

# Material Topics

**Identifying and managing material topics enable us to focus on the issues that have the greatest impact on our long-term business performance and are most important to our stakeholders. This ensures our strategy remains aligned with both external expectations and operational priorities.**

In 2024, our sustainability priorities remain anchored to the material topics identified through our materiality assessment. We continue to strengthen our materiality assessment process in line with the latest developments in sustainability reporting. This includes new regulatory and disclosure requirements, such as the European Sustainability Reporting Standards (ESRS) and Malaysia's National Sustainability Reporting Framework (NSRF), which are aligned with the IFRS Sustainability Disclosure Standards.

Since 2022, we have applied a double materiality approach to assess the impacts of material topics to the external environment (impact materiality) and the financial implications of the material topics to our business (financial materiality).








## Impact Materiality

Evaluated from both positive and negative aspects, covering actual and potential impacts from our own operation on society and environment, and business relationships in the upstream and downstream value chain.

## Financial Materiality

Evaluated in terms of negative consequences from reputational, financial or commercial risks associated with the material topics, as well as positive upside risks or opportunities.

Our materiality assessment identifies 16 key topics that are material to PETRONAS, guiding the management of sustainability efforts. This assessment highlights the significance of perceived impacts and trends compared to the previous year.

Sustainability Approach	Material Topics	Descriptions
	 <b>Corporate Governance</b>	Corporate Governance is crucial for ensuring accountability, performance and transparency within PETRONAS. Strong governance can enhance business resilience and attract investors, fostering trust among stakeholders and promoting long-term sustainability.
	 <b>Cyber Security and Data Protection</b>	Cyber Security and Data Protection is vital as PETRONAS increasingly employs digital solutions. A strong cyber security framework and investment in advanced protective measures ensure business continuity and safeguard stakeholder information, maintaining trust and operational integrity, in an environment where cyber attacks pose greater security threats.
	 <b>Economic Contribution</b>	Our ability to drive long-term business growth goes hand-in-hand with the prosperity of the markets and communities in which we operate. We contribute to development that benefits multiple segments of society through the generation of economic value from our products and services, capital payouts, payments to government, compensation to employees and vendors, as well as financial contribution towards social and environmental causes.
	 <b>Ethics and Integrity</b>	Ethics and Integrity are fundamental to maintaining PETRONAS' reputation and enabling responsible business practices. Fostering strong ethical practices can enhance stakeholder relationships, operational integrity, and a culture of high ethical standards and trust.
	 <b>Innovation and Technology</b>	Innovation and Technology drive PETRONAS' ability to adapt to industry shifts and deliver sustainable energy solutions. Investing in technologies presents an opportunity to position PETRONAS as a leader in the energy transition, with positive impacts including enhanced operational efficiency and sustainable practice.
	 <b>Lower-Carbon and Energy Transition Business</b>	Lower-Carbon and Energy Transition Business presents opportunities for PETRONAS in renewables and lower-carbon energy solutions. Our PETRONAS Energy Transition Strategy directs our efforts to invest in promising new energy value chain reduce emissions and better meet stakeholder expectations while contributing towards global climate goals in a financially prudent manner.
	 <b>Safety Management</b>	Safety Management is essential for ensuring the safety of our employees, contractors and communities. Implementing strong safety practices can mitigate risks and improve operational efficiency.

### Sustainability Approach



**Creating Sustainable Value through Responsible Governance**

After two revalidation cycles of our material topics in 2022 and 2023, we completed a comprehensive assessment in 2024. Our double materiality assessment process in 2024 included an overview of our value chain, and alignment of impact thresholds with risk thresholds, as per our Risk Quantification Guideline. We also considered the impact of our material topics and the associated risks and opportunities over the short-, medium- and long-term.




