

STRATEGY REVIEW

Joint commentary by Mr Daniel Bong, Group Chief Strategy Officer and Head of Group Corporate Advisory (2022) and Mr Chai Jia Jun, Group Chief Strategy Officer (2023)



POISED FOR CONTINUED GROWTH

It has been yet another fast-paced, fruitful and exciting year for Yinson, in which we performed strongly in both financial and sustainability contexts through the disciplined execution of our strategy. We concluded our Group Strategy Review (“GSR”) in 2022, which subsequently led to the reinforcement of our strategies and a number of developments announced in early 2023. The GSR was supported by Boston Consulting Group as part of our review strategy process.

To recap, we first started on the GSR in 2021, cognisant that we needed a blueprint to guide us over the next 10 years, especially as we would be facing significant structural, regulatory and industry changes with the broader market landscape signalling a clear acceleration of the energy transition. We realised that now is the pivotal time to make the right strategic decisions to support our growth and long-term sustainability. We also needed to evaluate our capital allocation and reserve strategy, fine-tune our core competitive position and explore new opportunities and ways of doing things in the context of our future business direction.

Thus, the key deliverables of the GSR were to:

- Assess Yinson’s core capabilities against the market landscape and macro trends.
- Establish probable long-term scenarios, evaluate strategic choices and lay out the dominant strategy.

- Examine a framework for strategic capital budgeting and identify further sources of capital which are aligned with our growth plans.

AFFIRMING OUR DIRECTION AND STRATEGY

The GSR’s key conclusions affirmed that our overall business model, strategy and direction were solid, and this has given us greater focus in terms of execution. From the review, it became even clearer that each of our business units is growing in different phases, and how the Group supports them should change in order to maximise their growth potential and create greater value for our stakeholders.

We were at an inflection point in our growth journey and we needed to consider business unit autonomy and capabilities, but with active stewardship from the Group. Therefore, one of the direct results of the GSR was the implementation of greater decision-making autonomy at the business unit level, reflected in the strengthening of functions, manpower and expertise, which were previously provided centrally by the Group. This also included adjustments to Limits of Authority (“LOA”) to ensure business units are able to make independent and timely financial decisions, as well as the launch of new brand identities for each business unit. These changes, together with strategic leadership changes to better reflect the needs of our business, were rolled out in phases from late 2022.

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Our newly established business unit, Farosson, led by Mr Daniel Bong, acts as a catalyst for growth, offering collaborative capital solutions that drive success, maximise returns, and foster a sustainable future. With a focus on advisory, investment and asset management, Farosson offers a robust platform for capital recycling, enabling businesses to unlock the value of their long life assets and optimise resources for enhanced returns. Farosson's expertise lies in sourcing the right capital and investors tailored to the unique requirements and circumstances of Yinson's businesses. This will ensure a stable capital base that supports our Group's growth initiatives. Armed with hands-on investing experience accumulated over the years, Farosson will also invest in external sustainable infrastructure projects, reinforcing our Group's dedication to environmental stewardship and expanding our impact in the broader community.

A DEEPER DIVE

Through the GSR, we had the opportunity to take a deeper dive into each of our businesses to determine what our next steps should be in the context of their respective operating environments, while considering capital, technological and human capital demands.

Yinson Production

The FPSO business remains Yinson's main profit centre in the near to medium term and will require significant capex to grow. With the energy sector entering a capex expansion era, we believe that YP is well positioned to capitalise on this while contributing significantly to the net zero agenda given our competitive advantages such as strong relationships, project execution, operational track record and a leading position in decarbonisation efforts. Yinson will also continue to pursue its multi-client portfolio to ensure business sustainability.

Separately, the FPSO business also conducted a strategy review which led to an internal reorganisation that streamlined and housed all FPSO activities under YP. This strengthens its balance sheet to tap into future growth and expansion. This exercise also prepares the FPSO business to take advantage of market opportunities as and when they present themselves.

As part of the FPSO strategic review, Yinson decided not to pursue an Initial Public Offering of the FPSO business at this stage, considering the prevailing macroeconomic developments and factors which would not be favourable towards maximising shareholder value presently. Nonetheless, we continue to explore various other opportunities and options, including strategic partnerships, from time to time.

