



BUMIARMADA

30 May 2024

Badan Pengawas Pemegang Saham Minoriti Berhad
(Minority Shareholders Watch Group)
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Attention: Mr Devanesan Evanson, Chief Executive Officer

Dear Sir,

**BUMI ARMADA BERHAD (“BAB” or the “GROUP”)
- Twenty-Eight Annual General Meeting (“28th AGM”)**

Thank you for your letter dated 24 May 2024.

Please find our response to the questions raised by you, which will also be highlighted to those who attend our 28th AGM scheduled to be held on 30 May 2024:

No.	Question	BAB's Response
<i>Operational and Financial Matters</i>		
1.	<p>The FPSO industry, whilst busy, encountered various difficulties including the soaring cost of construction, supply side difficulties, rising debt costs and a shrinking pool of available finance sources. This led to many industry players adopting a cautious approach to bidding for new projects. (Page 15 of AR 2023)</p> <p>What is the outlook for the FPSO industry in FY 2024, especially as reported on page 19 of AR 2023? Risks in 2024 include high interest rates, low oil prices, global climate change policies, volatility in the supply chain and access to both equity and debt.</p>	<ul style="list-style-type: none"> • Demand for FPSOs continues to be healthy, although we are seeing a recent trend in which clients are moving away from the traditional Lease and Operate model, to an EPC or BOOT model or charterers going directly to the yards. • Awards are likely to happen only in the latter part of 2024 or 2025 as new tenders take several months or even years to progress from start to contract award. • The FSRU market has shown an even stronger recovery than the FPSO market and we are currently seeing multiple potential opportunities coming out for bids. • We will continue to focus on our floating gas and carbon sequestration solutions, while maintaining our core competency on FPSOs and continue being selective on new development. • We are developing selected opportunities that fit our strategy and have a suitable risk/reward profile.

No.	Question	BAB's Response
Operational and Financial Matters		
2.	<p>Whilst overall FPSO uptime across the fleet was almost 98% for the year, in June 2023 BUMI ARMADA experienced an unplanned shut-in of the Armada Kraken FPSO due to the failure of hydraulic submersible pump transformers. While, the issue was resolved in August 2023, it incurred a loss of revenue and repair costs as a result. (Page 15 of AR 2023)</p> <p>(a) How much of revenue loss and repair costs were incurred?</p> <p>(b) What lessons can be learned from the unfortunate incident, especially in regard to the maintenance of the FPSOs?</p> <p>(c) How is the Armada Kraken FPSO being deployed subsequently?</p>	<p>(a) The failure of the hydraulic submersible pump transformers caused a loss of revenue and repair costs of ~RM150 million.</p> <p>(b) As previously announced, actions have been taken to avoid recurrence.</p> <p>(c) Since the transformer issue Kraken has been performing at 100% of financial uptime, fully deployed on the Kraken Field.</p>
3.	<p>In 2023, BUMI ARMADA continued with its core business strategy, exited completely from the OSV sector, and expanded into the energy transition and upstream sectors. The Company's objective is to leverage its expertise in major offshore projects - engineering, construction and operations – across the FPSO, energy transition and upstream sectors. (Page 18 of AR 2023).</p> <p>(a) What is the total value of projects that the Group has tendered for in FY 2024? How much has been secured to date? What is the probable success rate?</p> <p>(b) What specifically are the areas of energy transition and upstream sectors, is the Group expanding into?</p>	<p>(a) The Group has participated in multiple tender opportunities, at various phases that fall within the Company's objective. While no major project was secured in 2024, the Group has been prequalified for several tenders including performing feasibility studies. Success rate is highly dependent on the technical and commercial viability of the projects.</p> <p>(b) With the recent Akia PSC signing in Indonesia, the Group continues to evaluate other upstream opportunities within the region.</p> <p>BA is focussed on solutions offering the opportunity to reduce the amount of greenhouse gases released into the atmosphere, including:</p> <ul style="list-style-type: none"> • Floating LNG Unit for monetisation of stranded gas. • Floating Storage & Regasification Unit to meet early demand for natural gas. • Carbon Capture to reduce the amount of greenhouse gases released into the atmosphere. • Floating CO2 Storage Injection Unit to create negative emissions. • Emission optimised FPSOs.

