



**Tan Sri Dato' Seri
Mohd Bakke Salleh**
Chairman

Letter from the Chairman

Dear Stakeholders,

Two years have passed since the pandemic began, and our world continues to be challenged by volatility and uncertainty on an unprecedented scale in living memory. Even as countries and industries alike strive to recover from the brutal impact of COVID-19, they now face newfound challenges in the wake of the ongoing Russia-Ukraine conflict whose consequences may well long outlast the hostilities themselves and which are likely to reshape the industry landscape in fundamental and complex ways.

Letter from the Chairman

Notwithstanding the prevailing uncertainties, the role that PETRONAS plays as an energy company in the context of the wider society remains clear – namely, that it continues to serve as an effective engine that drives economic recovery for Malaysia and beyond by ensuring the safe, secure and reliable supply of energy, while taking vital steps that pave the way to gradually transition to a lower-carbon future in a just and equitable way.

In our efforts to fulfil this role, PETRONAS remains unwavering in the delivery of its *amanah* (trust), always striving to dutifully discharge its obligations and responsibilities despite the overwhelming odds and challenges. With prudent financial management and an unyielding commitment to upholding safety performance as well as delivery of commercial and operational excellence, PETRONAS registered a strong performance in 2021 after two years of extreme disruptions to the energy ecosystem. This achievement by the Group is credited to the courage, dedication and tenacity of our people. In this opportunity, I would also like to thank our stakeholders for their support and assistance that allowed us to continue operating safely and optimally throughout the lockdown periods.

Looking ahead, changes in the energy landscape will provide new challenges and growth opportunities that we must approach with a credo and mindset for progress and innovation. To this end, I am confident that with the right steer and support from the Board, PETRONAS is well-positioned to progress with pace and resilience to deliver profitable and sustainable growth aligned to our Three-Pronged Growth Strategy and net zero carbon emissions by 2050 (NZCE 2050) aspiration.



Reflecting on 2021

PETRONAS' performance for the year in review demonstrates its relentless focus on operational and commercial excellence across the Group. The organisation ensured the reliability of its operations to leverage the recovery in global energy demand seen in 2021 with the safety of our people and assets as its highest priority.

Although some degree of stabilisation was seen with the rollout of vaccinations and economies recovering from easing of lockdowns and gradual removal of border restrictions, delivering the Group's performance did not come easily. During the year, the oil and gas industry continued to be very volatile and uncertain in the face of sudden shocks to the market, many of which were beyond our control. These included:

- 1 The threat of new and highly infectious COVID-19 variants derailing economic recovery which proved to be of grave concern for the safety of our people and its impact on our supply chain.
- 2 The oil and gas industry remaining fragile as the rebound in oil price was driven by the multi-speed reopening of economies, steadfast active market management by OPEC+ and an unfolding global energy supply crisis.
- 3 The increasing pace of the energy transition causing sustainability-driven structural changes to our industry with stakeholders demanding more visible, impactful results in our efforts to decarbonise.



Letter from the Chairman



Nevertheless, PETRONAS successfully demonstrated its ability to respond and become part of the solution. Together, the PETRONAS Board and Leadership Team were able to not only preserve and enhance its core oil and gas portfolio but also grow in the new energy space for long-term business sustainability and resiliency.

As a result, PETRONAS was able to generate healthy financial returns and contribute to its stakeholders in the form of cash payments, tax, export duties, state sales tax and dividends. In 2021, we paid the scheduled RM25 billion dividend payments to the Government of Malaysia.

Accelerating Sustainability

As a National Oil Company, hydrocarbons will still be part of our energy mix even as we seek to integrate renewables and lower-carbon solutions as well as specialty chemicals into our portfolio in a gradual and phased manner. It remains our duty to maximise the value of Malaysia's hydrocarbon resources to provide long-term economic value creation for shared prosperity and energy security – this, while also contributing to the low-carbon aspirations of the nation.

Reaching net zero carbon emissions is a monumental undertaking and requires a steady, evolutionary approach of continuous improvements on emissions reduction. For PETRONAS, we have responded decisively to accelerated energy transition with clarity and discipline with our 2024 sustainability targets and carbon commitments, supported by the right ecosystem for growth. We are making progress on zero venting and flaring, operational improvements, electrification and developing lower carbon solutions.

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Letter from the Chairman



To enhance these efforts and further entrench momentum, the PETRONAS Board has expressed its support to incorporate environmental, social and governance (ESG) elements in our assessments of future investments in which decisions would consider value-creation from the perspective of the 3Ps of sustainability – people, planet and profits.

With the significant progress achieved under our core portfolio in 2021, PETRONAS will continue to focus on building a resilient portfolio that is not only robust to the energy transition but also captures attractive business opportunities which the transition presents. Since we announced our NZCE 2050 aspiration last year, the Group has undertaken deliberate steps in moving from a commodity player to a customer-centric solutions provider. PETRONAS' roadmap for our NZCE aspiration will see the organisation play its part in moving the needle towards the goal of net zero, contributing to Malaysia's Nationally Determined Contributions (NDC) to the Paris Agreement for the long-term, while supporting our customers in decarbonising their energy systems.

