serves as a pulse check on the current health of our HSSE standards implementation on site. This activity provides the Leadership Team with the opportunity to engage with employees and business partners on HSSE matters on the ground and help to identify potential hazards and proactively mitigate them before the accidents occur.

Weekly CEO Walk-the-Site: A dedicated one-hour visit to areas of concerns for the CEO to engage directly with the team on ground.

Daily Goal Zero Walk: Daily Goal Zero Walks are arranged for each day of the week and is centered on different themes of key process assurance. The themes addressed in FY2020 were Process Safety Field Observation, Permit to Work (PTW) & HSSE, Ensure Safe Production or Process Isolation and Reliability and COVID-19 health check compliance.

Green Walk: A targeted assurance programme covering environmental compliance requirement on site and documentations. This includes compliance for the Environmental Quality Act 1974, Environmental Quality (Scheduled Waste) Regulations 2005, Environmental Quality (Industrial Effluent) Regulations 2007, Environmental Quality (Clean Air) Regulations 2014 and Conditions of Approval (COA) for Environmental Impact Assessment.

Feel the Field Initiative: Throughout the year in FY2020, several topics were selected to be included as a dedicated discussion in toolbox meetings organised by disciplines and contractors. Representatives from QHSSE took their turn to participate in a sectional toolbox to ensure safety communication was delivered clearly via small group discussions, with COVID-19 precautionary measures in place. This approach is relevant during the COVID-19 pandemic.

In view of the rising number of COVID-19 cases in Negeri Sembilan in the fourth quarter of 2020, all Assurance Walk activities were suspended for the second time since October 2020.

Safety Campaign

HRC's Safety Campaign commenced in the second quarter of 2020. Various initiatives were organised throughout the year to promote the importance of safety and health among the employees and business partners. The campaign covered various topics from personal fatigue management, safety handling of chemical, bicycle safety in refinery and noise hazard management.

In FY2020, HRC continued to celebrate the annual Safety Day event by conducting it virtually.

Pre-Safety Day

- Safety Campaign kicked off in August 2020 with the HRC Behavioural Based safety campaign (iCARE4SAFETY) and "Cleaner Air for All" campaign in September 2020.

Safety Day 2020

- HRC Safety Day 2020 held in December was launched with the theme "iCARE4SAFETY" and held for the first time virtually. The event consisted of award presentations for the CEO HSSE Award 2020, CEO HSSE Contractor Award 2020 and CEO HSSE Special Award winner. There was also a site-wide safety video award winner presentation held virtually with the theme "iCARE4SAFETY", Be Well 2.0 winner presentations and a talk show titled "Rising Above Challenges".

Process Safety Campaign

A Process Safety Campaign was successfully held in the first quarter (Q1) of 2021. This two month programme commenced in January 2021 with sharing of e-bulletins containing key Process Safety topics to refresh mindful awareness. The campaign culminated with a half day 'Process Safety Questival' in February 2021, which involved exhibitions, poster sessions and gamification of Process Safety concepts and principles via interactive games. The session was purposefully held at a safe location within the plant area to maximise attendance by refinery frontliners as well as any personnel keen to learn more about good process safety performance. The campaign was very well received.

QHSE E-Newsletters

To improve internal communication during the Movement Control Order (MCO) period, the first quarterly e-newsletter titled, "UNZIPPED" was issued to employees in May 2020 to provide updates and upcoming events on the refinery operations and other HSSE matters.

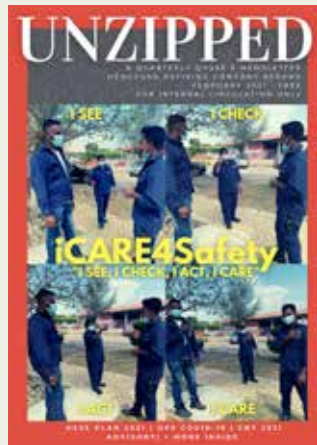


Monthly CEO HSSE Award

As part of a new HSSE initiative, a monthly CEO award was introduced in April 2020 as an enhanced version of the previous NMPI Heroes award to catalyse positive trend on intervention and to strengthen safety culture on site.

Health and Wellness Campaign

The Be Well 2.0 campaign is a wellness programme launched in September 2019 till August 2020, aimed to encourage and promote healthy balanced lifestyles for employees and to address various other health related topics including stress management. Several challenges that were launched under the Be Well 2.0 campaign included physical challenges such as planks and wall sits aimed to encourage employees to improve their stamina. Employees have been reminded to continue practicing a healthy lifestyle for improved physical and mental health even when they worked from home during the COVID-19 pandemic. In the end, a total of 222 employees participated in this campaign resulting in a cumulative weight loss of 103 kilograms.





Environmental Sustainability

HRC remains committed to our long-standing principle of reducing our environmental footprint in our pursuit to be a leading global energy and petrochemical company. We aim to fulfil our obligations to our stakeholders and actively work towards minimising environmental impacts from our operations, products and services.

Our Internal policies and Malaysia’s environmental legislations provide a robust framework with stringent standards for environmental sustainability of HRC’s refinery and the community around us.

UN SDGS – HRC’s Contributions & Efforts

UN SDG 7

Ensure access to affordable, reliable, sustainable and modern energy for all

- The CAR Project, EURO 5 Gasoil project and the on-going EURO 4M project are expected to help reduce emissions in the country and the region through production of cleaner fuel quality.



UN SDG 12

Ensure sustainable consumption and production patterns

- Commitment to report on the annual sustainability practices and measures of operations.
- Concept of reduce, reuse and recycle (3R) waste embedded in few processes.
- Implementation of long-term energy masterplan to optimise energy usage which will contribute to the reduction of CO₂ emissions which is important in fighting climate change.



UN SDG 13

Take urgent action to combat climate change and its impacts

- Managing GHG emissions by improving energy efficiency and integrating GHG emissions management into our operations.
- The launch of the “Cleaner Air for All” environmental campaign to promote the Environmental Quality (Clean Air) Regulations 2014 (CAR 2014).



