

The Way We Manage Risks

PETRONAS Risk Policy outlines the general principles and guidelines for making risk-based decisions. Through this policy, we continuously strive to implement risk management best practices to protect and create value. It ensures a balanced and holistic view of exposures to achieve business objectives, thus strengthening our position as a risk-resilient organisation. Complementing this policy is the PETRONAS Resiliency Model, which provides an integrated and holistic view of the overall strategy for more effective risk management. It focuses on three areas of business resilience, namely Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM).

PETRONAS Risk Policy and PETRONAS Resiliency Model

PETRONAS is committed to becoming a risk resilient organisation.

PETRONAS shall continuously strive to implement:

- Risk management best practices to protect and create value within the set boundaries.
- Risk-based decision-making by providing a balanced and holistic view of exposures to achieve business objectives.

Managing risk is everyone’s responsibility.

Enterprise Risk Management

Structured and holistic approach to identify, assess, manage and monitor risks. The aim is to REDUCE the likelihood and impact of identified risks to enhance the organisation’s ability to achieve its strategic objectives.

Crisis Management

Comprehensive set of processes that aims to prepare the organisation to RESPOND and manage crises to protect people, environment, asset and reputation.

Business Continuity Management

Holistic management process that aims to build the capability of an organisation to RECOVER and continue delivering products or services at acceptable predefined levels following a prolonged disruptive incident.

Risks Linked to Creating Value

Enterprise Risk Management (ERM) is integral to managing the business. It acts as a guide to systematically identify, assess, treat, monitor and review risks, as outlined in our ERM process. It aims to improve our ability to reduce the likelihood and/or impact of risks that may affect the achievement of our business objectives.

Through the ERM process, risk profiles are established, together with the corresponding risk mitigations and key risk indicators, all of which are monitored at the corporate level and by the respective units across PETRONAS Group.

PETRONAS Risk Appetite articulates the type of risks we are willing to accept to guide strategic decisions at the corporate level. It reflects our position, propensity and acceptability to take risks in various areas, namely strategic, financial, operational and reputational while adhering to legal and regulatory compliance. The risk appetite for each area is determined by its respective tolerance and threshold levels.

At the corporate level, the PETRONAS Corporate Risk Profile and Risk Appetite are monitored and reported quarterly to the RMC, ELT, RC and the Board.

Risk assessments are conducted at key decision points to:

- Ensure decisions that significantly impact our business operations and strategies are made through consideration of risk-reward trade-off; and
- Create risk-reward conversations at respective decision platforms and/or approving authority.