Yinson Renewables

Our Renewables business has its finger on the pulse of the energy transition, showing significant opportunity to scale. Capital recycling has always been an integral part of YR's growth strategy. We will strategically evaluate options to sell down renewables projects, which may include an asset-by-asset or a portfolio aggregation approach. We will also strategically plan the right timing to sell down, cognisant that each phase of the asset's value chain presents different risk, return and cost profiles.

YR will continue to diligently assess project opportunities, correlating returns to each project's risk factors, such as the counterparty, contractual legal terms, technical requirements, tax, ESG, project partners and strategic considerations. The evaluation process, led by our experienced team and local partners, helps us to balance commercial expectations with our strategic goal of achieving sustainable growth.

We believe that our current and future pipeline holds significant value. In time, we believe that we will be able to strategically monetise the pipeline, bringing sustained returns both to the Group and our shareholders.

Yinson GreenTech

Our green technologies business fits in well with Yinson's vision and climate goals, and provides a good balance to the Group's overall risk return profile in line with the energy transition. The findings from the GSR affirmed that YGT is involved in spaces that are key value drivers in the decarbonisation economy.

Having invested in various technology companies in the early stages of YGT's growth, in 2022 we directed our focus to the strategic areas that we should build and scale. The heart of YGT's business is electrification across the land and sea transport systems, and we are working hard to strategically enhance and integrate our various service offerings towards creating this future ecosystem for disruptive growth. We believe these efforts have not yet been reflected in the valuation of the Group, and will therefore bring significant upside to our shareholders in the future.

STEADY PROGRESS AGAINST OUR GROUP STRATEGIES

Throughout the period under review, we continued to be guided by our six Group Strategies (GS1 to GS6). Below, we describe how adhering closely to the strategies has brought us closer to achieving our purpose.

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GS1 Operationalise ESG

At Yinson, we recognise that delivering on our ESG targets is key to enabling us to contribute materially to global energy security, ensuring the sustainability of the business and delivering sustained returns to our shareholders and supply chain. To achieve this, Yinson has placed ESG considerations at the core and we are operationalising ESG wherever possible – whether through business operations, strategies, financing, risk management or new business opportunities.

Foundationally, Yinson has established a robust sustainability governance structure that focuses on integrating ESG considerations into all decisions. To make this more prominent, members of the Sustainability Committee and Management Committee have key performance indicators set against sustainability metrics, with their remuneration tied to their performance against these targets.

In the context of climate action, we remain committed to achieving carbon neutrality by 2030 and net zero by 2050. We are aggressively working to lower the emissions of our current fleet, and are very careful to only select projects for our future fleet that will lower our overall fleet carbon intensity in line with our projections and targets.

We also recognise that our suppliers play an important role in helping us achieve our aspirations. As such, in the year under review, we further enhanced our Vendor Registration Platform (“VRP”) with the addition of an ESG module. The module includes a more detailed set of ESG questions that are benchmarked to global reporting standards, allowing us to measure our suppliers’ ESG maturity and engage with them.

Going forward, despite the challenges associated with ensuring that ESG remains at the forefront of our business, we remain deeply committed to this agenda. We will continue to explore new technologies and better ways of working to ensure that we are effectively operationalising ESG.

Our commitment to corporate social responsibility

As a responsible corporate citizen, we are aware that we play a crucial role in positively impacting communities and the environment via our CSR efforts. We have set our goals to initiate and maintain a sustainable transformation by concentrating our initiatives on empowering communities and environmental preservation.

In FYE 2023, we invested approximately RM1.89 million across 21 CSR projects impacting 23 communities, and our employees volunteered 120 CSR hours through

proactive participation. Notable highlights include impacting more than 5,915 Ghanaian students at various schools in the region where we operate, 65 scholarships awarded through our Yinson Scholars Programme to date and 81.5% positive growth in academic mastery through the Teach For Malaysia Tutoring Programme.

GS2 Forefront of innovation & disruption

We believe that innovation and digitalisation are key to developing game-changing ways of working. We look at this from three contexts. Firstly, how digitalisation can improve our processes and core products so that we are able to create value more effectively. Secondly, how new technologies and innovations play an integral role in advancing climate action and the energy transition journey. Thirdly, how these innovations future-proof our business as we develop technologically advanced solutions that can be implemented across a wide range of industries beyond our own in time to come, allowing us to diversify our offerings in line with the evolving landscape. We have made significant strides in all these contexts and we believe that as a result, we are ahead of our competitors in delivering clean energy solutions.