No.	Question	BAB's Response											
Operational and Financial Matters													
4.	<p>The Caspian fleet finished the Grayfer contract in 2023. Contracts scheduled for 2023-2024 were delayed because of the Russia Ukraine conflict but major contracts in Kazakhstan, Russia and Turkmenistan are scheduled for 2025-2026. (Page 18 of AR 2023)</p> <p>What is the total value of the contracts delayed and rescheduled (if possible, provide a breakdown of values by different schedules)?</p>	We are aware of potential projects worth over US\$2 billion that we will bid for.											
5.	<table border="1"> <thead> <tr> <th rowspan="2"></th><th colspan="2">Group</th></tr> <tr> <th>2023 RM'000</th><th>2022 RM'000</th></tr> </thead> <tbody> <tr> <td>Administrative expenses</td><td>(138,792)</td><td>(84,826)</td></tr> <tr> <td>(Impairment)/Reversal of impairment - Property, plant and equipment</td><td>(514,351)</td><td>-</td></tr> </tbody> </table> <p>(Page 138 of AR 2023)</p> <p>(a) Despite lower Group revenue, why was there such a substantial increase in administrative expenses in FY 2023? Moving forward, would there be a significant optimisation of the expenses?</p> <p>(b) What were the reasons for a substantial impairment of RM514.3 million on property, plant and equipment in FY 2023? What is the probability of further impairment or reversal in FY 2024?</p>		Group		2023 RM'000	2022 RM'000	Administrative expenses	(138,792)	(84,826)	(Impairment)/Reversal of impairment - Property, plant and equipment	(514,351)	-	<p>(a) The increase in administrative expenses in FY2023 is caused by the forex loss of RM26.9 million during the year (2022: forex gain of RM46.0 million) (Page 160 of AR 2023). Excluding forex impact, administrative expenses have reduced by RM19.0 million (compared to 2022). We will continue to focus on cost control to contain costs.</p> <p>(b) The impairment of RM514.4 million was recognised in respect of the Armada Kraken FPSO and SC assets (Page 170 of AR 2023). The impairment of Kraken arose as the vessel cost is depreciated on a straight-line basis in accordance with the accounting policies promulgated by the International Accounting Standards Board and adopted by the Group, while the charter revenue reduces ~70% during the optional extension period. The impairment of SC assets was due to the delay of potential projects in the Caspian Sea due to the Russian-Ukrainian conflict and resultant sanctions imposed.</p> <p>Any non-cash accounting impairment for Kraken FPSO in FY2024 will depend on the applicable discount rate. The key driver for any future non-cash accounting impairment for the SC assets is the ability to secure new projects. We note that the level of potential project activity for SC has recently increased.</p> <p>At this juncture, we do not expect any reversal of impairment in FY2024.</p>
	Group												
	2023 RM'000	2022 RM'000											
Administrative expenses	(138,792)	(84,826)											
(Impairment)/Reversal of impairment - Property, plant and equipment	(514,351)	-											

No.	Question	BAB's Response
Corporate Governance Matters		
1.	<p>Practice 5.9 of MCCG stipulates that the board comprises at least 30% women directors.</p> <p>Company's response: Departure.</p> <p>Currently, the Board has one woman director Ms Maureen Toh Siew Guat (Non-Independent Non-Executive Director) serving on the Board, following the retirement of Ms Alexandra Elisabeth Johanna Maria Schvaapveld in May 2023. At present, the Company does not set any specific target for female Directors in the Board composition. Nevertheless, the Board will continue to encourage and support more women participation on the Board whenever a vacancy arises. (Page 34 of CGR 2023)</p> <p>MSWG comment: Having one woman director (approximately 17%) out of 6 Board members are a far departure from Practice 5.9. It is a good practice for the Company to set a timeframe to apply Practice 5.9.</p>	<p>We are constantly evaluating and refining our strategies to ensure that we reach our target of 30% Women Board representation.</p> <p>Regarding your request for a timeline, we are actively seeking to enhance our Board's diversity by identifying and appointing new board members, including qualified female candidates. We hope to achieve our target of 30% Women Board representation soon.</p>
2.	<p>Practice 6.1 of MCCG states that the board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.</p> <p>For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.</p> <p>Company's response: Applied.</p> <p>The Board undertakes a formal and objective annual evaluation to determine the effectiveness of the Board, its Committees and each Director. BAB engaged the Institute of Corporate Directors Malaysia to facilitate the evaluation in FY 2021. For FY 2023, the annual exercise was coordinated internally. (Page 36 of CGR 2023)</p>	<p>The Board undertakes a formal and objective annual evaluation to determine the effectiveness of the Board, its Committees and each Director. BAB engaged the Institute of Corporate Directors Malaysia to facilitate the evaluation in FY 2021. As per Practice 6.1 which stipulates for large companies to engage independent expert every 3 years, the next independent facilitation is scheduled for 2026, for FY 2025.</p>

