

# PRESIDENT & CEO'S MESSAGE

2021 was a year of contrasts. On one hand, it was a catalyst for an unprecedented energy transition that is driving massive technological and market shifts. On the other hand, it was also a year of disruption felt by the industry, the people and our communities. Keeping our focus on AET's purposeful strategy through a balanced asset portfolio that supports sustainable shipping, we navigated the challenges and seized market opportunities. Our people remained at the heart of our operations and decisions. The resilience of our workforce has shined through with the great show of teamwork among ourselves and with our partners and customers as we pulled through another stormy year under the strains of COVID-19.

## Delivering financial sustainability

In a year where tanker rates were at a historic low, AET demonstrated its financial resilience by achieving an NPAT of US\$46 million in FY2021. EBITDA was US\$337 million on total revenue of US\$760 million, backed by longer-term contracts with quality customers. We pressed on with our proactive asset management strategy, and improved our cost structure to manage downside risks. As at 31 December 2021, our gearing ratio of 0.69 remained one of the lowest in the tanker market, backed by a balance sheet strength of approximately US\$4 billion.

In such a tough year, we remained one of few tanker owner-operators able to actively invest in the future through greener vessels and cutting-edge digital technologies. As early as July 2021, we managed to secure competitive financing amounting to US\$600 million for our eco-efficient newbuilds arriving in 2022 despite the tight liquidity market. Our strong credentials and long-standing relationships with bankers and financial institutions enabled us to establish good credit facilities, fully hedged at competitive rates, for fleet rejuvenation and CAPEX investments. Riding on digitalisation, we continued our journey to equip our vessels with the latest data-driven shipmanagement systems to improve inventory management, vessel safety, reliability and availability.

Over the past five years, we have invested close to US\$2 billion in new assets, half of which had gone into building up our pool of dual-fuel vessels. In 2021, 9% of AET's revenues came from dual-fuel assets. This will further increase with five more dual-fuel VLCCs joining our fleet in 2022 and 2023. Expanding our eco-efficient fleet has been the bedrock to AET's decarbonisation strategy, coupled with our active exploration and appraisal of new business areas, models and portfolios to build future capabilities.

## Mapping our decarbonisation journey

In many ways our climate strategy is our business strategy guided by the globally agreed well below 2-degree Celsius limit to safeguard our long-term competitiveness. To that end, we are committing to aligning our GHG emissions across all scopes to net-zero by 2050, in line with the Paris Agreement goals. To help us get there, our target by 2030 is to reduce our shipping GHG emissions intensity by 40% compared to 2008 baseline. We believe in taking bold action and not sitting on the side-lines and hence, our net-zero commitment covers all scopes (including material Scope 3 emissions) and extends to all GHG emissions and not just carbon. This commitment was the culmination of

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our efforts over the last five years, starting with our first investment in dual-fuel assets in 2017. We have created a framework for actions, assessed the challenges ahead, reaffirmed our goals and targets, and developed a plan on how we would go about achieving them. What gives me confidence in our ability to meeting these goals is our passionate team and strong partnerships with like-minded partners, coupled with our purpose to moving energy to build a better world.

Translating our conviction into action with the belief that investing in innovation is key to reaching net-zero, we are piloting the next generation of zero-emission marine fuels on our assets. We expect these assets to be on water by end-2025 and early-2026. In Q4 2021, we also invested in a climate tech start-up focused on decarbonising hard-to-abate sectors such as shipping. We plan to deploy and test this bolt-on technology across our vessels which utilise LNG as a fuel source, while exploring the options for abating tank-to-wake emissions. At the same time, we continue to invest in lower-carbon assets, with 17% of our fleet already being dual-fuel. During the year, we worked with our industry partners on testing and piloting biofuels to further reduce our fleet's emissions.

