



YINSON HOLDINGS BERHAD

Emerging Risk Report (May 2024)

REPORT

02	31/05/2024	Issued for Implementation	NLS	SCW	AGAS
Rev No.	Date	Reason for Issue	Prepared By	Checked By	Approved By

Document Classification: Proprietary			
Document Title:	Emerging Risk Report (May 2024)		
Document No:	YHB-RM-EP-RP-0002		
Process:	RM - Risk Management (GRC)	Applicable To:	YHB Head Office, Malaysia
Revision No:	02	Effective Date:	31/05/2024



Table of Contents

1	PURPOSE	4
2	OWNERSHIP	5
3	ABBREVIATIONS & DEFINITIONS	6
4	Risk Outlook	7
4.1	Geopolitical Instability and Supply Chain Risks	7
4.1.1	Impact of the risk on Yinson businesses	7
4.1.2	How we manage or mitigate the risk.....	8
4.2	Technology Risk (Artificial Intelligence)	9
4.2.1	Impact of the risk on Yinson.....	9
4.2.2	How we manage or mitigate the risk.....	9



Title : Emerging Risk Report (May 2024)

Revision : 02

Document No : YHB-RM-EP-RP-0002

Date : 31/05/2024

Revision Details

Rev. No.	Section	Details
01	All	New document
02	All	New emerging risks identified <ul style="list-style-type: none">- Geopolitical Instability and Supply Chain Risks- Technology Risk (Artificial Intelligence)



Title : Emerging Risk Report (May 2024)

Revision : 02

Document No : YHB-RM-EP-RP-0002

Date : 31/05/2024

1 PURPOSE

The purpose of this Emerging Risk Report is to identify, assess, and communicate potential external risks that could significantly impact Yinson's operations and strategic objectives over the long term. Emerging risks are external threats that are new or increasing in significance and could have a significant long-term impact on our organisation's strategy and business model. These risks, often unquantifiable, may not impact operations or profitability immediately but have potential future consequences.

This report aims to enhance our risk management framework by incorporating forward-looking perspectives on emerging risks, enabling proactive measures to mitigate potential adverse effects. By systematically evaluating these risks, we aim to safeguard our company's financial stability, operational resilience, and competitive position in a rapidly changing global environment.



Title : Emerging Risk Report (May 2024)

Revision : 02

Document No : YHB-RM-EP-RP-0002

Date : 31/05/2024

2 OWNERSHIP

Approver: Alex Gwee Aik Seng

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

Checker: Shawn Chong Weng Yew

The Corporate Document Controller, reporting to the Group, Head of Governance, Risk & Compliance, shall be the maintenance owner of the YHB CIMS and its associated Master Document Register ensuring compliance with laws and regulations, formats, coding conventions, content, review cycles, records, signoff, and revision coding.



Title : Emerging Risk Report (May 2024)

Revision : 02

Document No : YHB-RM-EP-RP-0002

Date : 31/05/2024

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
AI	Artificial Intelligence
YP	Yinson Production
ML	Machine Learning



4 Risk Outlook

At Yinson, our risk outlook focuses on identifying and analysing emerging risks by examining key factors, trends, and scenarios. It considers internal risks stemming from within Yinson which are mitigated through our risk management processes, strategic risks accepted by businesses for potential gains which are managed through frameworks as well as external risks, which are beyond Yinson's control and require focused identification and mitigation. 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. In addition to the current risk profile that the Yinson Group is managing, the two specific risks below are emerging risks identified as at May 2024.

4.1 Geopolitical Instability and Supply Chain Risks

As the name of the risk suggests, we have further expanded the risk of "Geopolitical Risk" identified in our previous assessment. This risk remains a material emerging risk. While Yinson remains largely unaffected based on current geopolitical and supply chain landscape, further material escalation or unforeseen events might expose the organisation to the risk due to the international nature and dependency of key component supplies of Yinson's businesses. The risk refers to the threats posed by political instability, conflicts, trade disputes, or changes in government policies in key regions that affect global supply chains. These risks can lead to delays, increased costs, shortages of essential materials, and uncertainties in supply chain operations. We have identified specific (but not limited to) areas that could potentially escalate the risk:

4.1.1 Impact of the risk on Yinson businesses

Floating Production Storage Offloading (FPSO) Vessels

Disruptions to FPSO operations due to political instability, supply chain disruptions, or security threats could lead to delays in project execution, increased costs, and heightened safety concerns. Moreover, uncertainty in key markets may jeopardize long-term contracts and complicate project financing. Changes in government policies, subsidies, trade restrictions, and tariffs can further disrupt supply chains, leading to project delays or cost overruns.