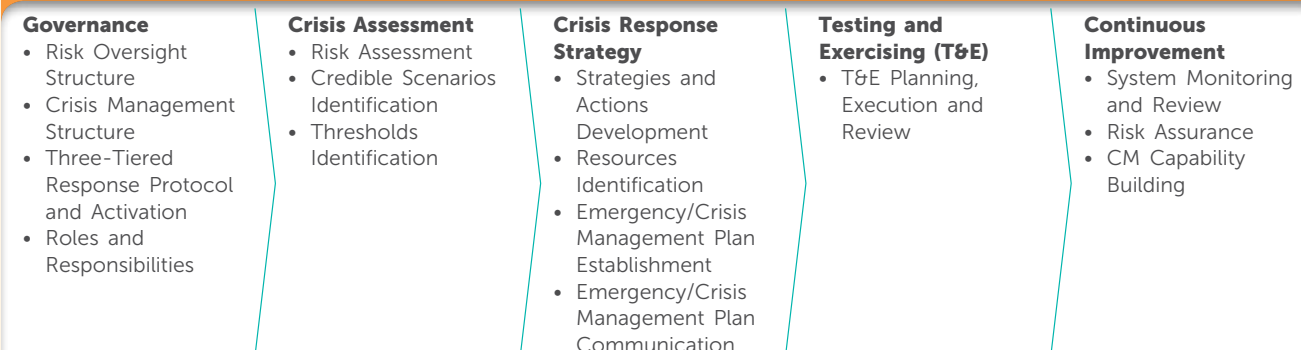
ERM Framework



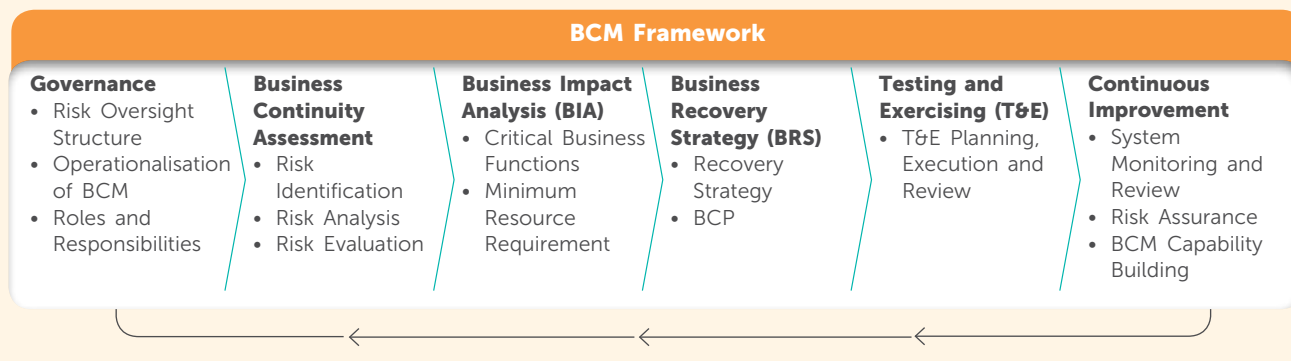
Crisis Management (CM) is an integrated process that aims to prepare our domestic and international operations to respond to and manage crises in risk areas, to protect the People, Environment, Assets and Reputation (PEAR).

Under CM, we adopt a three-tiered response protocol that demarcates the roles and responsibilities of the emergency site management, operating unit management, corporate and internal or external response agencies and/or authorities. We also conduct Testing and Exercising (T&E) via simulation of test scenarios to ensure the effectiveness of response strategies and promote continuous improvement, as identified in the Emergency or Crisis Management Plan.

CM Framework



Business Continuity Management (BCM) aims to build our capabilities to recover and continuously deliver products or services at acceptable, predefined levels following any prolonged disruption. The Business Continuity Plan (BCP) is key to this framework, which enhances our preparedness to recover and restore business-critical functions within a reasonable period, sustain activities and minimise disruptions to stakeholders. Through simulation of test scenarios, we also conduct T&E to validate the effectiveness of recovery strategies as well as maintain a high level of competence and readiness as identified in the BCP.



Managing Our Principal Risks

Our ability to create long-term value is subject to several factors, including those beyond our control. Whether known or unknown, these and other risks may present threats that could adversely impact our operations and our stakeholders. Nevertheless, they may also present opportunities that can be leveraged for strategic benefit to pursue growth opportunities and build the right capabilities for business sustainability. The principal risks are set out below together with the key mitigation measures to manage them. This list is not exhaustive and the order in which we outline these risks does not necessarily reflect the likelihood of occurrence or magnitude of their impact.

In 2022, Sustainability Risk is included as one of the principal risks to reflect the significance of managing environmental, social and governance (ESG) related exposures including climate change risk to the business strategies for long term growth. Given the exposures climate change risk present to PETRONAS’ business operations and strategies, it has been considered as input to some of the principal risks.

In addition, the Risk Management in Action section features our focused efforts in effectively managing selected principal risks against the backdrop of a dynamic and uncertain operating environment.

We are strengthening our risk management efforts and related disclosures to ensure consistency with global sustainability frameworks and standards. Aligning our disclosures with the Taskforce on Climate-Related Financial Disclosures (TCFD) is in progress and can be accessed in the Safeguard the Environment section. Work is also ongoing to ensure alignment of our disclosure with the World Economic Forum’s Stakeholder Capitalism Metrics.