Our Environmental Governance and Management Framework

Our Environmental Policy outlines HRC’s commitment to mitigate environmental and climate change impacts, in particular on pollution, waste and use of resources in the areas where we operate. The Environmental Policy requires HRC to fulfil its obligations and ensure compliance with the Environmental Quality Act (EQA) 1974 and all other applicable environmental laws and regulations. We measure a range of our data from our refinery, including the use of water, energy, gas emissions and waste management to evaluate our impacts to the environmental aspects from our business activities. The HRC site is certified with ISO 14001: 2015 Environmental Management Systems, which supports HRC’s efforts to maintain standards that are on par with industry best practices in tackling these environmental issues.

We also consider and include environmental risks and opportunities in all our business strategies and initiatives.

Our Business Continuity Plan (BCP) and procedures are in place to manage any disruptions to the refinery. The BCP is triggered upon occurrence of any uncontrollable incidents involving external / 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.

HRC continues to be recognised by industry experts for its environmental management and performance. HRC won the top tier recognition under the Prime Minister’s Hibiscus Award (PMHA) for the years 2019 / 2020, which is the Excellent Achievement Award and Joint State Award for Negeri Sembilan. The PMHA is jointly organised by four of Malaysia’s leading private sector non-profit organisations concerned with corporate environmental management and performance. This is the highest achievement ever for the site, and second consecutive award that HRC has won from PMHA, after receiving the Exceptional Achievement Award for years 2016 / 2017.

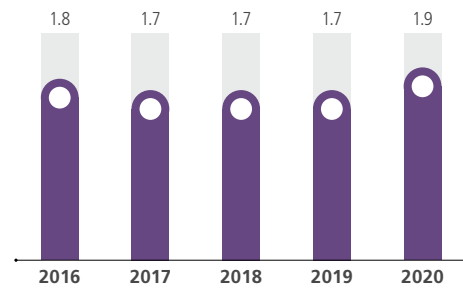
Water and Effluents

Water

Our operations require water, which is used in our operations in multiple ways, including to generate steam, for cooling and for cleaning purposes. We are aware that water resources are vital, so we ensure our raw water consumption is optimised, thereby ensuring the water intake is no more than what is critically necessary to operate the refinery.

We practice water conservation and continuously drive towards optimising water consumption (as well as other utilities) as we aim to conserve natural resources and reduce production costs at the same time.

REFINERY RAW WATER CONSUMPTION (MILLION m³)



Environmental Sustainability

Raw water consumption in FY2020 was higher by 0.2 million m³ than FY2019, due to the startup of the Wet Gas Scrubber in late 2019 (to comply with the new CAR 2014 enforced by the DOE in 2019). Our raw water is sourced from the state water utility company. However, HRC experienced one major water disruption during the year. Due to the unexpected disruption, HRC had to source water from an alternative source at a higher cost to avoid a full plant shutdown. Leveraging on our BCP, we were able to keep the plant running even during this major water disruption by taking all appropriate measures in the refinery.

As HRC measures progress of actual raw water use against historical data (at similar throughput), investigations are conducted and corrective measures are applied when there is significant discrepancy between the actual versus the historical data.

HRC performs internal verification of its water usage by comparing flow rate registered by our state raw water supplier's flow meter versus HRC's own flow meter. This provides assurance over the quantification of raw water intake to the refinery. We do not have an existing water management plan for the site but the plant has features and designs that inherently drive towards efficient use of this resource. For example, HRC's modern steam-condensate recovery system recovers condensate (as water) from steam. Without this system, HRC would be required to use 50 per cent more raw water than it does presently.

Effluents

Under HRC's Effluent Monitoring Programme, treated effluent water (water that is no longer usable or recyclable) and sea water quality at the jetty are diligently monitored and reported to the DOE on a monthly basis.

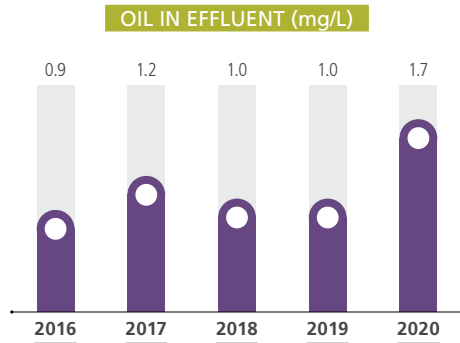
HRC conducts daily performance monitoring through various laboratory testing and sampling activities to ensure the targetted effluent water quality is met. Effluent water and seawater quality are tested by an external laboratory which is accredited and approved by the DOE. The Effluent Treatment Plant (ETP) was designed to operate in accordance with the set guidelines and parameters. This enables HRC to proactively detect and take necessary corrective action on any parameter exceeding the acceptable boundaries to ensure final release are within legal limits under the DOE's Standard B limits, as stipulated in the Environmental Quality (Industrial Effluent Regulations) 2009 and the Marine Water Quality Criteria and Standards. The water quality findings are reported to the DOE on a quarterly basis.

No fines and penalties for non-compliance were imposed by the DOE on HRC in FY2020.

However, three incidents of effluent water non-compliance were reported during the year.

Incident	Immediate Action Taken	Outcomes
Two incidents recorded deviation in pH levels of the effluent water discharged at HRC's jetty.	Immediate action taken to isolate the final discharge and minimise the impact to the environment.	Investigation outcome showed potential analyser inaccuracy, which was rectified immediately and condition subsequently normalised.
One incident on blackish water and minor oil sheen seen in HRC's water effluent.	Immediate action taken to isolate the final discharge and minimise the impact to the environment.	Effluent water quality improved and normalised after troubleshooting by the team.

The effluent is discharged into the sea through the DOE approved pipeline and discharge point. Quality of effluent in FY2020 was in compliance with the Environmental Quality (Industrial Effluent) Regulations 2009 Fifth Schedule Standard B.



Targets	FY2020 Activities
Improve the overall treated effluent and water quality levels	HRC initiated the WWMP project in FY2019 to address increasing concerns of holding basin overflow and flooding, which is an aftermath of the adverse weather (heavy rain) impact of climate change. A revised draft interim plan was developed following a multidisciplinary workshop to prioritise short-term focus area to strengthen the Last Line of Defense at optimum cost.
Optimise water usage	We continued to track water usage very closely and undertook tactics to optimise water consumption in various parts of the refinery. This included water usage at specific high consumption equipments and maximising recycled water at the refinery.