Renewable Energy and Green Technology Assets

Similar risks to the above are also concerning for Yinson's renewable energy projects and green technology expansion into other countries, where unstable political environments may slow down progress. Potential shifts in international agreements and environmental regulations could also impact the feasibility, investment returns, and timelines of these initiatives.

While the renewable energy sector is less exposed to geopolitical risks, delays in the supply of key components like solar panels and wind turbines due to trade wars or sanctions can impact project timelines and profitability. Green Technology solutions reliance on advanced technologies and



Title : Emerging Risk Report (May 2024)

Revision : 02

Document No : YHB-RM-EP-RP-0002

Date : 31/05/2024

international partnerships makes it vulnerable to geopolitical tensions, especially in regions key to technological innovation and rare material supplies.

Overall Organisational Impact:

Financial Impact: Potential increase in operational costs due to supply chain disruptions, tariff hikes, and delays in project completion.

Operational Impact: Risks of delays and potential operational shutdowns due to the unavailability of critical components.

Reputational Impact: Delays and increased costs can damage the company's reputation, particularly if they lead to missed deadlines or unmet customer expectations.

4.1.2 How we manage or mitigate the risk

- Development of supplier databases for critical components.
- Diversification of income streams, businesses and operation location.
- Execution of insurance programs to mitigate impacts arising from loss of key assets
- Regular engagements with local governments and stakeholders through established local offices and Country Managers to maintain positive relations and ensure compliance with local regulations.
- Utilisation of robust systems for frequent monitoring of geopolitical developments and forecasting potential risks, allowing for proactive adjustments to strategies and operations.



4.2 Technology Risk (Artificial Intelligence)

Technology risk, particularly regarding Artificial Intelligence (AI), refers to the potential challenges and uncertainties associated with the adoption, implementation, and integration of AI technologies in Yinson's operations. As AI becomes essential for the business to remain relevant and stay competitive, this risk represents significant emerging challenges for Yinson. This risk includes the possibility of technological failures, cybersecurity threats, and data privacy concerns. Moreover, the reliance on relatively untested AI technologies introduces uncertainties that could impact long-term business continuity, data privacy, and compliance with emerging regulations. These external risks, evolving over the next three to five years, require Yinson to adapt its strategies to ensure long-term business continuity and compliance with emerging regulations.

4.2.1 Impact of the risk on Yinson

The integration of emerging technology across Yinson's operations presents several challenges and risks that could significantly impact the company. In Yinson Production (YP), advanced technologies such as Machine Learning (ML) are being integrated to optimize operations and explore the potentials of predictive maintenance. However, this introduces risks such as forecasting inaccuracies, where the predictions made by ML algorithms may be flawed, leading to operational inefficiencies or unexpected equipment failures. Additionally, cybersecurity breaches remain a significant threat, as hackers could exploit vulnerabilities within AI systems, potentially disrupting operations or causing significant damage.

Moreover, the increased use of AI by employees for decision-making and operational tasks raises concerns about the potential leakage of confidential data. AI systems, if not properly secured, could inadvertently expose sensitive information, either through errors in data handling or through malicious attacks targeting the AI infrastructure. The risk of hackers exploiting AI systems is particularly concerning, as it could directly affect the organization by compromising data integrity or manipulating outputs.

4.2.2 How we manage or mitigate the risk

- Prioritized investment in AI technologies that have undergone rigorous testing and have proven track records in similar industries.
- Strengthened cybersecurity measures to protect AI systems from breaches and to ensure data integrity.
- Provide continuous training and webinars for employees on AI systems to ensure proper use and understanding, reducing the likelihood of human error.
- Periodical monitoring and ensure compliance with emerging regulations related to AI and establish ethical guidelines for AI use within the organization.
- Developed contingency plans for technological failures, including workaround procedures and alternative operational strategies.