

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



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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.

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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.



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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