

Letter from the Chairman

Dear Stakeholder,

The year in review has proven that the challenges faced by the energy industry has never been more uncertain or complex – where heightened volatility is its only constant feature.

The world has emerged gradually from the pandemic, with most economic sectors steadily recovering. However, the Russia – Ukraine conflict has profound implications for the energy industry. The conflict unfurled even as the world contended with an uneven and still-fragile post-pandemic recovery.

Oil and gas supply disruption has pushed up energy prices causing widespread inflation throughout the world. Elevated general prices globally compelled central banks to tighten the monetary policy, even after two years of aggressive stimulus packages.

The convergence of geopolitical instability, economic recovery post-pandemic and accelerated energy transition have shaped the contour of the energy market. Nevertheless, any perceived progress toward energy market equilibrium was observed as short-lived.

As a Group, PETRONAS navigated 2022 with a firm commitment to ensure the security of energy supply for Malaysia and our customers around the world. The responsibility was discharged with focused delivery of PETRONAS' strategy, paired with strong integrated operational performance to maximise our cash generators, and grow the business portfolio.

I am proud to recognise how our people continued to step up and delivered a strong performance for 2022, in line with our strategy of creating long-term sustainable value and achieving Net Zero Carbon Emissions by 2050 (NZCE 2050).

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



Letter from the Chairman



We were resolute in responsibly managing the hydrocarbon resources entrusted to PETRONAS and growing the size of the value pie for the benefit of our stakeholders.

Fulfilling Our Amanah to the Nation and the Countries Where We Operate

The PETRONAS Board and Executive Leadership Team were resolute in steering the organisation to responsibly manage the hydrocarbon resources entrusted to PETRONAS and to grow the size of the value pie for the benefit of our stakeholders.

We contributed to our stakeholders in the form of cash payments, tax, export duties, state sales tax and dividends by adopting continued prudent financial management and discipline in reinvesting to generate profitable growth responsibly and sustainably.

In 2022, PETRONAS made the scheduled dividend and additional dividend payment of RM50 billion in total to the Government of Malaysia after careful assessment of the Group's affordability to continue to fund its operations, service its debts and meet its obligations as well as invest for the future growth of the organisation.

PETRONAS contributed close to

RM 900 million

in 2022 for Social Impact activations.

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1.5 million

people at home and abroad benefitted from our Social Impact programmes.

PETRONAS recognises its responsibility to also create a positive social impact for Malaysians and the communities in the countries where we operate. In 2022, PETRONAS contributed close to RM900 million for its Social Impact activations efforts under the pillars of education (Powering Knowledge), community well-being and development (Uplifting Lives) and environment (Planting Tomorrow). Over 1.5 million people at home and in the countries where we operate have benefitted from our Social Impact programmes during the year in review.

PETRONAS also continued to contribute to federal and state agencies nationwide to aid flood preparedness efforts in view of the year-end monsoon season. The initiative is part of PETRONAS' RM25 million flood assistance contribution announced in December 2021, to assist thousands displaced by heavy floods in many parts of the country.

PETRONAS' commitment to Malaysians and the communities we serve remains intact, even as we continue to operate in a volatile and uncertain business landscape. Anchored on our Statement of Purpose, as a progressive energy and solutions partner, we recognise the importance of enriching the lives around us.

Seizing Opportunities in the Energy Transition

PETRONAS recognises the need for a responsible energy transition and the risk of climate change to its business. At the same time, the need to continue investing in reliable sources of energy is infinitely clear from the soaring energy prices that consumers are having to contend with.

While oil and gas will remain as our core portfolio, it will be a key anchor contributor to cash generation which is especially important as the organisation is seizing opportunities to produce oil and gas as well as cleaner energy solutions as differentiated products that are produced safely, responsibly, cost-optimised and emissions-abated.

Therefore, the decision to declare a NZCE 2050 aspiration was both to demonstrate our stronger commitment to sustainability, as well as galvanise us as an organisation towards the necessary shifts and changes that would be needed to achieve such a target.



Letter from the Chairman

As a result, the PETRONAS Board has endorsed the PETRONAS Energy Transition Strategy that will see the organisation intensify delivery of its growth strategy with pace, supported by consistent investment allocation to support our NZCE 2050 aspiration:



The Board also focused on strengthening PETRONAS' business resilience for long-term sustainability. Among the sustainability-related governance initiatives approved by the Board include PETRONAS Corporate Risk Profile and endorsement of PETRONAS' position on Nature and Biodiversity.

