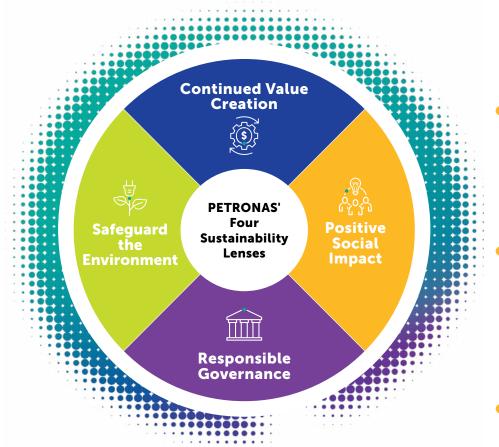
# **Sustainability Agenda**

We recognise that we have a responsibility to balance out our economic ambitions with positive social and environmental considerations. PETRONAS' Sustainability Agenda is the compass that guides us as we set out to deliver energy and solutions that fuel progress in a responsible manner. As we commit to uphold the Agenda, our actions are guided by four sustainability lenses.



#### Lens 1: Continued Value Creation

Drive long-term business value creation through responsible investments.

### **Lens 2: Safeguard the Environment**

Collaboratively reduce environmental impact by transitioning to lower carbon energy solutions and deploying innovative operations and technologies.

#### **Lens 3: Positive Social Impact**

Create positive alliances with the communities in which we operate by protecting and adding value to the well-being of employees, partners and society.

## Lens 4: Responsible Governance

Safeguard the organisation's commitment through strong governance mechanisms and ethical business practices.

As part of our sustainability efforts, we have also prioritised seven of the 17 United Nations' Sustainability Development Goals (SDGs) which are most relevant to our Sustainability Agenda and the four lenses. These seven priority SDGs align with the PETRONAS Group's business strategies, enable us to leverage our existing efforts and have significant impact on our business groupwide.

As a major energy industry player, we recognise the immense impact that we have in the various spheres of influence that we operate in. In line with our efforts to ensure that we maintain the trust of our stakeholders and the wider communities, PETRONAS upholds high standards of corporate governance, ethical business practices and transparency.

Adhering to the Agenda enables PETRONAS to embed corporate sustainability right into the core of our business and map this through six Material Topics, namely:



#### Sustainability Agenda

## **Towards Net Zero Carbon Emissions by 2050 (NZCE 2050)**

We are acutely aware of stakeholders' expectations about climate actions that support the Paris Agreement. Hence, we have taken bold steps to embrace a lower-carbon energy future.

In 2020, we set in motion our long-term aspiration of achieving NZCE 2050. With this landmark move, PETRONAS became the first oil and gas company in Southeast Asia to adopt this goal. Our NZCE 2050 aspiration underscores our ambition to meet higher sustainability goals for the longer term that address stakeholder concerns and support the Paris Agreement.

In addition, it will not only strengthen the momentum of our climate actions but will also ensure that PETRONAS' businesses remain resilient for the long term. It also provides the necessary impetus for us to pursue more climate-friendly solutions and opportunities in the broader energy space that will create sustainable new values for the organisation.

To accelerate our move towards NZCE 2050, we have set three short-term sustainability targets derived from PETRONAS' ongoing efforts on the material sustainability and corporate social responsibility fronts that will make the most impact on the environment and society.

## Our Short-Term Targets

### **Manage Greenhouse Gas (GHG) Emissions**

Cap GHG emissions at **49.5 million tonnes** of carbon dioxide equivalent (MtCO₂e) for our Malaysia operations **by 2024**.

#### Step up on Clean Energy

Increase renewable energy capacity to **3,000 MW by 2024**.

#### **Increase the Number of Education Beneficiaries**

Reach over **24,000 beneficiaries** through education programmes cumulatively **between 2020 to 2024**.

### **Our Long-Term Aspiration**



aspiration is defined as

"balancing the remaining Scope 1 and Scope 2 GHG emissions from its assets under operational control with carbon offsets".