Through YGT, we are working to disrupt the electrification of land and sea transportation via the development of smart green assets and charging infrastructure, enhanced through digital platforms and analytics. Collaborating with a like-minded community of investors, partners, industry peers and clients, such as Gentari, EV Connection, LHN Group, AEON Group, Starbucks, Wasco Energy and Dinamikjaya Motors, has allowed us to widen EV adoption nationwide and across borders, towards the goal of making green transport the new norm. Our investments into technology start-ups such as Shift Clean Energy, Zeabuz, Gotsurge, Oyika, Lift Ocean, eMoovit and MooVita have allowed us to integrate these technologies into our green assets, turning them into advanced smart assets with the potential to disrupt.

One of our key technologies that will shape the outlook of the offshore production industry and bring us closer to our own net zero aspirations is the Zero Emissions FPSO Concept. We are leading the industry in terms of digital twin technology, which we believe will eventually allow us to automate many FPSO operations, optimising safety and operational performance greatly while lowering costs. Our pioneering low emissions design on FPSO Agogo, which also includes the world’s first offshore CCS pilot, is expected to pave the way for widespread industry adoption and establish our standing in the carbon management space.

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Yinson faces several challenges in embracing digitalisation and innovation. These challenges include the highly competitive space in which we operate, the high capital expenditure requirements needed in order to stay competitive and the higher risk of failure associated with introducing new technologies and innovations.

Despite these challenges, Yinson recognises the importance of sustained investments of time and resources in these areas. From an organisational perspective, we are fully committed to ensuring that our governance structures support this. We will also strive to create value by optimising existing processes and workflows, enhancing our core products and creating new solutions according to market demand. Ultimately, we believe that digitalisation will enable us to innovate cutting-edge ways of working and to stay ahead of our competitors in delivering clean energy solutions.

GS3 Create sustainable shareholder value

Creating sustainable shareholder value requires long-term planning and making bold decisions early. The findings from the GSR helped to crystallise our steps forward in this regard, as reflected in the greater decision-making autonomy given to our businesses, the establishment of Farosson to accelerate our growth and investments into sustainable infrastructure and the strengthening of leadership and governance at the Group level to align all businesses towards an ESG-focused future.

In discussing sustainable shareholder value, the conversation will continue to centre around our FPSO business in the nearer term, given that it contributes a substantial amount of revenue and profits. As previously

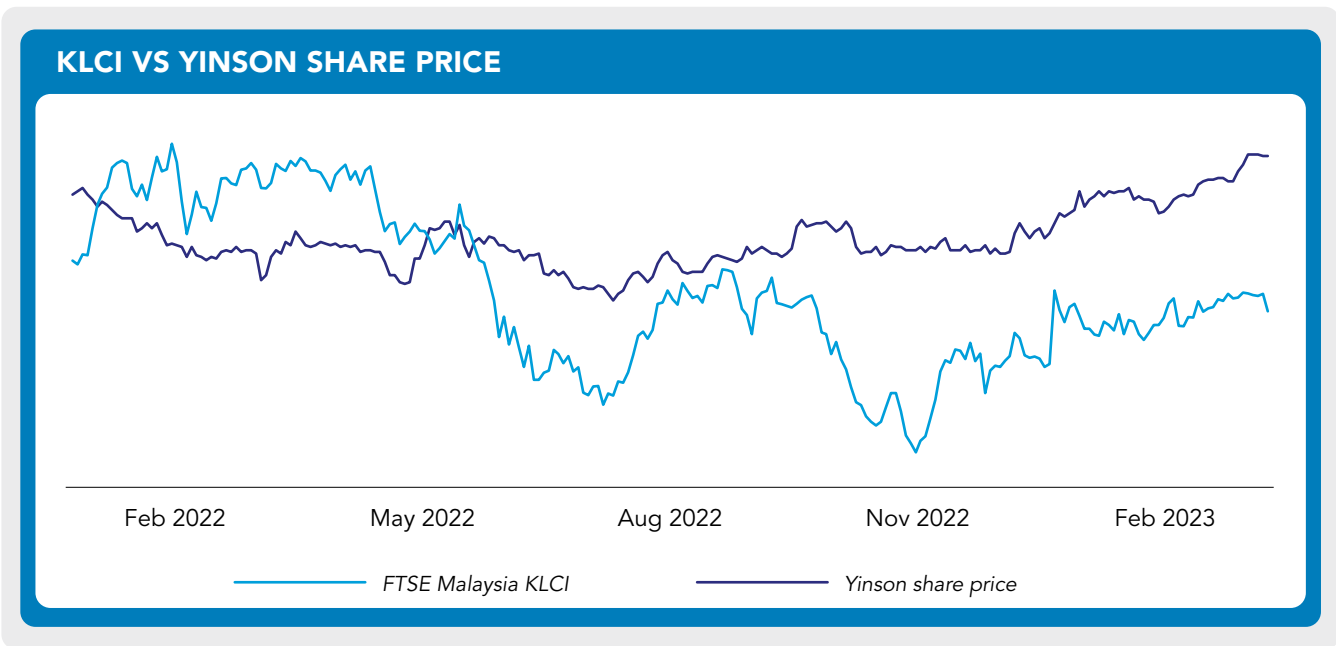
mentioned, it is a capital-intensive business, and for us to manage the associated risks, such as corporate funding risk, we know that our strategies must be updated to capture the opportunities of an evolving market landscape. To us at Yinson, this begins with how we allocate our capital to embrace the energy transition and to ensure that ESG and sustainability continue to remain at the core of what we do.