Upholding our Shared Values as a Trusted Partner

The PETRONAS Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness have long been the defining qualities that have drawn collaborating parties into genuine partnerships with PETRONAS. We believe in recognising the aspirations of our valued stakeholders from the Federal Government of Malaysia, State Governments and the Governments of our host countries, industry partners and customers.

Over the years, PETRONAS is honoured and grateful to have the strong support of our stakeholders as we strive to continue realising their aspirations through commercial arrangements and contributions.

In this respect, at this time of uncertainty and turbulence with the energy transition rapidly evolving the energy landscape – it is important for PETRONAS to continuously adapt and transform itself to continue becoming the progressive energy and solutions partner our stakeholders would seek.

To this end, the Board remains resolute in its commitment to ensure PETRONAS demonstrates best practices in transparency, governance, reporting frequency and profitability in creating and delivering long-term sustainable value.

In this same stride, PETRONAS will continue to uphold the highest standards of integrity and safety, in discharging our obligations and responsibilities as a national oil company and global energy player. The organisation has in place a Code of Conduct and Business Ethics, the PETRONAS four Sustainability Lenses and other relevant commitments. PETRONAS also has a zero-tolerance approach against bribery and corruption with strict consequence management.

As we continue to expand our presence across the globe, PETRONAS will continue to enhance and safeguard our ability to uphold the trust of our stakeholders by exercising respect and abide by the relevant laws and regulations of Malaysia and the countries where we operate.

The Year Ahead

As we look ahead to 2023, the oil and gas industry could potentially see prices moderating given an anticipated economic slowdown, on the back of prolonged market volatility. In this environment, PETRONAS will continue to drive operational excellence in our core business while we pursue our growth and sustainability targets.

On the back of the strong performance recorded this year, PETRONAS will no doubt progress with the drive, passion and spirit to provide energy for shared prosperity in a just and responsible approach to energy transition.

2022 is also a year that we bid farewell to a member of our Board of Directors, Puan Zakiah Jaafar. I would like to express my sincere thanks and appreciation for her contribution. Her experience and insights have been valuable for the organisation and we wish her every success in her new undertakings.

At this opportunity, I would like to extend a warm welcome to our new Board members namely, Datuk Seri Asri Hamidon and Datuk Johan Mahmood Merican (Alternate Director). These new additions to the Board collectively bring diversity of perspectives and wealth of experience that will be crucial to PETRONAS.

On behalf of the Board, I would like to extend my heartiest appreciation to Datuk Tengku Muhammad Taufik, President and Group CEO of PETRONAS, and his Executive Leadership Team for delivering our business strategies with pace and agility, whilst strengthening our foundation for future growth. My deepest gratitude also to our employees for their courage and perseverance in fully embracing our statement of purpose, shared values and holding the organisation to high standards of safety and integrity.

Finally, to our valued stakeholders – I would like to express my deep gratitude for the trust and confidence in PETRONAS that will see us pave the way for more shared successes to come. Let us continue to make a positive difference by providing energy for the betterment of societies today and for generations to come.

Tan Sri Dato' Seri Mohd Bakke Salleh
Chairman

Letter from the President and Group Chief Executive Officer

**Datuk Tengku
Muhammad Taufik**

President and
Group Chief Executive Officer





We executed our strategy aligned to our Net Zero Carbon Emissions by 2050 Pathway. The Group is committed to deliver energy for the growing needs of today and develop solutions that will help us move closer to a lower-carbon future.

Esteemed Stakeholder,

Two years have now passed since the pandemic began, and the world in 2022 grappled with the challenges of an uneven and fragile post-pandemic recovery. Even as you read this, the world continues to remain vulnerable to the combined threat of geopolitical conflict, the rising cost of living, energy and climate crises.

Energy security concerns are still top of mind for leaders globally as chronic underinvestment and shrinking spare capacity continued to roil already-volatile energy markets. At the same time, many countries and companies remained steadfast in their longer-term commitment to the Paris Agreement.

With these realities in mind, PETRONAS responded by executing our strategy aligned to our Net Zero Carbon Emissions by 2050 Pathway. The Group is committed to deliver energy for the growing needs of today and develop solutions that will help us move closer to a lower-carbon future.