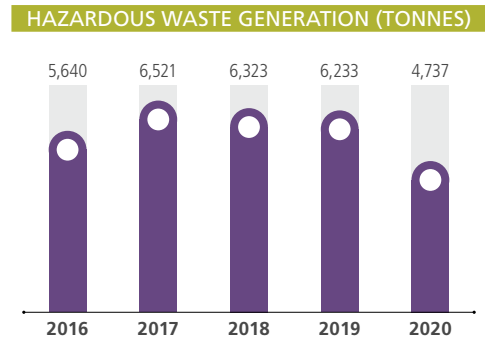
Waste Management

HRC aims to reduce or eliminate the discharge of waste materials that negatively impact the environment. Hence, we administer our waste management responsibly in line with the Environmental Quality (Scheduled Wastes) Regulations 2005. HRC's waste management procedures stipulate the need to avoid generation of waste, reduce and re-use waste, and where possible, recover and finally dispose when other methods are not viable.

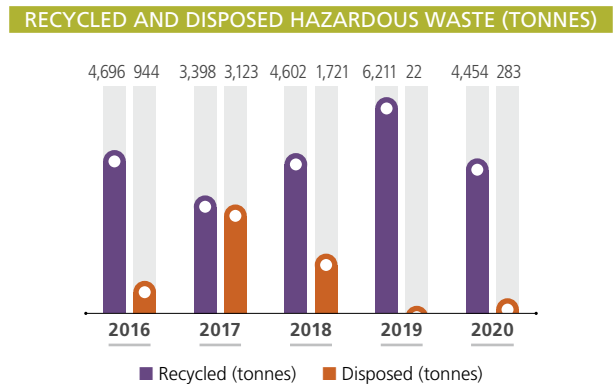
The main wastes generated from our operations are spent oil water emulsion, ETP sludge and spent catalysts from LRCCU. We work with only Government approved and licensed contractors to treat and safely dispose all hazardous wastes.

The concept of reduce, reuse and recycle (3R) waste is embedded in a few processes in HRC. These include the oil slops systems which allows off specification product and leaked oil, that is to be recycled and reprocessed again to reduce the amount of waste generated.

In FY2020, HRC generated a total of 4,737 tonnes of hazardous waste, a reduction of 24 per cent as compared to FY2019. This decrease was the outcome of an improvement effort which achieved 80 per cent reduction of ETP sludge generation through identifying, mitigating and addressing all the issues which contributed to the excess water content in the ETP sludge.



The recycling rate in FY2020 decreased by 28 per cent as compared to FY2019 due to the improvement in reducing ETP sludge (less tonnage produced) and treatment of spent caustic through ETP resulting in the reduced generation of spent water emulsion. Despite the expansion of ETP by the inclusion of Purge Treatment Unit (PTU) in late 2019, the overall hazardous waste generation in 2020 was maintained at minimum level.

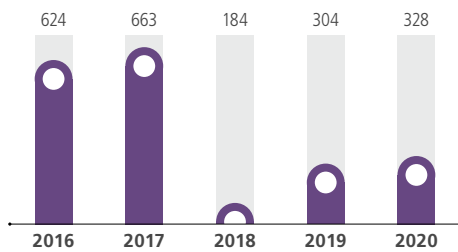


Environmental Sustainability

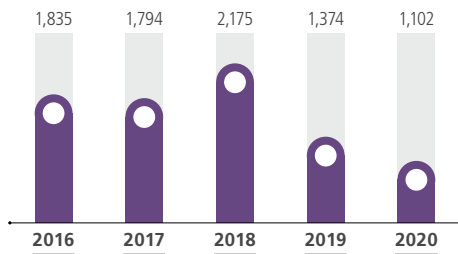
Effluent Treatment Plant (ETP) Sludge (MT)

The ETP Sludge reduction exercise was initiated from January to June 2020. HRC achieved more than 80 per cent reduction of sludge generation which resulted in about RM300,000 in savings. This was achieved through identifying, mitigating and addressing all the issues which contributed to the high water content in the ETP sludge. However, with the commissioning of Purge Treatment Unit (PTU) in the fourth quarter of 2019, a slight increase in overall sludge generation was observed.

EFFLUENT TREATMENT PLANT (ETP) SLUDGE (MT)



SPENT OIL WATER EMULSION (MT)



Target	FY2020 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 consistently seeks strategies to reduce, reuse or recycle our waste to minimise disposal of waste. Improvement efforts by the operations team to treat spent caustic through effluent treatment resulted in the 20 per cent reduction in disposal of spent water emulsion in FY2020 as compared to FY2019. Despite the expansion of the ETP by the inclusion of PTU in late 2019, the sludge generation in FY2020 was maintained at a minimum due to the sludge reduction initiative by the operation front-liner which managed to achieve more than 80 per cent reduction of sludge generation.

Climate Change and Gas Emissions

To support the global efforts to mitigate climate change, HRC works towards reducing our GHG emissions and impacts to the environment from the work that we do. HRC acknowledges the urgency for global efforts in mitigating climate change issues as well as environmental protection and is committed to manage our GHG emissions by improving energy efficiency and integration of GHG emissions management into our business activities.

HRC is currently not a member of any trade or business association related to the mitigation of climate change. However, HRC aspires to participate in one in the future.

We maintain and report emission inventories, undertake projects to manage operating emissions and apply innovative technologies to improve the energy efficiency of our operations.

We use the methodology and guidelines outlined in the API Compendium of Greenhouse Gas Emission Methodologies for the Oil and Natural Gas Industry 2009, Intergovernmental Panel on Climate Change (IPCC) and ISO 14064-1 to calculate our gas emissions.

SIRIM QAS International verified HRC's GHG emissions for the years FY2018 and FY2019. Although no GHG audit was conducted for FY2020, HRC still applied the same approach to ensure GHG emissions are in line with the ISO 14064-1 and international standards and best practices.





