

Positive Social Impact

Supply Chain Management

A Resilient and Agile Supply Chain is Essential for our Operations and Stakeholders.

Why Is It Important?

PETRONAS relies on a range of products and services throughout our value chain, sourced from a vast global network of suppliers.

Ethical and sustainable supply chains aid in product development, safeguard workers' rights, and enhance operational safety. We view our supply chain as an opportunity to contribute to positive socio-economic impacts. It allows us to channel financial capital into businesses, including Small and Medium Enterprises (SMEs), empowering their growth in environmental protection, responsible sourcing and procurement practices.

What Is Our Approach?

Our suppliers must adhere to policies and standards in managing environmental and social impacts across our integrated oil and gas value chain.

We have zero tolerance towards non-compliance, including our environmental and social standards. We conduct capacity building and engagement sessions to build capability and strengthen the resilience of the industry. To this end, we have been collaborating with nine financial institutions on the Vendor Financing Programme (VFP) to facilitate access to funding for vendors since 2018. We have also introduced Special Oil and Gas Services and Equipment (OGSE) Financing which targets underserved vendors with less than five years of experience. In driving sustainability, we partnered with industry players and government agencies by participating in the National OGSE Industry Blueprint roadshows in the Klang Valley, Sabah and Sarawak. We also participated in strategic forums such as the National OGSE Sustainability Forum.

We collaborated with OGSE industry players through our Vendor Development Programme (VDP) and SMEs to promote local entrepreneurship to contribute to socio-economic growth and improve communities through an increase in employment opportunities.



Policies and Guidelines

- PETRONAS Contractors Code of Conduct on Human Rights (CoCHR).
- PETRONAS Code of Conduct- and Business Ethics (CoBE).
- PETRONAS Anti-Bribery and Corruption (ABC) Manual.
- PETRONAS Whistleblowing Policy.

Value Creation in 2022

1 Screening for a Sustainable Supply Chain

PETRONAS' suppliers and contractors are encouraged to embrace sustainability principles and be accountable for its implementation.

Our suppliers are at various stages of implementing sustainability practices across their respective businesses. We provided our assistance through multiple engagements and training programmes to help them progress.

We organised the 101 Sustainability Awareness session, in collaboration with Yinson Holdings Berhad and SOLS Energy Sdn Bhd to strengthen our vendors' understanding and responsiveness towards sustainability. We conducted a second sustainability awareness session titled Shifting Towards Sustainability, later in the year in collaboration with our Strategic Research division, Sustainability Energy Development Authority (SEDA) and Kenanga Suria Sdn Bhd.



- **342** participants attended the 101 Sustainability Awareness programme to strengthen the awareness of PETRONAS' pool of vendors on our approach to sustainability.
- **383** participants attended the second sustainability awareness session – Shifting Towards Sustainability.

2 Simplifying Procurement with Technology

Our supply chain productivity and efficiency have been greatly enhanced through technology adoption. By digitising and automating our procurement process, we have been able to optimise our resources, reduce costs and effectively respond to disruptions. Our focus was process automation to enable contactless buying experience for low value purchasing activities.

As a result of these efforts, as well as internal cost optimisation and efficiency initiatives, we enabled local OGSE industry players to serve PETRONAS more efficiently while improving the pace of the end-to-end procurement process.

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3 Improving the Industry Through Our Supply Chain

As an integrated energy solutions provider, we play an important role in promoting Malaysia's OGSE industry development, guided by the National OGSE Blueprint 2021-2030. This is to ensure we meet market demand, harness efficiency and drive innovation and opportunities for local companies to expand into new markets. The aim is to promote a healthy ecosystem, improve competitiveness on a global scale while safeguarding strategic national interests and contributing to the country's economic growth.

Our activities included hosting the Vendor Financing Programme (VFP) Conversation Day in collaboration with Malaysian Oil, Gas and Energy Services Council (MOGSC) and Malaysia OSV Owners' Association (MOSVA) at Putrajaya to help develop Malaysian OGSE players by presenting opportunities for funding.

127 participants attended the VFP Conversation Day.

RM1.7 billion in financing was awarded to **281** successful applications under the VFP since 2018.

270 participants attended the Fostering Green Financing Solutions – From Financial Institutions to Vendors programme to learn about funding opportunities to diversify into clean energy value chains and adopt sustainability practices. This session was held in collaboration with **five** financial institutions: Bank Muamalat, CIMB, HSBC, Kumpulan Modal Perdana and Malaysian Industrial Development Finance (MIDF).

