

# Material Topics

At our core, we believe that sustainable business practices demonstrate our commitments to the Company, our stakeholders and the planet. By constantly reassessing and revalidating our material topics, we are ensuring that our sustainability strategy is informed by the latest data, trends, insights and is responsive to the needs of our stakeholders and the environment.

In 2022, we undertook a rigorous reassessment and revalidation of our material topics to ensure that they remain relevant and integral to our sustainability strategy and reporting.

Throughout this process, we recognised the significance of the material topics’ impact on our sustainability-related risks and opportunities, as well as our impact on society and the planet – a concept known as double materiality. As such, we approached our materiality assessment with both an inside-out and outside-in perspective, ensuring that our strategy is fully aligned with the needs of our stakeholders and the environment.

To achieve this, we utilised a data-driven tool to conduct an assessment of our material topics, covering both financial materiality and impact materiality. This allowed us to gain a deeper understanding of the implications of our material topics on our business, society and the planet.

As we move forward, we remain committed to improving our double materiality assessment process by embedding monitoring and risk elements on a continuous basis. This will ensure that our assessment is sufficiently holistic and robust in guiding our company’s sustainability priorities. In addition, we have expanded our horizontal scanning analysis to include new sources, allowing us to identify any potential blind spots in our existing topics.

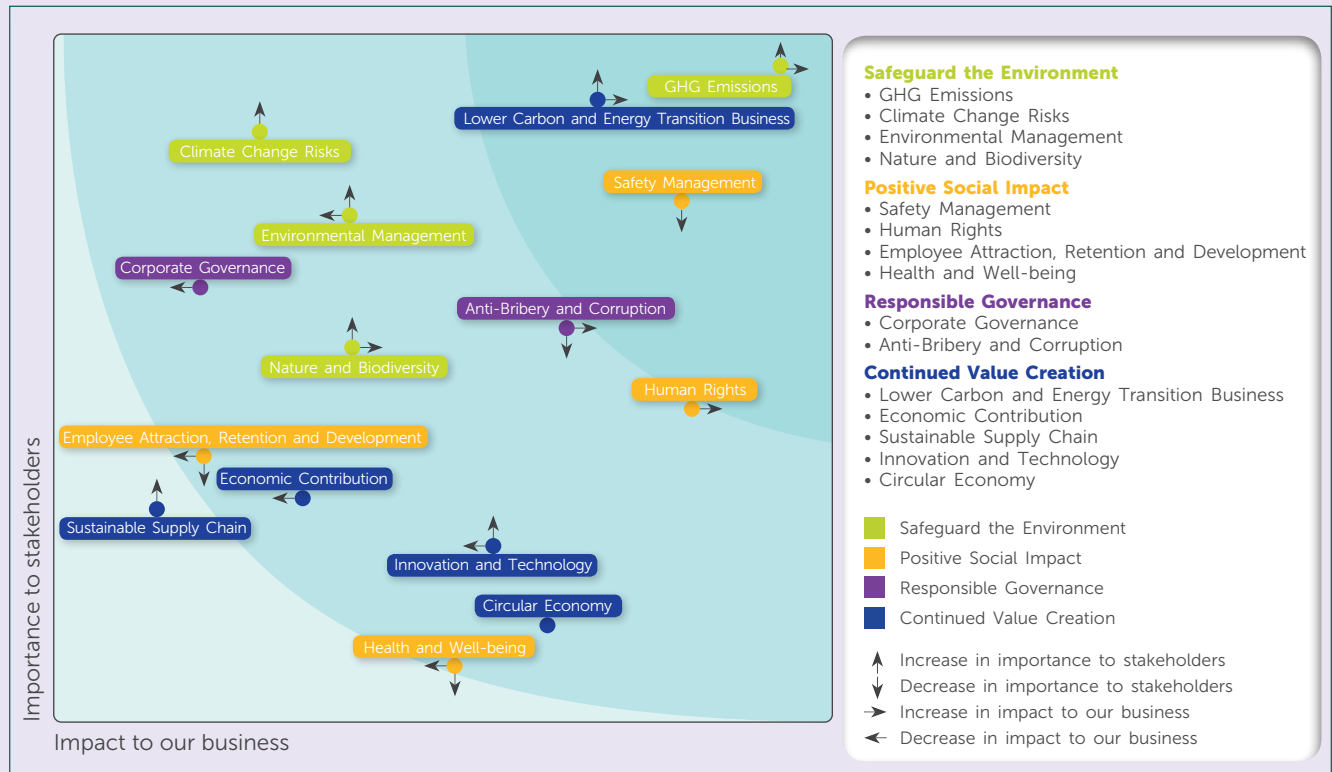
## Materiality Assessment Revalidation



## Materiality Analysis

### 1. Updated Materiality Matrix and Topics

Following the revalidation exercise, we found that all 14 material topics in 2021 are still highly relevant to our business.