Reinforcing Strong Governance

In an increasingly challenging environment characterised by market uncertainties and heightened geopolitical risks, PETRONAS must continue to reliably demonstrate its ability to deliver its core responsibilities while transforming to meet the energy needs of the future.

PETRONAS holds Malaysia's hydrocarbon resources in trust, and we have always striven to ensure its potential continues to be harnessed for the benefit of the people and the nation. Similarly, in our global ventures, we have sought to build partnerships and gain hand-in-hand support from our partners as well as customers in our journey towards progress.

With a strong foundation built on trust, PETRONAS has successfully balanced its unique position to fulfil its commitment as Malaysia's NOC while living up to the demanding expectations of being an international energy player. Over the years, our stakeholders have given us the opportunity to serve and create new value as their partners in progress, allowing us to continue growing as a FORTUNE Global 500 company.



Letter from the Chairman

As we embrace a more enterprising way of work and position ourselves to seize opportunities for future growth, PETRONAS will continue to uphold the highest standards of governance and integrity as a culture in everything that we do. With our global footprint and commitment to enriching the lives of those around us, we must do our very best to strengthen our commitment to integrity at both individual and organisational levels. PETRONAS adopts zero tolerance standards on corruption, and a strict consequence management approach should the boundaries be crossed.

The foundational integrity embedded in our Shared Values along with Loyalty, Professionalism and Cohesiveness are the core principles of work ethics for all employees. We have in place a Corporate Governance framework and introduced our Code of Business Ethics (CoBE) in 2012 accompanied by an Anti-Bribery and Corruption Policy & Guidelines Manual. We have continued to step up our collaboration with the Malaysian Anti-Corruption Commission (MACC) to develop adequate measures as defined by Section 17A of the MACC Act.

In 2021, significant initiatives were implemented to strengthen groupwide awareness of the CoBE and the Anti-Bribery and Corruption Manual. This will empower employees to speak up on any wrongdoing, facilitated under the Whistleblowing Policy, to ensure secure and confidential disclosures.

A Leaders Speak Integrity series was also launched as a platform for leaders to pledge their commitment towards integrity and rally employees to always aim for exemplary conduct at all levels as a collective responsibility. Virtual dialogues were also held to provide a safe space for employees to discuss integrity-related topics.

I am also pleased to share that PETRONAS is a signatory of the World Economic Forum's Partnering Against Corruption Initiative (PACI). As part of the PACI Vanguard Board, PETRONAS leverages on the platform to collaborate with leaders from international organisations, academia and civil society to address and advocate the importance of anti-corruption measures, upholding business integrity, transparency, and accountability.

To this end, I would like to assure that the PETRONAS Board is wholly committed to upholding the highest standards of governance and steadfastly supports all Group initiatives on integrity-related matters.

Delivering Our Amanah to The Nation

As we set out to serve our stakeholders safely and reliably, PETRONAS has never wavered from its commitment to ensure the well-being of society wherever we operate. Anchored on our Statement of Purpose, we recognise the importance of enriching the lives around us, especially in these prolonged trying times.

In 2021, PETRONAS' CSR contribution which is focused on Education, Community Well-being and Development, and the Environment totalled RM1.4 billion in a span of two years alone.

Following last year's efforts, we continued to support COVID-19 relief initiatives at home and abroad where we operate, amounting to more than RM75 million in 2021. Among the efforts were repeated contributions to the National Disaster Management Agency (NADMA) funds through staff and corporate donations, *Program Bakul Prihatin Negara*, and Program CERDIK, as well as the contribution of essential items to hospitals and communities to help ease the burden in coping with the effects of COVID-19.

PETRONAS also supported the Government of Malaysia's vaccination drive with the setup of six *Pusat Pemberian Vaksin Industri* (PPVIN) for the oil and gas sector. This is in line with our commitment to provide a safer environment within the oil and gas ecosystem by achieving herd immunity for its frontliners. We donated wheelchairs to *Pusat Pemberian Vaksin* (PPV) through Yayasan PETRONAS and also launched the PETRONAS Foodbanks at our Mesra stations across Malaysia. It was indeed heartening to see our people stepping up to adopt the Foodbanks, pooling their own resources to ensure a continuous and sustainable supply of essential items to the needy. Our people continued to demonstrate exemplary courage by banding together to lend a helping hand when Malaysia endured the effects of a devastating flood in December that severely affected up to eight States. The organisation actively participated in relief efforts and contributed RM25 million to assist the Government of Malaysia with post-flood recovery.

Letter from the Chairman



Despite the cyclical and volatile swings in the energy market, I would like to reiterate that PETRONAS will continue giving back to society towards creating positive social impact for Malaysians and the countries where we operate.