As such, we have made the commitment to devote at least 30% of equity Group-wide to non-oil-based FPSO activities by 2030. This commitment demonstrates our seriousness in taking concrete steps in line with the energy transition agenda. We are committed to ensuring that all decisions made across the Group are aligned with the achievement of this target. We are also committed to only selecting projects that align with our aims.

In line with our strategic direction to capture opportunities in the energy transition space, we will be actively directing capital from the FPSO business to growing YR and YGT. This is also where Farosson and its capital recycling expertise comes into play. Overall, this is how we will de-risk our capital from energy transition and climate risk over the long term.

Over the years, Yinson has continued to provide steady returns to our shareholders while growing the Company, as demonstrated in the graph below. Delivering such value continues to be a priority for us moving forward.

Throughout FYE 2023, Yinson's share price remained relatively stable despite the various economic downturns, hovering around the RM2.20 mark, with a high of RM2.70 and low of RM1.83. The relatively stable share price is a testament to our sound financial background and management.



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As our businesses grow in tandem with the changing external landscape, we need to nimbly adapt our business models to manage risks while capitalising on the right market opportunities. To build a business that offers sustainable value to our shareholders, we will continue to improve our engagement with our investors and shareholders so they can build a good understanding of our business model and strategies while we gain better insights into their areas of concern.

GS4 Tactical financial management

Yinson leverages its advantage as one of the leading players in the FPSO industry to advocate for quantitative and qualitative terms that allow us to manage capital expenditure tactically, while meeting our clients' need for timely, quality delivery.

One example is the FPSO Atlanta project, which involves Yinson receiving milestone payments during construction and a call option for Yinson to acquire the asset-owning company which holds a 15-year time charter and operations & maintenance contract. In the FPSO Agogo project, Yinson signed an Agreement for Preliminary Activities ("APA") which brought in upfront milestone payments, reducing the need for fresh capital outlay during construction. These strategies benefit both Yinson and our clients, allowing us to maintain financial resources for operational excellence and timely project delivery while upholding value creation for stakeholders.

Yinson also raises cash from the equity market and through other financial instruments to fund our projects by collaborating with a network of banks that are actively involved in energy infrastructure financing. In this context, we also leverage on newer types of financial instruments that are aligned with our ESG aspirations. This led to Yinson issuing Malaysia's first Sustainability-linked Sukuk Wakalah Programme in 2021, valued at RM1 billion for a five-year tenor and which was oversubscribed by 1.66 times.

In the green technologies space, we take a collaborative approach, by partnering for co-investments or co-developments of new technologies or innovations. Co-investments include equity investments into technology start-ups whose offerings contribute to our particular areas of focus, such as Shift Clean Energy for marine battery storage solutions and with SMRT Ventures into autonomous vehicle technology start-up, MooVita. Co-developments include our contribution to various research projects, such as with the National University of Singapore on the development of autonomous technology for buses and with the Goal Zero Consortium for the development of electric vessels. This approach allows us to access technologies that enhance our green assets and

facilitates integration across the land and sea transport ecosystems, multiplying the value of the business over time.