However, as we continue to evolve our strategies and priorities, we decided to rename three of these topics to better reflect their impact and importance. Additionally, we recognised the growing focus and resources devoted to one particular area, prompting us to split one of the topics into two more specific and targeted areas of focus.

2021 Materiality Assessment	2022 Materiality Assessment	Reason for Change
Biodiversity and Ecosystem Services	Nature and Biodiversity	<ul style="list-style-type: none"> <li>• Reflects our commitment to conserve, protect and restore nature, with terms better aligned to PETRONAS' Position on Nature and Biodiversity.</li> </ul>
Physical Climate Risk and Adaptation	Climate Change Risks	<ul style="list-style-type: none"> <li>• Emphasises the equal importance of both physical and transition risks and opportunities.</li> <li>• Covers governance systems and processes to manage climate-related risks and opportunities.</li> </ul>
Renewable Energy	Lower Carbon and Energy Transition Business	<ul style="list-style-type: none"> <li>• Highlights our focus on new non-traditional businesses to complement our existing core in oil and gas.</li> <li>• Includes opportunities in natural gas, hydrogen, green mobility, biofuels and specialty chemicals, among others.</li> </ul>
Innovation and Circularity	Innovation and Technology	<ul style="list-style-type: none"> <li>• Emphasises innovation and technology as a strategic differentiator.</li> </ul>
	Circular Economy	<ul style="list-style-type: none"> <li>• Emphasises our increasing commitment in circular economy.</li> </ul>

## Material Topics

### 2. Movement of Material Topics

As we move towards post COVID-19 recovery, we have noticed a shift in priorities for our material topics, with Health and Well-being decreasing in importance. However, it remains as a priority as we continue to focus on the physical and mental well-being of our employees and surrounding communities.

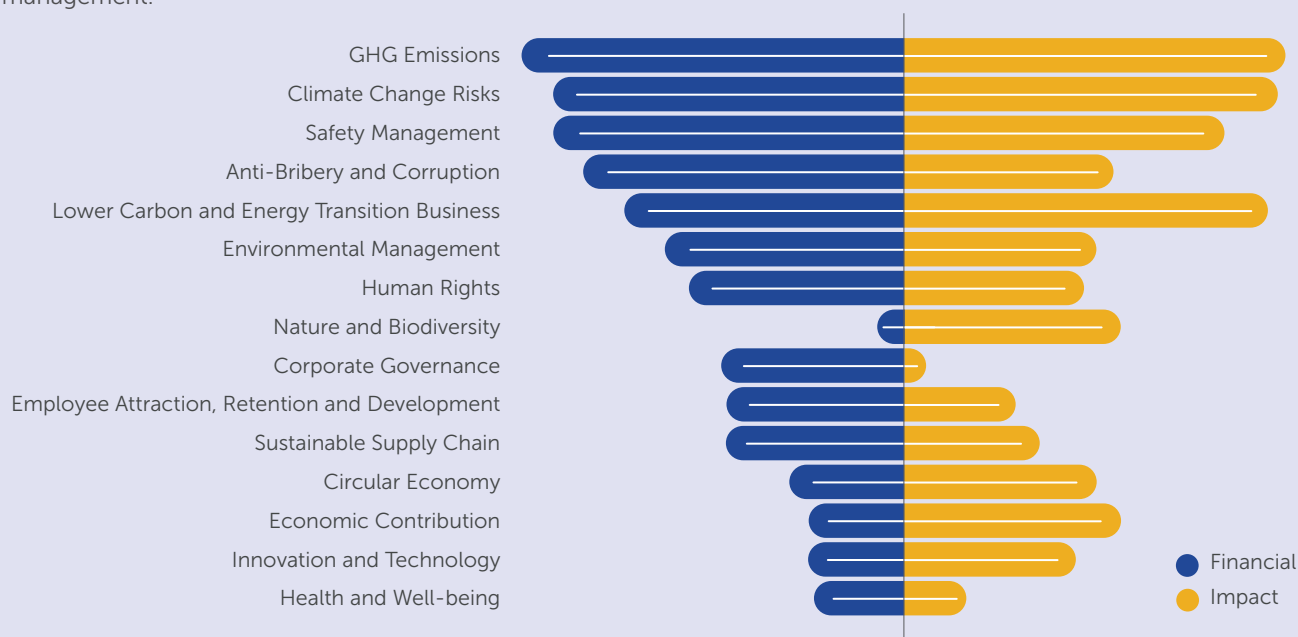
One of the topics that has gained importance in our materiality assessment is GHG emissions. We have set ambitious targets to achieve net zero carbon emissions by 2050 and reducing our GHG emissions is a critical component of this goal.