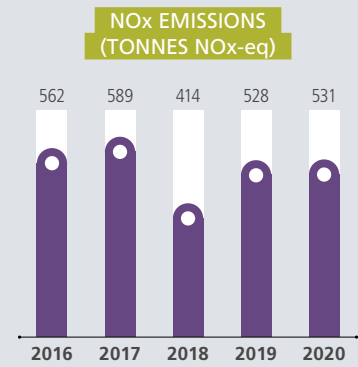
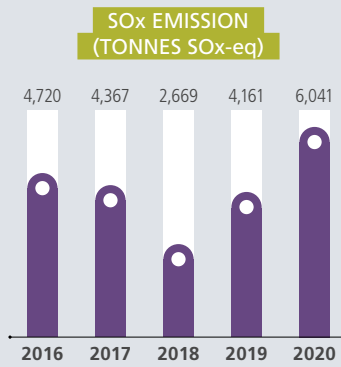
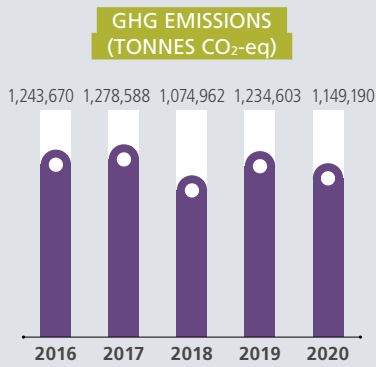
GHG Emissions (tonnes CO₂-eq) (Scope 1 & 2)

HRC's GHG emissions include direct GHG emissions from stationary combustion, flaring, process and fugitive emissions (Scope 1) together with indirect emissions from the use of imported electricity, which are measured as CO₂ equivalent emissions (Scope 2).

Our total GHG emissions have reduced by 7 per cent from 1,234,603 tonnes CO₂-eq in FY2019 to 1,149,190 tonnes CO₂-eq in FY2020. This reduction in GHG emissions was due to the decrease in refinery throughput. Our GHG emissions per million barrels produced showed improvement in carbon efficiency from FY2019, at 29,618 tonnes CO₂-eq. / mln bbl

in FY2020 as compared to 31,820 tonnes CO₂-eq. / mln bbl in FY2019. This is due to improvement initiatives relating to the boiler furnace efficiency and energy optimisation via Advance Process Control under the long-term Energy Masterplan which kicked off in FY2020.

Our SOx emissions increased to 6,041 tonnes SOx-eq. in FY2020 as compared to 4,161 tonnes SOx-eq. in FY2019. This is due to an increase in acid flaring during an unplanned SRU shutdown in May 2020. Additionally, our NOx emissions had a small increment from 528 tonnes NOx in FY2019 to 531 tonnes NOx in FY2020.



Targets	FY2020 Activities
Improve and monitor emissions from refinery sources in accordance with the CAR 2014	Continuous monitoring of GHG emissions in compliance to CAR 2014 limits.
Produce cleaner fuels and help create cleaner living environment for Malaysians	In the process of upgrading the existing refinery for the introduction of Euro 4M fuel quality specifications as part of efforts to improve air quality. HRC's Euro 4M project is still under the construction phase which is targeted to commission by third quarter of 2021.
Reduce carbon footprint by minimising GHG emissions from our operations	HRC aims to reduce GHG emissions approximately 16 per cent from base year emissions in FY2017 through the implementation of the long-term Energy Masterplan in FY2019. The target is to reduce energy usage by year 2027 through reduction of 16,500 tonnes CO ₂ -eq per month.
Create awareness on new CAR 2014	A "Cleaner Air for All" environment campaign was launched in September 2020 with the aim to raise awareness and share information related to the new CAR 2014. In the spirit of the new normal, the virtual campaign included an online Environment Chat session called "Borak Santai" with HRC's in-house panelists ranging from the Leadership Team, senior engineers and frontliners to discuss the implementation of green initiatives at home and improving the Company's environmental performance.

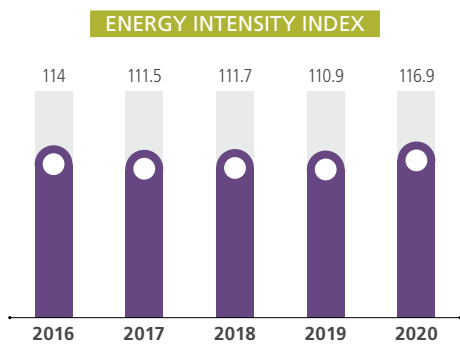
Environmental Sustainability

Energy Management

HRC works towards the conservation of energy and natural resources in HRC’s business operations to reduce the impact on the environment.

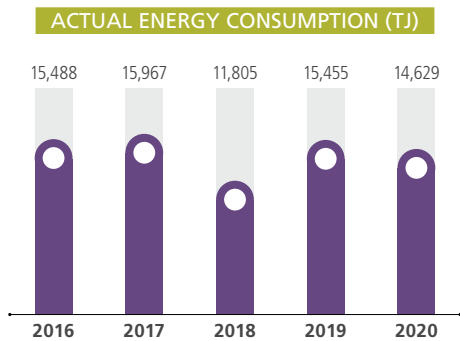
We use the Solomon Associates’ Energy Intensity Index (EII) methodology to measure our refinery energy performance by comparing actual consumption against standard consumption. This approach considers plant load, feed quality, plant complexity, and severity of the major process units and utilities. The EII is determined by calculating overall fuel usage and comparing them against industry benchmarks and normalised with refinery throughput and utilisation. The EII target is set annually and monitored regularly to ensure process units are operated at an optimum level in terms of energy efficiency for any given unit throughput, thereby optimising the use of valuable fuels. Our overall aim is to cut down on energy costs and reduce CO₂ emissions to the environment.

HRC has a comprehensive energy management programme that includes our daily energy Steer Opportunity and Take Action (SOTA) board, weekly CO₂ and Energy Management Information System (CEMIS) steer and continuous effort on fuel optimisation.



Actual Energy Consumption

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



The energy consumption data for FY2018 was verified by SIRIM QAS International, as part of the GHG verification audit. Although no third party audit was conducted in FY2020, we continued to use the same approach to calculate energy consumption in FY2020.

Energy Masterplan

A long-term Energy Masterplan was strategised and formulated in FY2020 to drive the refinery to achieve a breakthrough in energy performance. HRC aims to make a big shift in EII from Third Quartile performance to the breakpoint of the Second Quartile and First Quartile of the Solomon Associates’ benchmarking standard for refineries. During the year in review, some progress was made on this masterplan.

Under the Energy Masterplan, we established improvement tactics which focuses on six major categories across wide ranging areas in the refinery, and is aimed to achieve a combined EII reduction of 14.5 points by the year 2027.

