

YINSON HOLDINGS BERHAD

Emerging Risk Report (July 2023)

REPORT

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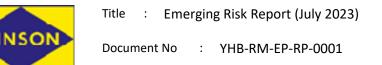
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1 PURPOSE

The purpose of this Emerging Risk Report (July 2023) is to identify and analyse potential risks and uncertainties that could significantly impact Yinson's objectives, strategies, and operations in the near future. The purpose of this report is to provide key stakeholders with a comprehensive overview of emerging risks and their potential consequences. By proactively identifying and addressing these risks, Yinson can make informed decisions, develop effective risk management strategies, and safeguard its long-term success.



Date : 30/06/2023

2 OWNERSHIP

Approver: Alex Gwee Aik Seng

• This document shall not be altered without the Approver signature.

Checker: Shawn Chong Weng Yew

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3 ABBREVIATIONS & DEFINITIONS

The Definitions below are the Yinson Holdings Berhad standard for all managed documents.

FPSO	Floating production storage and offloading
ESG	Environmental, social and governance
MSCI	Morgan Stanley capital international
CSA	Corporate sustainability assessment
PCG	Parent company guarantee



4 Risk Outlook

At Yinson, our risk outlook assesses emerging risks through analysing factors, trends, and scenarios. It considers internal factors like financial health and operational capabilities, as well as external factors such as macroeconomics, industry trends and regulatory changes. This forward-looking assessment enables informed decision-making, strategic planning, proactive risk mitigation, and drives continuous improvement of risk management practices. By anticipating and understanding risks, we enhance resilience, adapt to change, and achieve our objectives confidently.

Presented below are the emerging risks identified through a comprehensive analysis of factors, trends, and scenarios specifically tailored to the operational context of Yinson's business.

4.1 Energy Transition Risk

Energy transition risk refers to the energy sector's shift from fossil-based resources (e.g. oil, coal, natural gas) to renewable energy (e.g. solar, wind, hydropower). Examples of energy transition risk may include climate-related risk pertaining to market demand for fossil fuels and regulatory changes.

4.1.1 Impact of the risk on Yinson

As the world transitions from fossil-based systems of energy production and consumption to carbonfriendly energy solutions, Yinson, which generates significant revenue from its FPSO business unit, is at risk from shifts in government energy-generation policies and changes in investing preferences of asset-owners due to heightened environmental awareness, economic viability of renewables through technological improvements, carbon-related legislation, and others.

The failure to keep up with and adapt to the energy transition may cause loss of business opportunities from clients with sustainability-related requirements, exclusion from sustainability indexes, legal consequences, and reputational damage.

4.1.2 How we manage or mitigate the risk

- Establishment of Yinson's Climate Goals Roadmap and its accompanying key strategies to manage the energy transition.
- Expansion and growth of Yinson's renewables and green technologies business units.
- Operationalisation of carbon abatement strategies for carbon-heavy assets (i.e. closed flaring, hydrocarbon blanketing system, combined cycle technologies to maximise energy efficiency and utilising low-emission alternatives as energy sources).
- Continuous improvements in ESG Rating scores such as FTSE4Good Index, Morgan Stanley Capital International (MSCI), Sustainalytics and S&P's Corporate Sustainability Assessment (CSA).
- Providing assurance on the carbon intensity performance for FPSO segment and renewable energy generation for renewables segment.



4.2 Country Risk

Country risk refers to the potential risks and uncertainties associated with operating in a specific country. It encompasses a wide range of factors, including economic, political, social, and regulatory aspects that can significantly impact Yinson's overall strategy, assets, business operations and investments.

4.2.1 Impact of the risk on Yinson

Failure to conduct adequate due diligence and foresee adverse changes prior to expanding into such countries expose Yinson to financial losses arising from unexpected expenses, decreased market share or business failure. Other potential adverse implications could be operational disruptions, unsafe environment for employees, reputational damage, legal and regulatory non-compliances.

By not recognising country risks as well as opportunities, Yinson may be impacted by risk events and more importantly, fail to capitalise on significant business opportunities in emerging markets. Failing to expand into countries with growth potential could potentially hinder Yinson's ability to establish its presence in these markets, gain a competitive advantage, and achieve long-term growth.

4.2.2 How we manage or mitigate the risk

- Ensuring our operations in different jurisdictions diversify the risk of concentration in a particular country.
- Stay abreast on changes of the local news and regulations from local advisor and management team.
- Sourcing of local partners to fulfil country specific local equity participation.
- Regular engagement and communication with stakeholders to resolve emerging issues.
- Coordinate with locally appointed secretarial service provider to meet the statutory and regulatory requirements in the respective countries.
- Securing an acceptable and credit worthy parent company guarantee ("PCG") from the charterer, whereby the PCG is different from the operating country risk.
- Ensuring sufficient insurance coverage is purchased to manage potential regulatory issues in the operating country.