Another topic that has gained significance is lower carbon and energy transition business. We recognise that the world is transitioning towards cleaner energy sources and we are committed to playing our part in this transition.

### 3. Double Materiality

Through our double materiality approach, we consider both the financial and sustainability impact of our material topics. This approach allows us to understand the financial implications of sustainability risks and opportunities and how they may impact our long-term financial performance.

In our assessments, we found that GHG emissions is the most relevant of all our material topics in both financial and sustainability impact perspectives. This highlights the critical role that reducing our carbon footprint plays in achieving our sustainability goals and maintaining financial stability. Other material topics that are also significant in both perspectives include energy transition business, climate change risks and management and safety management.



### 4. Areas for Improvement

By including new sources in our identification process, we noticed additional areas which were not covered in our existing material topics. However, these were topics that are already embedded in our enterprise risk management and portfolio management, including but not limited to business resilience and continuity in the face of potential catastrophic events; energy security and affordability; cybersecurity and information security; corporate’s core values and guiding principles; and shifting demographics. As part of continuous improvement, we have included these as points of consideration, as we continue to explore better ways of integrating ESG factors into PETRONAS’ Enterprise Risk Management (ERM) process directly.

### Greenhouse Gas (GHG) Emissions

Our approach to realising our NZCE 2050 Pathway is guided by our four main decarbonisation levers – zero routine flaring and venting, energy efficiency, electrification and carbon capture and storage. Additionally, we are continuously improving measurement quantification to mitigate methane emissions from our operations to limit the impact of GHG emissions over a more immediate period. We also pursue collaborative initiatives with industry peers. We are focusing on gaining a clearer understanding of energy consumption within the Company and throughout our value chain to support our emissions mitigation efforts.

Capital: **FC HC IC NC** Risks: **FLR HR TR** Stakeholder: **FD SIC CN IO** SDGs: 

### Climate Change Risks

Our aim is to strengthen PETRONAS' resilience to physical and transition climate change risks, while seizing the opportunities presented in the transition to a lower-carbon economy. We are actively looking into adaptation and resilience measures, as well as the relevant governance systems to manage climate-related risks and opportunities, as per the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Capital: **FC HC IC MC NC** Risks: **MR FLR LR** Stakeholder: **SIC** SDGs: 

### Environmental Management

Protecting and conserving the environment will minimise the impact of our operations on the environment, given our role as an environmental steward. This will also ensure the long-term health of our business and the communities around us. We identify and assess the environmental impact of our operations and focus on managing our resources sustainably. This includes, but is not limited to, decreasing the impact of emissions, creating responsible waste and water management strategies, preventing spills and decommissioning our assets in a safe and sustainable manner.

Capital: **FC HC MC SRC NC** Risks: **HSR HR SR TR ER LR** Stakeholder: **FD SG C CN IO** SDGs: 

### Nature and Biodiversity

An inability to conserve and protect nature and biodiversity may impact our ability to deliver on our business goals and NZCE 2050 Pathway. As climate change is significantly driving biodiversity loss and may cause irreversible damage, we aim to further understand our relationship and dependency on nature in order to improve oversight of our nature and biodiversity footprint.

Capital: **FC HC MC SRC NC** Risks: **HSR SR ER** Stakeholder: **CN** SDGs: 

### Safety Management

Managing the safety of our people continues to remain a top priority as this ensures we protect our employees and contractors from any harm or injuries. In striving towards operational excellence, we conduct proactive risk management practices across our business and operations to provide the safest possible work conditions while ensuring our assets are continuously well maintained.

Capital: **FC HC MC SRC** Risks: **HSR GR SR TR ER LR** Stakeholder: **FD SG C IE SIC IPG CN** SDGs: 

## Material Topics

### Human Rights

We aim to respect human rights across our suppliers, contractors, partners and communities where we operate with the establishment and implementation of human rights policies and practices. Periodically we review our policies and practices to address human rights issues on forced labour, human trafficking, modern slavery, fair working conditions and non-discrimination. We have also started to embed human rights due diligence practices in our systems and functions across our value chain, including remediation actions.

Capital: **FC HC SRC** Risks: **HSR SR LR** Stakeholder: **C IE CN IO** SDGs:

### Employee Attraction, Retention and Development

Given the dynamically evolving landscape and energy transition taking place, we require future-ready talent with the right knowledge and skills to realise our strategies and drive business resilience over the long-term. Investment in high-performing talents is crucial, especially in an environment of increasing competition for skills. Our aim is to continuously attract and retain the best talent by providing flexible work arrangements, creating opportunities to foster individual potential and implementing fair and equitable compensation that is consistent with a rewards-based performance. We also strive to create a fair and inclusive workplace by supporting equal treatment of all employees regardless of gender, age, cultural background, skills, race and religion.