HRC initiated the following activities in FY2020 to achieve the overall energy targets:

- Improve furnace efficiencies by optimising excess oxygen in flue gas.
- Fuel usage reduction via utilising improved process control and automation.
- Continually optimise overall refinery fuel supply and demand balance to ensure the most optimal energy mix is being utilised at any one time.

The Energy Masterplan supports HRC’s commitment to be a responsible company. Reduction in energy usage will directly reduce CO₂ emissions, which is important in fighting climate change. Additionally, a reduction in energy usage will also allow cost reductions, which would free up capital for other value-added usage and incorporate HRC’s mitigation plans on climate change risks to optimise energy use.

Despite HRC’s efforts to improve energy performance in FY2020, the refinery was unable to achieve its EII target for continued improvement in FY2020 due to lower refinery throughput as a result of the COVID-19 pandemic. Additionally, there were several reliability incidences that led to sub-optimal fuel usages. On-going efforts are implemented to ensure the refinery’s long-term energy improvement plans are sustained.

Targets	FY2020 Activities
To improve refinery overall energy efficiency and strive to achieve the annual EII target of 110.4	EII index for FY2020 was 116.9.
To formulate and commence execution of HRC's long-term Energy Masterplan	HRC's Energy Masterplan was devised and launched in the first quarter of 2020. Since then, execution of some of the plans have begun though the onset of COVID-19 caused delays in its progress.
To optimise fuel consumption and minimise flaring	Implementation of Energy MasterPlan in FY2020 as stated above.



Responding to Public Grievances

Public Concerns & Complaints

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

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

In FY2020, HRC organised two engagement sessions with the residents from the fence line community - Taman Toh Kee Kah and Kampung Arab, respectively. These two villages are located two kilometres from the refinery. The sessions provided an opportunity for the Company to engage with the residents by sharing relevant operational updates and insights. The residents also gained a better understanding of the refinery operations and the efforts that HRC put in place to minimise any potential impact from the operational activities.

HRC received 10 public concerns and complaints in FY2020, relating to noise and intermittent black smoke mainly from planned maintenance activities and plant upset management situations. All of these complaints were quickly addressed and resolved.



Complaints received

Actions taken

Eight public complaints received related to noise and dark smoke concerns from nearby residents

All complaints were addressed accordingly by the PIO. Most of the noise and dark smoke concerns resulted from unplanned plant shutdown / startup and equipment tie-in, which were temporary to ensure continued safe plant operations. A community engagement was conducted with several representatives from Taman Toh Kee Kah and attended by HRC Management to address concerns and to share further mitigation actions taken by HRC.

One public complaint related to smell due to post tank fire incident

Complaint was addressed accordingly by the PIO.

One public complaint related to acid flare flame out

Complaint was addressed accordingly by the PIO. Troubleshooting was performed by the Operations team.



Social Sustainability

Our success over the years is anchored on the relationships we build with our employees and our neighbours, and by the mutual trust and respect we foster for those who are most impacted by how we operate. Despite the challenges brought by the COVID-19 pandemic, HRC strived to maintain a safe and conducive work culture as well as deliver on our social responsibilities to our fence line communities under a new normal environment.

UN SDGS – HRC’s Contributions & Efforts

UN SDG 4

Ensure inclusive and quality education for all and promote lifelong learning opportunities for all

- Advocate education and training and development for our employees to build talent through in-house training opportunities.
- Supporting talents through Internships and Graduate programmes.
- Collaboration with local universities for practical training and hands-on experience at site.



UN SDG 5

Achieve gender equality and empower all women and girls

- 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.



UN SDG 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Provide employment opportunities to the surrounding community in Negeri Sembilan.



 **Employment**

HRC’s approach to manage the well-being of its people is embedded in its robust employment policies to ensure the right working conditions and experience. We have a range of policies, including the HR Benefits Policy, that addresses employment practices for all permanent employees, including recruitment, promotion, consequences management, working hours, leave, insurance, compensation, training and development and benefits. The minimum benefits that are offered for full-time employees include health care and maternity leave. The Head of Human Resources is responsible to oversee the implementation of the HR policies and processes.

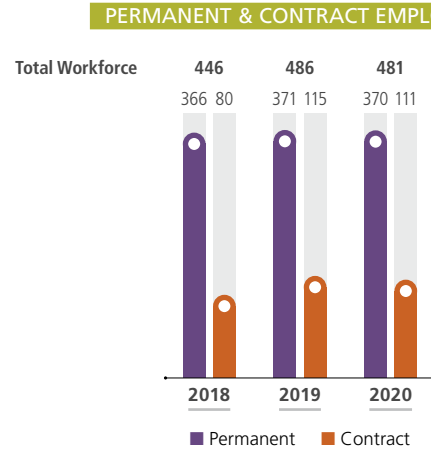
Our Company’s Core Values and the Code of Conduct guide the desired attitudes and practices of our people to help create a great workplace for everyone.



 **General Workforce Statistics for HRC**

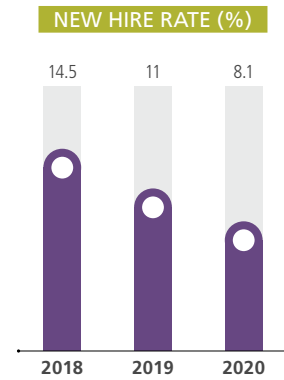
Total Workforce (Permanent & Contract)

As at 31 December 2020, the total headcount of permanent and contract employees is 481.



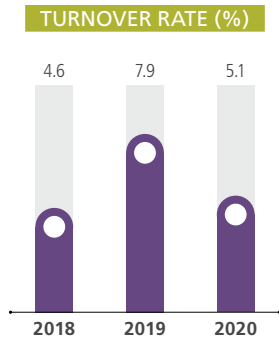
To ensure the Company’s continuous excellence for long-term success, the right sizing and talent in the organisation are needed. Both new talent and experienced employees are equally important for talent retention and management.

Details of our new hire and turnover rates over the last three years are as follows:



We recorded a 8.1 per cent rate of newly hired employees in various departments in FY2020.