To accelerate our sustainability journey, we launched the new Sustainability Strategy 2021-2025, a blueprint to guide the operations of AET as well as those in our value chain. Starting 2021, we volunteered to align our climate-related disclosures with the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). By providing transparency on our mechanisms underlying sustainability governance, strategy, risks and opportunities, and metrics and targets, we are voluntarily committing ourselves to higher standards of accountability.

AET's commitment towards a net-zero world continues to provide the focal point for our pursuit of growth and opportunities while contributing with a purposeful agenda and a passionate team to a resilient and sustainable maritime industry. Our pathway to decarbonisation has led to technology investments in greener shipping and greater industry collaboration during the year. In turn, we are able to continue growing our stable and recurring revenue streams, enlarging our quality customer base,

expanding our asset portfolio, and upholding the highest service standards. As advocates of the triple-bottom line of people, planet and profit, we are prepared to learn, adapt and be agile amid the market shifts impacting us and our industry.

## Expanding and strengthening our asset portfolio

In March 2021, we entered into an agreement with Shell for the construction and long-term charter of three dual-fuel VLCCs with delivery scheduled for 2023. We also celebrated the delivery of Eagle Valence and Eagle Vallery, the first two dual-fuel VLCCs on long-term charter to TotalEnergies, in February and April 2022 respectively. As two of the world's first dual-fuel VLCCs, these vessels set the benchmark for being among the cleanest VLCCs in the market. They represent a significant step forward to a greener future, as we cement AET's position as a pioneer in LNG dual-fuel assets while supporting the world's energy transition needs.

Between 2021 and Q1 2022, we took delivery of four eco-efficient DPSTs on long-term charter contracts to Petrobras and Shell in Latin America. With another three DPSTs slated for delivery in 2022, we would have 17 DPSTs in our global shuttle tanker fleet.

Over in the US Gulf, we completed our first ever LNG bunkering in the US, bolstering our market standing as an energy logistics leader in the region. Over the past year, we renewed a total of 12 lightering contracts in North and South America, and secured an additional two lightering contracts in North America.

## Investing in people and communities

As we embark on our ambitious green pursuits, effective talent development and capability building programmes will remain imperative. We see our investments in our social agenda as a good way to develop future leaders, promote maritime careers and give back to communities. During the year, we continued with the sponsorship of cadet training at the Malaysian Maritime Academy (ALAM), and mentored 20 interns by exposing them to international shipping and various job functions across AET. We expanded our scholarship programme in 2021 by sponsoring two Maritime Business diploma students from the Singapore Polytechnic. We are now partnering with the Texas A&M University at Galveston to extend similar opportunities to undergraduates in the US.

Striving to create social value in our localities, we continued with our social support programme and plan to distribute over one million meals to COVID-19 impacted communities in Singapore, Brazil, the UK, the US, India, the Philippines, and Norway. In some of the localities where we operate, we were offered various government support schemes to subsidise our running costs and had reinvested these funds to support the local communities instead.

## Collaborating for the future

Looking ahead, 2022 is turning out to be an equally challenging year for the tanker sector. The impacts



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President & CEO

of the Russia-Ukraine war, coupled with the prolonged pandemic, are double black-swan events for fleet owners, affecting both operations and the lives of personnel at sea and ashore. We will continue to monitor the situation and adjust our operations to safeguard our crew and mitigate operational risks and exposures.

We have firmly established that the environmental agenda and commercial viability can co-exist in sustainable shipping. Fortifying our business further by focusing on decarbonising our existing fleet operations, phasing-out inefficient vessels, investing in low-emission technology, and working with like-minded partners to take advantage of low-carbon business opportunities. To support this endeavour, we will continue to develop a diverse talent pool of committed and passionate people.

In closing, I would like to express my heartfelt thanks to the Chairman and AET Board members for their leadership and valued inputs, our customers and business partners for their continued support and confidence. My appreciation also goes to our team members across the globe, including our mariners and Lightering Support Vessels team members, for their wholehearted commitment to AET, as part of the MISC Group. We would, as a team, continue to purposefully act on our future-focused commitments as part of the progressive solution to build a better world.