In 2021, the organisation awarded 302 scholarships via the PETRONAS Education Sponsorship Programme and enhanced the technical and vocational capabilities of 93 students through the PETRONAS Vocational Institution Sponsorship & Training Assistance (VISTA) programme to nurture a market-ready future workforce.

PETRONAS expanded its community well-being and development programmes in South Sudan with the Water for Life programme which provides rural communities with access to clean water. Closer to home, a Solar Systems Project was launched to provide electricity to Kampung Orang Asli in Berasau, Johor. In collaboration with Tata Consultancy Services, PETRONAS onboarded 50 social entrepreneurs to SEEd.Lab, a social enterprise innovation hub to address youth unemployment in Malaysia through entrepreneurial opportunities.

Our ability to uplift societies to achieve a better and sustainable quality of life has been through effective collaboration. PETRONAS has long viewed its relationship with stakeholders as a partnership underpinned by common objectives and sustained by mutual understanding, respect and trust.

For a partnership to be successful for the long-term especially at a time of uncertainty and turbulence, the aspirations of each party which include industry partners, Oil & Gas, Services and Equipment (OGSE) players, customers, the community and indeed governments must be duly recognised, and the right balance achieved to produce outcomes that prove mutually beneficial for all.

On our part, PETRONAS will continue to adapt and transform to safeguard its ability to uphold the amanah to our nation and the well-being of the people around us, and we welcome meaningful participation as well as genuine support from all parties to ensure effective contributions that create value as we forge ahead together.

Letter from the Chairman

Moving Forward with Purpose

The year 2021 has proven that we need to constantly be prepared to pivot when faced with the unexpected. The unprecedented challenges of the past year offered PETRONAS an opportunity to reform strategies, expedite transformation and prioritise sustainability risks. It was imperative that PETRONAS emerged from this trying period more resilient, more agile, technologically stronger and financially more robust.

The achievements of 2021 demonstrate the dedication and strength of our people coupled with a robust integrated portfolio that provided PETRONAS with the strong foundation it needed to capitalise on price recovery. I am deeply grateful to the women and men who stood by PETRONAS amidst the turbulence and offer my sincere thanks to each and every one of them.

As we progress to capitalise on this period, PETRONAS will continue in its efforts to safely deliver commercial and operational excellence. We remain focused on maintaining fiscal discipline and careful operational spending as well as preserving liquidity to ensure resiliency and high performance across the Group. We are determined to seize new opportunities for sustainable, profitable growth as we uphold our commitment to our shareholder and lay the foundation for our future growth.

The PETRONAS of the future will still have hydrocarbons as a key part of its portfolio with products delivered safely, responsibly, cost optimised, and emissions abated. The new forays that we are making in step-outs today will complement our core portfolio to provide energy for a world that continues to progress and develop, while being in ever-greater need of solutions for emissions.

While the variety of our business offerings expands, the heart of the organisation, in its purpose and values are timeless and remain the same. Our Purpose, Cultural Beliefs, and Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness will continue to bind us together.

PETRONAS will continue in its efforts to safely deliver commercial and operational excellence.



Letter from the Chairman

We continue to bear the expectations and aspirations of Malaysia and the communities where we operate.

Looking ahead, the pressures on PETRONAS are only going to increase as we continue to bear the expectations and aspirations of Malaysia and the communities where we operate. We must make our move to navigate through the turbulence to find our position for the future. In our quest to create a sustainable legacy for the next generation, we must steer the business and shape an energy future that they deserve, one in which PETRONAS will continue to be their preferred energy and solutions partner.

In Appreciation

On behalf of the PETRONAS Board, I would like to take this opportunity to record my sincere appreciation to Tan Sri Ahmad Nizam Salleh for all his contributions as Chairman since August 2018 and wish him every success in his new undertakings. I would also like to extend a warm welcome to three of our Directors who joined the Board during the year – namely, Mr Thayaparan S. Sangarapillai as Independent Non-Executive Director, Chairman of the Risk Committee and a member of the Audit Committee; Puan Liza Mustapha as Executive Director; and Datuk K Y Mustafa as Non-Independent and Non-Executive Director. I am confident that their collective experiences and diverse insights will be valuable additions in providing the right steer for the Group, especially as we navigate through these challenging times.

Furthermore, I would like to thank Datuk Tengku Muhammad Taufik, President and Group CEO of PETRONAS, and his Leadership Team for ensuring the company continues to dutifully discharge its obligations and responsibilities despite facing overwhelming odds and challenges. My deepest gratitude also to our employees for their perseverance in upholding the trust as we continue to brave these trying times.

Finally, I would like to express my deep gratitude for our valued stakeholders – the Federal Government of Malaysia, State Governments and the Governments of our Host countries, industry partners and customers for their strong support and understanding during these times of prolonged turbulence and uncertainty. With your trust and confidence in PETRONAS, I am optimistic that we will continue to grow and deliver the energy for today and tomorrow, as your progressive energy and solutions partner.

Tan Sri Dato' Seri Mohd Bakke Salleh
Chairman