Social Sustainability

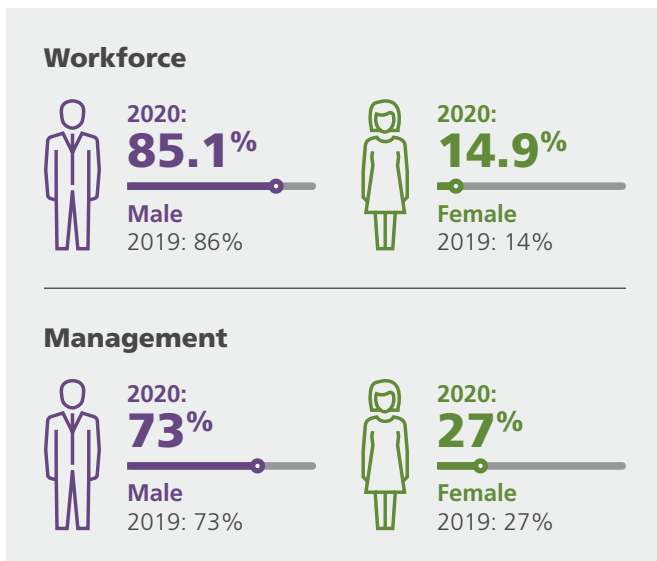


Employee turnover decreased in FY2020 as compared to FY2019. The reduction is likely due to the downturn in the economy as a result of the COVID-19 pandemic, which has impacted the job market.

Diversity and Equal Opportunities

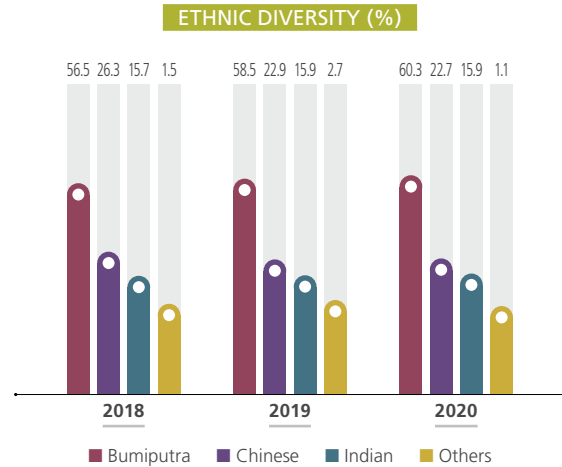
Any employment related decision, including but not limited to hiring, evaluation, promotion, training, development, discipline, compensation and termination, will be made upon objective evaluation and consideration. The Company values diversity and is committed to practicing and providing equal opportunities to our workforce without any discrimination based on race, colour, religion, age, gender, sexual orientation, gender identity, marital status, disability, ethnic origin or nationality.

The gender diversity in our workforce as at 31 December 2020 comprised 14.9 per cent female and 85.1 per cent male employees. At the management level, three out of eleven, which is 27 per cent, are female.



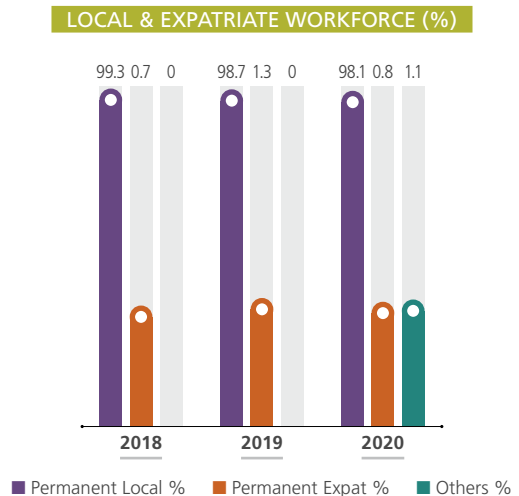
Ethnic Diversity

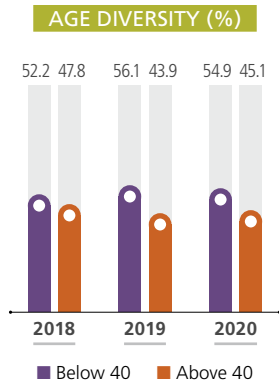
The ethnic diversity in our workforce as at 31 December 2020 comprised 60.3 per cent Bumiputra, 22.7 per cent Chinese, 15.9 per cent Indian and others forming 1.1 per cent of total employees.



Local & Expatriate Workforce

Our workforce is built mainly on local Malaysian talent, comprising all major ethnic groups. This is in line with the national demographic statistics. We are committed to source our talent locally, and if required, HRC may consider hiring expatriates for their expertise. In FY2020, one expatriate was seconded from the regional office to hold the position of CEO.





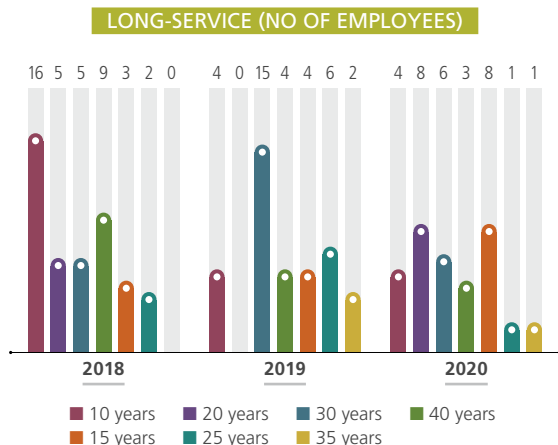
As the nature of HRC’s work environment is constantly changing due to the rapid transformation of business landscape, HRC is committed to maintain a balanced workforce in terms of age diversity. All levels of employees from different age groups are valued with recognition, opportunities to grow and upskilling through training regardless of their age group.

Recruitment and Retention

HRC adopts an objective and transparent evaluation and selection of employees through various HR processes: job interview, training and development, job rotation, transfer and promotion. We ensure candidates and employees are given fair opportunities regardless of their demographic background.

We want to ensure contentment of our people by providing competitive remuneration and benefits driven through our Employee Value Proposition (EVP) initiatives. The EVP is reviewed annually against industry benchmarks to ensure it remains competitive.

Long-service awards are given to reward employees’ commitment and loyalty. We also practice a transparent annual performance appraisal process to evaluate work performance.



Training and Development

We continue in our efforts to invest in the life-long learning and development culture and opportunities for our employees to enhance their personal and professional growth.