PETRONAS sees the energy transition as an opportunity as much as it is a responsibility to produce oil and gas alongside cleaner energy solutions as differentiated products that are safe, responsibly produced, cost-optimised and emission-abated for our customers.

I am proud to share that PETRONAS made substantial progress during the year in review and strengthened our portfolio in order to be well-positioned to continue creating long-term sustainable value.

Alhamdulillah, in this stride PETRONAS recorded a strong performance in 2022, encapsulating our commitment to solving the energy needs of our customers as their progressive energy and solutions partner enriching lives for a sustainable future.

With a motivated and passionate workforce driving our efforts, I remain confident that the PETRONAS Group is on track to deliver meaningfully towards a just and responsible energy transition.

Letter from the President and Group Chief Executive Officer



PETRONAS is committed to stepping up with our partners and contractors to nurture a generative HSE culture where everyone returns home safely as a shared responsibility.



Safety of Our People

PETRONAS' priority is to undertake our business activities with an unwavering focus and emphasis on safety.

For an industry that is unavoidably hazardous and fraught with risks, our employees and partners delivered our strong performance in 2022 with diligence and dedication to upholding safety as our license to operate responsibly and sustainably. However, we also had challenges.

Regrettably, we recorded four incidents which resulted in the loss of lives. The Group responded by identifying its root causes and has undertaken the necessary actions to prevent any recurrence. We aim to do better by strengthening our guidelines and processes to ensure we create a safe working environment. PETRONAS is committed to stepping up with our partners and contractors to nurture a generative health, safety and environment (HSE) culture where everyone returns home safely as a shared responsibility.

Delivering Excellence: Performance Highlights

In line with our industry peers, in 2022 PETRONAS delivered a robust full-year performance with Profit After Tax registered at RM101.6 billion on the back of RM375.3 billion in revenue. EBITDA stood at RM170.7 billion for the year in review.

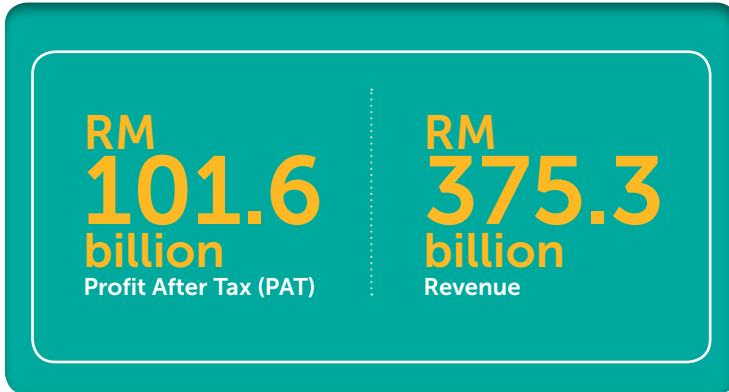
Throughout the year in review, PETRONAS focused on commercial and operational excellence of our integrated value chain, supported by an upward surge in commodity prices in an environment heightened by supply-demand volatility driven by sudden shifts in the market and an accelerated energy transition.

Amid an uncertain and volatile business operating environment, PETRONAS continued to exercise prudent financial management and made every effort to reinvest with discipline to future-proof the portfolio and preserve our ability to deliver profitable growth responsibly and sustainably.

Our priority is in reinvesting towards reshaping and decarbonising our portfolio – which means continuing to explore, develop and produce hydrocarbons that the markets we serve still need, but with greater efficiency and lower emissions.

We intensified our efforts and progressed steadily in our strategy with milestones that include:

- First significant oil discovery in Brazil's Sepia field made with an asset designed with gas and CO₂ reinjection to lower the emissions from its operations. PETRONAS also won the Agua Marinha exploration block in the Campos Basin with our consortium partners.



- Agreement with Abu Dhabi National Oil Company (ADNOC) to explore and appraise its first-ever unconventional oil concession, incorporating plans to manage GHG emissions.
- Expanded PETRONAS Chemicals Group Berhad (PCG)'s future offerings for the market with the acquisition of Perstorp Holding AB, a global leader in specialty chemicals.
- Entered Australia's renewable energy market with Gentari's acquisition of WIRSOL Energy, a leading renewable energy solutions provider with integrated solar and battery energy storage system capabilities.
- Partnership with Mercedes-AMG PETRONAS F1 team to develop advanced sustainable fuel for the sport and consumers.
- Portfolio high grading for our assets in South Sudan, Chad and South Africa are currently ongoing.