Capital: **FC IC HC SRC** Risks: **HSR GSR** Stakeholder: **IE** SDGs:

### Health and Well-being

We place great emphasis on protecting all employees and contractors from work-related hazards and promoting good health and well-being among our workforce and the wider community. It is imperative to create a safe and conducive work culture, as our employees' health and well-being directly impact our long-term performance. We conduct risk assessments, introduce adequate controls and implement a wide range of health and wellness initiatives that help address the physical and mental health of our employees and their families.

Capital: **FC HC MC SRC** Risks: **HSR HCR SR ER** Stakeholder: **C IE CN** SDGs:

### Corporate Governance

It is important that we practice and uphold the highest standards in corporate governance, a key factor in determining business resilience and long-term growth. Among our key priorities is to ensure the practice of the highest level of governance on structures, policies and strategies in sustainability-related matters. This also covers our strategies and roadmap in realising our NZCE 2050 Pathway.

Capital: **FC HC SRC** Risks: **FLR HSR HCR GR SR TR ER LR** Stakeholder: **FD IE SIC M IPG CN** SDGs:

### Anti-Bribery and Corruption

We believe that creating a strong foundation based on ethics and integrity will drive shared and equitable values among stakeholders. We need to protect our operations and business from any form of corruption and unethical behaviour. Throughout the value chain, we strongly encourage ethical and responsible business practices and compliance with standards and guidelines among employees, business partners, suppliers, contractors and other intermediaries. We do this by closely adhering to PETRONAS' Anti-Bribery and Corruption Policy and the PETRONAS Code of Conduct and Business Ethics (CoBE).

Capital: **FC HC SRC** Risks: **GR ER LR** Stakeholder: **M IPG** SDGs:

### Lower Carbon and Energy Transition Business

In mitigating the effects of climate change, we continue to strengthen our efforts in lower carbon and energy transition business as this allows us to step out beyond our core and develop new businesses to realise our NZCE 2050 Pathway. This includes our focus on natural gas as a fuel with lower carbon intensity than other fuels; and other business growth opportunities such as renewable energy, hydrogen, green mobility, specialty chemicals and biofuels among others. Our efforts are channelled towards achieving balance in energy security, affordability and sustainability, taking into consideration the latest policies, goals, accounting instruments and technologies that facilitate the energy transition.

Capital: **FC HC IC MC SRC NC** Risks: **MR FLR HR HCR** Stakeholder: **FD SG SIC IPG IO** SDGs: 

### Economic Contribution

Our ability to drive long-term business growth goes hand-in-hand with the prosperity of the markets and communities in which we operate. Our goal is to contribute to economic development that benefits all segments of society by generating economic value through our products and services, servicing capital payouts and paying wages and taxes while generating social, commercial and working opportunities for local residents. We also provide assistance especially in times of crisis through funds, volunteering efforts and in-kind products or services. We strive to ensure that PETRONAS is responsible and transparent in tax practices, governed by applicable local or regional tax regulations.

Capital: **FC HC IC MC SRC** Risks: **MR FLR HSR HR HCR GR SR TR ER** Stakeholder: **FD SG SIC** SDGs: 

### Sustainable Supply Chain

We pay close attention to our overall supply chain management, product stewardship and procurement as this mitigates risks that impact the environment, society and economy. This ensures the sustainability and safety of our products throughout the entire life cycle. To improve supply chain resilience, we continuously strengthen our efforts to nurture and support local suppliers where possible and applicable. We also share global work practices with regional and local entities to enrich the local economy.

Capital: **FC HC IC MC SRC NC** Risks: **MR FLR HSR HR GR SR TR ER** Stakeholder: **C** SDGs: 

### Innovation and Technology

We embrace innovation and technology through the implementation of internal frameworks and measures that promote the practice of challenging the status quo in product design and operations to generate new solutions that enhance our competitive advantage and brand reputation. This includes developing and using advanced technologies and digital innovations to generate new business processes, including improving customer and other stakeholders experiences. In terms of approach, we leverage innovation and technology across all operations and services to accelerate our business growth and offerings.

Capital: **FC HC IC MC NC** Risks: **MR FLR HSR HR HCR SR TR** Stakeholder: **C IE M IPG** SDGs: 

### Circular Economy

Our long-term ambition is to minimise or eliminate the negative environmental impact of a product by eliminating waste and reducing materials consumption. We also wish to decrease plastic pollution by engaging in recycling and reusing, as this creates opportunities for innovation and lower waste generation. The circular economy model encourages the creation of a closed-loop system where waste from one process becomes an input for another. Our aim is to work towards a low-waste future, steward natural resources and minimise our carbon footprint while creating value.

Capital: **FC HC IC MC SRC NC** Risks: **MR HR HCR TR** Stakeholder: **C** SDGs: 