HRC provides a range of training and development opportunities which cover technical, non-technical and on-the-job training to upskill technically as well as enhance leadership and personal development skills. Each employee is provided an opportunity to discuss their personal development training needs with their respective line managers during the annual Individual Development Plan (IDP) planning process. This process aims to identify gaps and address the training requirements for each individual. Upon completion of the competency training, employees are expected to apply skills and knowledge learned and demonstrate improved levels of performance.

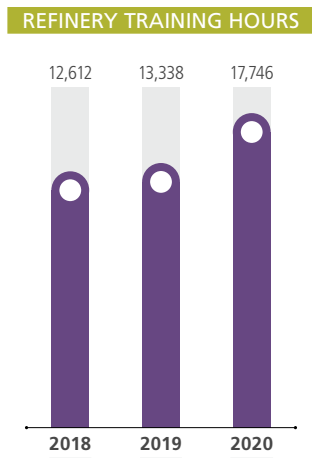
Even before the COVID-19 pandemic hit, HRC implemented the Split Resource Operation (SRO) for non-shift employees. During this time, employees were asked to adhere to strict measures that HRC put in place. This included postponement of all external trainings and to conduct meetings virtually. To some extent, physical training at site continued to be carried out with strict operating procedures in place. The New Norm protocols provide further health and safety guidelines on how training is to be conducted at site.

Training Hours

- In FY2020, the average training hours was approximately 48 hours per employee.
- Classroom and online average training hours was 21 hours per employee.
- On-the-job training (OJT) average training hours was 27 hours per employee.

The type of training offered for technical skills covered legal refinery compliance training and upskilling. The non-technical areas involved the operations, administration, supervisors and leadership teams. As HRC transitioned the method of evaluating and assessing training during the year, OJT opportunities were introduced in FY2020 for employees to improve their capabilities in handling refinery machine, facilities and other operational activities.

Social Sustainability



The total number of training hours increased in FY2020 as the refinery training hours were tracked differently to include OJT as part of the employees’ training development. We also saw the number of virtual training increase as more employees worked from home during the year.

Trade Union

HRC works closely with its Trade Union to ensure that employee issues and concerns are dealt with appropriately and amicably. Mechanisms for discussions are in place to allow trade union representatives to engage with Management. The three-year Collective Bargaining Agreement (CBA) signed with the Trade Union in June 2019 regulates the relationship between the Company and Trade Union members. Key terms of the CBA include proper working and rest hours / days and payment of wages that exceed the minimum wage requirements under Malaysian laws.

As at 31 December 2020, 155 HRC employees, representing 41.9 per cent of HRC employees, are members of the Trade Union.

Youth Programmes in FY2020

As part of our initiatives to support the community, we provide various programmes for youths, which help develop succession planning for the next generation of employees. While there were no apprentices or any new intake of graduates under the Graduate Programme in FY2020, 27 trainees were offered practical training experience in over nine departments in the Company for a period of six to nine months under HRC’s Internship programme.



The first HRC Graduate Programme was launched in 2019.



Employment Best Practices

Employee Grievance Mechanism

Our grievance mechanism process provides a formal avenue for our employees to raise complaints, difficulties or any dissatisfaction faced by our employees. There are opportunities for confidential discussions in a formal or informal manner through line managers. These are escalated to the Head of HR, or CEO, or both, if issues cannot be resolved. Our Whistleblowing Policy and the BWC also provide channels for employees to report any potential violation of policies or procedures in a safe and secure framework.

Harassment or Bullying

HRC does not support any form of workplace harassment or bullying. Employees are encouraged to report any improper conduct through the employee grievance mechanism described above.

Human Rights

Conducting our activities in a way that respects human rights is a business imperative and supports our licence to operate. Although HRC has not made any official commitment to apply international principles on human rights, HRC supports these internationally recognised rights by embedding such principles into 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 employees, 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.

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.

Working Hours, Fair Wages and Child Labour

We strive to adhere to Malaysian laws and regulations to ensure that our employees are protected by, amongst others, meeting minimum wages, and prevention of child and forced labour. HRC does not have any specific policy on child labour.

We want our employees to have a work-life balance and do not encourage excessive working hours. HRC adheres to the Employment Act 1955 to ensure its employees working hours are in accordance with the Employment laws and labour standards.

Membership

HRC is a member of Malaysian 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. At this stage, HRC is not a member or participant in any initiative or commitment to international frameworks on labour standards although HRC may consider participation in the future.

Freedom of Association

The Company provides freedom to its employees to participate in any associations or political party as long as it does not conflict or negatively impact the Company's reputation.

HRC has not recorded any instance of non-compliance of labour standards in FY2020.

Social Sustainability



HR Engagement Activities in FY2020

Although the COVID-19 pandemic forced many events, campaigns and initiatives to be cancelled during year under review, several planned activities continued as part of HR’s initiatives to boost the Company culture:

- **Long Service Awards**

We reward our long-term employees who have been with the Company for more than 10 years during our annual dinners. Due to the pandemic, no annual dinners were held in FY2020. However, long services awards were presented to the recipients in a private awards recognition ceremony with the CEO.



- **HRC Cares**

A collaboration between HRC’s HR and Corporate Affairs departments, HRC Cares is an internal communication campaign sharing health tips on how to effectively and efficiently work from home especially since the enforcement of the work from home arrangements due to the COVID-19 pandemic. This initiative was an additional communication channel with the employees during the difficult period. HRC Cares programme also included the distribution of face masks, sanitisers and snacks to employees at site.

- **Engagement with Management**

The Quarterly town halls, monthly newsletters, CEO letters and afternoon chats with the Leadership Team were held virtually during the year to provide an opportunity for employees to engage with the Management team remotely during the pandemic. The implementation of these initiatives was based on the outcomes from the People’s Survey 2019, and were used to create awareness and build better understanding of the Company values.

Targets	FY2020 Activities
Develop and retain talented workforce	<ul style="list-style-type: none"> • Identified key talents for future career paths via a thorough review and assessment of the talent pipeline.
Improve HR operational efficiencies	<ul style="list-style-type: none"> • HRC established a Centre of Excellence (COE) to strengthen the HR function capabilities and execution. The COE comprises of a group of HR specialists focused on developing policies and processes to support the business. • Several HR policies such as the Benefits, Travel, Time and Attendance Policies, were updated. The objectives of policy updates were to ensure HRC remains competitive in the market and relevant to attract and retain talent for the Company.