In the same stride, it is with pleasure that I also share that PETRONAS pursued more partnerships at home and internationally to capture opportunities in the energy transition.

- Collaboration with Sabah and Sarawak to expand value creation opportunities in lower carbon solutions which include Final Investment Decision for Sabah's first nearshore LNG facility and Memorandum of Understanding (MoU) with Sarawak Economic Development Corporation (SEDC) Energy to develop green hydrogen technologies and renewable oil from algae.

We have crystallised our Three-Pronged Growth Strategy into the PETRONAS Energy Transition Strategy that will see us grow our business profitably and responsibly with a clear ambition to be a progressive energy and solutions partner for a lower carbon future.

Letter from the President and Group Chief Executive Officer

- Signed MOUs with Tenaga Nasional Berhad and Proton to accelerate the development and access to cleaner energy solutions for Malaysia.
- Forged 14 strategic commercial partnerships in Carbon Capture and Storage (CCS) value chain with energy players, cross-industry partners and institutions to establish a viable ecosystem positioning Malaysia as a CCS solutions hub for the region.
- Signed MOU with YPF to collaborate in the potential of an integrated LNG project and other areas, including upstream oil, petrochemicals and clean energy solutions.
- Initiated feasibility study with Eni S.p.A (Eni) and Euglena Co. Ltd. (Euglena) to develop and operate a biorefinery plant in Pengerang Integrated Complex to supply sustainable solutions including Sustainable Aviation Fuel for aircraft and Hydrogenated Vegetable Oil (HVO/Renewable Diesel) for on-road vehicles.
- Launched a novel initiative in the form of Race2Decarbonise, a US\$250 million hackathon to seek out decarbonisation ideas and solutions. The winners have been identified to scale and deploy their innovations within 24 months to accelerate PETRONAS' journey to Net Zero Carbon Emissions by 2050.

PETRONAS is on a stronger footing today, having laid the necessary foundation with our strategy and ambition for Net Zero Carbon Emissions by 2050. We will continue to strengthen our portfolio and pursue new opportunities for growth to provide more energy with lower emissions to remain relevant and resilient in the energy transition.

Progressing with Purpose: Our Strategic Journey

The frequency and magnitude of energy disruptions seen over the past year indicate the need for a balanced approach to the transition. We have observed the widespread economic implications when an immediate switch from hydrocarbons, **before** an attempt is made to realise an alternative energy system is fully ready to shoulder the heavy burden of global demand.

At the end of the day, PETRONAS believes it is about getting the balance right with secure, affordable and sustainable energy.

For PETRONAS, we intend to seize the opportunities and provide the world with the energy it needs today with consideration for the climate goals of the Paris Agreement. Our priority is to be in step with the progress of the societies we serve.



The myriad of challenges in energy transition are complex, but it is our duty to take credible actions to chart a viable pathway to net zero carbon emissions.



Core Business
*More Energy,
Less Emissions*



New Business
*Capturing New
Growth
Opportunities*



**Net Zero
Carbon
Emissions**
Pathway to Zero

PETRONAS is driven to accelerate our efforts towards shaping a just and responsible energy transition with equitable outcomes where nobody is left behind. In this regard, I am pleased to share that we have crystallised our Three-Pronged Growth Strategy into the PETRONAS Energy Transition Strategy that will see us grow our business profitably and responsibly with a clear ambition to be a 'progressive energy and solutions partner' for a lower carbon future.

The myriad of challenges in energy transition are complex, but it is our duty to take credible actions to fulfil our commitment. The Energy Transition Strategy will see PETRONAS take bold yet realistic and deliberate steps with investments undertaken towards:

- Accelerating and intensifying exploration, development and production of Malaysia's oil and gas fields with a focus on becoming a low cost and low emissions producer.
- Providing greater access to gas and LNG as a transition fuel.
- Capitalising on the opportunities of high commodity prices for our Downstream business through continuous operational and commercial excellence.
- Advancing our ambition to establish Malaysia as a carbon capture and storage (CCS) hub for the region.

- Providing customers with cleaner energy solutions such as renewable energy, hydrogen and green mobility under Gentari.
- Offering lower carbon maritime services and solutions.

Delivery of these efforts is anchored to our Net Zero Carbon Emissions by 2050 Pathway which sets out in detail the short, medium and long-term targets to manage emissions from our operations and strengthen the resilience of our business.