No.	Question	BAB's Response
Corporate Governance Matters		
	<p>MSWG comment: Practice 6.1 stipulates that for Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.</p> <p>When will the Company engage an independent expert to facilitate objective and candid board evaluation as it engaged the Institute of Corporate Directors Malaysia to facilitate the evaluation in FY 2021 and for FY 2023, the annual exercise was only coordinated internally?</p>	
3.	<p>Practice 12.2 of MCCG states that Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.</p> <p>Company's response: Departure. To be reviewed in year 2024. (Page 67 of CGR 2023)</p> <p>MSWG comment: When will the Company be ready to adopt integrated Reporting and set a timeframe?</p>	<p>The Company is committed to enhancing its reporting practices and is actively assessing what is required to transition to Integrated Reporting.</p>
Sustainability Matters		
1.	<p>Consumer behaviour is changing due to the impact from climate change, leading to increased demand for cleaner energy compared to conventional sources. Bumi Armada is committed to aligning its business with industrial expectation (Page 35 of AR 2023)</p> <p>Please brief shareholders on any major achievements/plans undertaken by the Company to align its business with industrial expectations.</p>	<p>In 2023, the Company has implemented the Emission.AI solution onboard Armada Kraken. This solution has identified opportunities in reducing the diesel consumption of Armada Kraken, hence reducing emission loading by 17%.</p> <p>The Company incorporated a joint venture, Bluestreak, with Navigator Holdings Ltd which will provide an end-to-end solution for carbon emitters to capture, transport, sequester and store their CO2 emissions in line with the United Kingdom's decarbonisation strategy.</p> <p>In 2024, the Company will be installing a LP Gas Compressor onboard Armada Sterling to reduce gas flaring which is dependent on the production rate determined by our client.</p> <p>The Company will continue to implement the 3 prongs of our GHG management strategy including:</p> <ol style="list-style-type: none"> 1. Improving our current assets' operational efficiency.

No.	Question	BAB's Response
Sustainability Matters		
		<p>2. Designing low carbon solutions for new projects, incorporating the latest technologies with a focus on gas and carbon capture, storage, and injection; and</p> <p>3. Nature based solutions for "hard to abate" carbon emissions.</p>
2.	<p>In 2023, upon alignment of its emission classification with the GHG Protocol, the Company reported 128.7 tonnes CO2-e per thousand tonnes production from its FPSO operations (Scope 3), resulting in its GHG intensity slightly above 2022 IOGP baseline (128 tonnes CO2-e per thousand tonnes production). Its Scope 1 emission for 2023, which included SC assets, OSV and company vehicles is reported to be 1.85 thousand tonnes CO2-e. (page 38 of AR 2023)</p> <p>(a) What actions have been taken to significantly reduce its emissions from its FPSO operations (Scope 3)?</p> <p>(b) What is the benchmark or IOGP baseline to determine whether the Company's Scope 1 emission for 2023 has been exceeded? Has the Scope 1 emission been exceeded and if so, what actions have been taken?</p>	<p>In 2023, the Company has implemented the Emission.AI solution onboard Armada Kraken, which is one of the highest contributors to GHG emission among our asset (25.6%). This solution has identified opportunities in reducing the diesel consumption of Armada Kraken, hence reducing emission loading by 17%.</p> <p>The Company is currently collaborating with its clients to explore further options to reduce emissions from existing assets by improving operation efficiency and potential enhancement using new green technologies. The effectiveness of these solutions will be assessed throughout its implementation in 2024.</p> <p>The IOGP baseline refers to oil and gas production, which is applicable to our FPSO operations (Scope 3 emission). For Scope 1 emission, which include our Subsea assets, as part of IMCA membership, the Company is currently assessing its strategy to align with IMCA Greenhouse Gas Strategy which is proposed to achieve 20% to 30% reduction in greenhouse gas emissions by 2030, 70% to 80% in 2040, and Net Zero by 2050.</p>

We trust the above clarifies. Kindly acknowledge receipt of this letter by signing and returning to us the duplicate copy of the same.

Thank you.

Yours faithfully
for **BUMI ARMADA BERHAD**



SHAMSUL SHAHRINA BINTI MOHD HUSSEIN
Joint Company Secretary / Head
Corporate Secretarial Services