 **Local Community**

We value our surrounding communities and we work hard to ensure that their lives are not negatively impacted by our business operations.

Community Engagement

We engage with our neighbours and maintain good relationships with them to address any issues and manage their concerns through our community feedback mechanism.

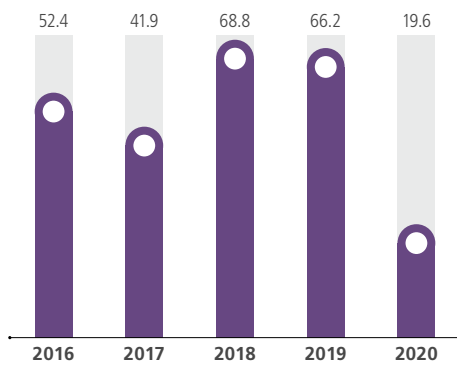


Please refer to the section "Public Concerns & Complaints" on page 41 of this Report for details of complaints and how they are managed within HRC.

Community Investments

We are committed in our investments to various outreach programmes that create value for our community, people and our Company. We focus our investments on three main pillars that represent our values: Education, Environment and Social. In the midst of the COVID-19 pandemic and due to the economic slowdown, HRC had to minimise expenditure, including its annual contributions to our surrounding communities in FY2020. As a result of cost cutting measures, HRC invested only RM19,550 in FY2020 for its social and community project investments.

SOCIAL/COMMUNITY PROJECT INVESTMENTS (RM'000)



 **Community Programmes**

HRC took tight preventive measures to reduce any physical gatherings and engagements to avoid any potential exposure to the COVID-19 virus. Despite the set-backs, HRC proceeded with a few planned annual events with the communities on a smaller scale by adhering to the safety measures as outlined by the Government.

The following are some of the community activities took place in FY2020:

• **Mandarin Orange Distribution**

In conjunction with Chinese New Year, HRC partnered with Majlis Pengurusan Komuniti Kampung (MPKK) of Kampung Teck Lin, Kampung Arab and Kampung Gelam to distribute mandarin oranges to the senior citizens at the respective villages. We contributed 50 boxes of oranges to each village. The event was attended by our CEO and MPKK's Ketua Kampung.

• **Kempen Mencegah Denggi (Dengue Prevention Campaign)**

HRC partnered with one of our fence line communities and the Port Dickson Town Council to organise a dengue prevention campaign. This raised awareness on keeping the environment clean and demonstrated best practices on dengue prevention. HRC sponsored RM1,000 for the event.

• **Deepavali Food Hamper Distribution**

HRC distributed hampers to 19 families in Port Dickson to prepare for Deepavali celebrations. The hampers consisted of daily necessities such as rice, milo powder, flour, sugar and cooking oil. The event was attended by representatives from the Leadership Team and volunteers from the Company.



WE VALUE YOUR FEEDBACK

The viewpoints and insights presented in this Report are based on internal evaluations which may vary from other analysis, as well as trending reports available on the various disciplines relevant to our industry. The information presented is nevertheless provided in the best interests of our various stakeholders and every possible effort is made towards achieving the highest level of accuracy.

We aim to develop our sustainability goals and strategies further with the benefit of collaborative discussions and engagements with our stakeholders. We appreciate your feedback and welcome all comments and suggestions on our sustainability practices and reporting.

Write to us:

Corporate Affairs Department

Hengyuan Refining Company Berhad
Batu 1, Jalan Pantai
71000 Port Dickson
Negeri Sembilan, Malaysia

Alternatively, email us at
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	IIR	Incident Investigation & Reporting
ALARP	As Low As Reasonably Practicable	IPF	Instrumentation Protection Function
AML	Anti-Money Laundering	ISO	International Standards Organisation
AMP	Asset Master Plan	KPIs	Key Performance Indicators
API	American Petroleum Institute	LFI	Learning from Incident
BAC	Board Audit Committee	LOPC	Loss of Primary Containment
bbi	Barrel	LPG	Liquefied Petroleum Gas
BCP	Business Continuity Plan	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	MCO	Movement Control Order
BWC	Board Whistleblowing Committee	ME	Maintenance Execution
CAR	Clean Air Regulations	MOC	Management of Change
CAR 2014	Environmental Quality (Clean Air) Regulations 2014	MPKK	Majlis Pengurusan Komuniti Kampung
CCG	Catalytic Cracked Gasoline	MTC	Medical Treatment Case
CEO	Chief Executive Officer	NCOSH	National Council of Occupational Safety & Health
Code	Code of Conduct	NMPI	Near Miss and Potential Incident
CO₂	Carbon Dioxide	NO_x	Nitrogen oxides
COE	Centre of Excellence	OA	Office Automation
DOE	Department of Environment	PER	Process Effective Review
EES	Economic, Environmental and Social	PIO	Public Information Officer
EII	Energy Intensity Index	PMHA	Prime Minister's Hibiscus Award
EQP	Ensure Quality Product	PTW	Permit to Work
ERP	Emergency Response Plan	PQ	Product Quality
ESG	Environmental, Social and Governance	PQI	Product Quality Incident
ETP	Effluent Treatment Plant	PQRIs	Product Quality Reliability Incidents
EVP	Employee Value Proposition	PS9F	Process Safety 9 Fundamentals
FAC	First Aid Case	PSE	Process Safety Event
FFE	Fire Fighting Equipment	PTIE	Proactive Threats Identification Elimination
FiRM	Fire, Rescue and Medical Team	QHSSE	Quality, Health, Safety, Security and Environment
FY	Financial Year	RWC	Restricted Work Case
GHG	GreenHouse Gas	SDGs	Sustainable Development Goals
GRI	Global Reporting Initiative	SO_x	Sulphur oxides
GSR	Guided Self-Regulation	TRC	Total Recordable Cases
H2GEN	Hydrogen Generation	TRCF	Total Recordable Case Frequency
HEMP	Hazards and Effects Management Process	UN	United Nations
HGBP	Hengyuan General Business Principles	UPDT	Unplanned Downtime
HRC	Hengyuan Refining Company Berhad	WWMP	Waste Water Masterplan
HSSE	Health, Safety, Security and Environment		

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