As we look ahead, PETRONAS will require significant investments to chart a viable pathway to net zero carbon emissions. To this end, we have committed up to 20 per cent annual CAPEX for the next five years to intensify our decarbonisation efforts and pursuits in cleaner energy solutions.

Consequently, I believe these efforts will continue to support key government stakeholders in shaping a conducive ecosystem for investments in cleaner energy solutions to thrive and contribute long-term to Malaysia's Nationally Determined Contributions to the Paris Agreement.

I look forward to sharing more exciting updates with you in due course.

Letter from the President and Group Chief Executive Officer

Nurturing Talent and Shaping an Ecosystem to Thrive

At PETRONAS, our people are our greatest asset.

We recognise that a shifting energy landscape will require significant focus on building a sustainable pipeline of talent equipped to keep pace with change and embrace the energy transition.

In 2022, we invested RM264 million in employee training and development programmes towards improving core competencies and new skills to improve our competitive advantage in delivering the PETRONAS Energy Transition Strategy.

As we position the company for the future, our employees will continue to uphold accountability for the resources entrusted to PETRONAS. Our Shared Values of Integrity, Professionalism, Cohesiveness and Loyalty will continue to guide our actions and conduct as a trusted partner for our stakeholders.

From an ecosystem perspective, we recognise that we can only achieve a lower carbon future with support and effective coordination from our industry partners.

PETRONAS acknowledges its role as a catalyst for Malaysia's Oil and Gas Services and Equipment (OGSE) sector. Accordingly, PETRONAS remains committed to working with our partners, especially as the business environment demands the industry to decarbonise operations as part of the energy transition.

The Group has initiated programmes to elevate the robustness of the OGSE as far back as 1993. The Vendor Development Programme (VDP), VDPx programme, Vendor Financing Programme by Financial Institutions and the Road to Bursa Programme are among the initiatives to improve the resiliency and maintain the stability of the ecosystem at large.

PETRONAS remains committed to increasing domestic investment as outlined in the PETRONAS Activity Outlook on the oil and gas activities planned for the next three years. Nevertheless, our OGSE partners must also pursue innovation in lower-carbon technologies to be competitive globally.

With a resilient OGSE ecosystem, I am confident that the energy industry will continue to effectively contribute to Malaysia's economic growth.

Forging Ahead

Along with the Board and leadership of PETRONAS, I am grateful that PETRONAS' performance in 2022 has enabled the Company to continue delivering long-term sustainable value with discipline as a national oil company (NOC). In the same stride, the execution of our strategy demonstrates our continued focus on future-proofing the portfolio with a solid foundation to intensify our growth as a global energy player.

We remain committed to growing the value pie for our stakeholders and OGSE partners to thrive alongside PETRONAS. We will also continue to discharge our duty in ensuring the well-being of Malaysians and societies wherever we operate with secure, affordable and sustainable energy.

As the macro environment will continue to be shaped by the events of 2022 – PETRONAS must remain cautious and rigorously ensure prudent financial management while strengthening our integrated value chain with a sharper focus on commercial and operational excellence. Even as we do this, we will also exercise equally firm discipline in reinvesting for our future growth to deliver our Energy Transition Strategy.





As we gear towards seizing opportunities for profitable growth, we will do so responsibly and sustainably with integrity and professionalism.

Permit me to place on record my utmost gratitude to the employees of PETRONAS for their dedication and valuable contribution to the Group's performance. I would also like to extend my appreciation to our Chairman, Tan Sri Dato' Seri Mohd Bakke Salleh and members of the PETRONAS Board of Directors for their stewardship and counsel for the Company to remain resilient amid prolonged marked volatility. I would also like to acknowledge the PETRONAS Executive Leadership for their collective effort in strengthening our portfolio to continue pursuing growth and progress towards our sustainability targets. My sincere thanks to our valued

stakeholders – Federal and State Governments, the Host Governments of our international operations, agencies and authorities, our business partners, vendors and customers for their trust in PETRONAS.

Executing a just and responsible energy transition is an agenda that must progress as we contemplate and accept our responsibility to the next generation. With unwavering commitment, PETRONAS remains resolute in its mission and will drive action across all our stakeholders to shape an energy future that will benefit all.

Datuk Tengku Muhammad Taufik
President and Group Chief Executive Officer