These carbon offsets can take the form of energy-based offsets or forest-based offsets.

## **4 Levers Towards NZCE 2050**

## Operational Excellence

Grow value potential and continuously optimise operations for efficiency gains and compliance with legislation.

## • Technology and Innovation

Stewardship of economically feasible decarbonising technology and innovation in line with business priorities.

#### • Low Carbon Energy and Solutions

Influence energy transition by use of low carbon fuel, scaled-up renewables, bioenergy, hydrogen, as well as low carbon products and solutions that support a circular economy.

#### Carbon Offset

Enabling carbon offsetting across businesses that capitalise on technology deployment and businesses' needs to offset the remaining Scope 1 and Scope 2 GHG emissions.

We have adopted two approaches in our journey to attain NZCE 2050:

# 1 Life Cycle Thinking

This sees us employing the Life Cycle Assessment (LCA) methodology to estimate the environmental impacts (including GHG impacts) occurring along the value chain of our products, processes and solutions.

## 2 Just Transition

This sees us meaningfully participate and affect socioeconomic opportunities through capability building and respect for the natural environment.

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Sustainability Agenda

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# PETRONAS' NZCE 2050 aspiration and roadmap are anchored on a highlevel strategy with the principles of Measure, Reduce and Offset

## **GHG Emissions**

# **Scope 1 - Direct Emissions**







Process Combustion

s ion

Combustion

Flaring and

Venting

Fugitive

Scope 2 - Indirect Emissions



Purchased Electricity from Third Party



Purchased Steam/ Chilled Water from Third Party

## **GHG Reduction**



Energy Efficiency



Carbon Capture, Utilisation and Storage



Flaring and Venting Reduction





Renewable Electricity

**Measure** Scope 1 and Scope 2 carbon emissions  $(CO_2e)$  to meet capping at 49.5 million  $tCO_2e$  by 2024, and in determining an optimal reduction based on planned production.

**Reduce** carbon emissions through operational excellence efforts that generate value from monetised hydrocarbon (flaring/venting/fuel gas) and deployment of Carbon Capture, Utilisation and Storage (CCUS) technologies.

We are also pursuing low carbon businesses to secure future value pools. The NZCE 2050 mandate will be the catalyst for PETRONAS to create new sources of differentiation while according us an operational advantage and competitive returns via more sustainable, durable and resilient businesses that will benefit stakeholders, the environment and society as a whole. The aspiration keeps us steadfast and the short-term targets keeps us on track in our commitment to minimise the impact of our carbon footprint and ultimately strengthen our licence to operate.

To help guide us in our journey towards NZCE 2050, we are currently developing a detailed roadmap that will outline the short and mid-term sustainability targets we need to meet to achieve this aspiration. Concurrently, we have aligned our sustainability

#### efinition of Net Zero Carbon Emissions

Balancing the remaining Scope 1 and Scope 2 GHG emissions from PETRONAS' assets under operational control with carbon offsets.

## **Carbon Offsets**

# **Energy-Based Offsets**



Other Renewable Energy



Hydroge



New Plastic Economy



Bio-Agenda

## **Forest-Based Offsets**





**Offset** the remaining Scope 1 and Scope 2 GHG emissions after optimising reduction efforts by securing carbon credits registered under internationally recognised schemes to achieve NZCE 2050.

disclosures with international frameworks and standards such as the International Integrated Reporting Council or IIRC's International <IR> Framework and Global Reporting Standards (GRI). We will also be aligning our disclosures with the World Economic Forum's (WEF) Stakeholder Capitalism Metrics and the Taskforce on Climate-related Financial Disclosures' (TCFD) recommendations in the near future. This will help us progressively measure our performance based on the roadmap, as well as ensure that all our initiatives and efforts are fully aligned to global best practices.

As part of our commitment to sustainability, we became an official member of the World Business Council of Sustainable Development (WBCSD) and Methane Guiding Principle (MGP) in 2020.

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