Sourcing and strategising capital allocation for our businesses' growth amid an increasingly climate-conscious market environment is one of the challenges that Yinson will face moving forward. However, we will continue to build on the long-standing trust that we have with the investor community through prudent financial management, explore new capital pools and financing opportunities and continuously improve our sustainability performance as our strategy to turn these challenges into opportunities.

GS5 Build a platform for growth

The findings from the GSR have provided impetus to this particular strategy, as one of the immediate outcomes centred on building a more agile Yinson by enabling our business units to grow and scale while managing the unique challenges and opportunities within their respective industries.

Thus, transferring decision-making autonomy to the business units was a key achievement that will enhance this strategy and enable our business units to be nimbler. Furthermore, we have decentralised some corporate functions to the business units, such as tax, treasury and finance, legal and corporate finance, allowing specialised corporate expertise to contribute to stronger, more efficient decisions. Accordingly, we also brought in new talent to join business unit senior leadership teams, including new CFOs for YP, YR and YGT – Mr Markus Wenker, Mr Christian Rykke and Ms Chan Wan Yin, respectively.

At the Group level, we continue to strengthen our governance structures and have put in place strategies that will optimise functions like tax and capital allocation, risk management and HR. Where possible, we are leveraging the synergies present in the Group while the centre provides overall leadership and governance in sustainability and risk for the business units.

There are always challenges that come with growth, such as ineffective operations, finding and retaining quality talent and maintaining an aligned corporate culture. Our Core Values, R.O.A.D.S, continue to be reinforced and operationalised at all levels, aligning our hearts and actions towards achieving our Vision and Mission. We believe that the best way to manage risks that come with rapid growth is by cultivating a passionate workforce which understands that the work that it does contributes to addressing the critical issue of global energy security.

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GS6 Empower decision-making

The strengthening of decision-making autonomy at business unit level as recommended by the GSR fits perfectly with the aspirations of this strategy to empower our businesses and employees. Our business units can now make better decisions faster, which will enable us to capture more opportunities. For example, this shift supports the growth of YGT, which is an industry that moves rapidly, in line with the ever-evolving nature of green technologies and innovations. It is a business that cannot be held back by processes that may be necessary for the capex-heavy FPSO business.

In conjunction with the reinforced corporate teams at business unit level, we are optimistic that we can quickly grow our businesses, secure new projects and partnerships and move in an agile way to keep up with the changing external environment. We also understand that we are now in the transition phase of this move and we are cognisant that decision-making must be carefully carried out, in consultation with all stakeholders, to obtain the best outcomes.

More broadly, we empower decision-making by facilitating access to accurate information more quickly. This is where digitalisation, technology and innovation play an important role. In the year under review, under the purview of a strengthened global Information Technology ("IT") team, we implemented a Group Strategic IT Roadmap. The Roadmap brings together six focus areas to support Group-wide operations, project execution and digital transformation. Across the Group, departments are taking

ownership to identify the digital platforms that will put the best information at their fingertips. In close collaboration with the global IT team, synergies between the platforms are established to bring relevant data across departments, moving away from siloed decision-making.

The challenges of digitalisation include increased exposure to cyber attacks and data breaches, as well as non-standardisation of internal processes leading to operational inefficiency. However, we believe that digitalisation is foundational to our continued growth. Thus, as a Group, we are committed to investing into the digital infrastructure and resources needed to empower good decision-making, as well as establishing sound governance of our data assets.

CLOSING WORDS

The evolving business landscape gives rise to both risks and opportunities. As Yinson continues to evolve in tandem, we keep our goal of providing energy security to countries and communities front and centre. This leads us to take a careful, yet bold approach to our growth, balancing the need for innovation and disruption with sound governance and data-based decisions.

We are confident that our decisive strategic actions in 2022 have further strengthened our foundations and safeguarded us from our key risks moving forward, while providing a clearer way forward on the opportunities we should capitalise on. Thank you for joining us on this journey as we head towards a more sustainable, equitable and energy-secure future for all.