### Our Materiality Assessment Process

Identification	Stakeholder Engagement	Prioritisation	Endorsement
We identified potential material topics by considering regulatory requirements on reporting and disclosure standards, stakeholder perspectives, peer-benchmarking and media insights.	We gathered stakeholder views through external surveys and through internal workshops. Guided by the PETRONAS Risk Quantification Guideline, these inputs were used to assess the impact and financial materiality of the various topics.	Topics were further prioritised in response to Board and Executive Leadership Team insights, and recalibrated in consultation with Group strategy and risk management teams to align with our strategic priorities and risk profile.	The materiality assessment results were endorsed by the PETRONAS Sustainability Committee and approved as per company internal governance.

**Legend:** ●○○ Material ●●○ More Material ●●● Most Material ▲ Increase In Impact = No Changes In Impact ▼ Decrease In Impact

Impact Materiality		Financial Materiality		Our Response
Significance	Trend Compared to 2023	Significance	Trend Compared to 2023	
●●○	▲	●●○	=	+ Please refer to Corporate Governance at PETRONAS on pages 186 to 205.
●●○	=	●●○	▲	+ Please refer to Cyber Security and Data Protection on pages 90 to 91.
●●●	▲	●●●	▲	+ Please refer to Key Messages on pages 14 to 28.
●●○	▲	●●○	=	+ Please refer to Commitment to Governance on pages 176 to 205.
●●○	=	●●○	▲	+ Please refer to Strategic Review on pages 60 to 81.
●●●	=	●○○	▼	+ Please refer to Strategic Review on pages 60 to 81 and Delivering Net Zero on pages 92 to 111.
●●○	=	●●●	=	+ Please refer to Safety Management on pages 85 to 89.

## Material Topics

Sustainability Approach	Material Topics	Descriptions
 <p><b>Delivering Net Zero</b></p>	<p><b>CC</b> <b>Climate Change</b></p>	<p>Climate change presents both challenges and opportunities for PETRONAS. This include potential physical risks to PETRONAS' assets and value chain, as well as transition risks that encompass regulatory and market challenges associated with climate change. Proactive climate risk management offers the opportunity to protect assets, enhance business continuity, ensure resilience and build stakeholder confidence. However, failing to manage these risks may pose significant threats to assets in the form of extreme weather events reducing demand for our products and disrupt operations, potentially leading to financial losses, regulatory non-compliance and reputational damage.</p>
	<p><b>GHG</b> <b>Greenhouse Gas Emissions</b></p>	<p>Managing our Greenhouse Gas (GHG) Emissions is critical for PETRONAS to achieve our commitment to net zero carbon emissions by 2050. Our emissions reduction efforts are carried out through four key abatement levers to attain our emissions reduction targets. Failure to address our emissions could lead to financial losses and reputational damage.</p>
 <p><b>Thriving with Nature</b></p>	<p><b>CE</b> <b>Circular Economy</b></p>	<p>Circular Economy practices promote resource efficiency and waste reduction. Creating value from waste presents new business opportunities, enhances regulatory compliance and strengthens stakeholder trust.</p>
	<p><b>EM</b> <b>Environmental Management</b></p>	<p>Our Environmental Management is guided by responsible resource utilisation, pollution prevention and sustainable practices. Our internal standards steer our operations in managing air emissions, wastewater, waste, water use and oil spill prevention, ensuring regulatory compliance and protecting natural resources.</p>
	<p><b>NB</b> <b>Nature and Biodiversity</b></p>	<p>With climate change being a significant driver of biodiversity loss and the risk of irreversible damage to ecosystems, PETRONAS is committed to deepening our understanding of both our impacts on and dependencies upon Nature and Biodiversity. Our ability to address our impacts responsibly is essential to maintaining our social licence to operate, avoiding fines, operational disruptions, financial losses, and ensuring long-term business resilience.</p>
 <p><b>Fostering a Just Transition</b></p>	<p><b>EAR</b> <b>Employee Attraction, Retention and Development</b></p>	<p>Employee Attraction, Retention and Development is vital for cultivating an agile, skilled and motivated workforce. Investing in employee development helps build a future-ready workforce, driving business success and ensuring continuity in delivering our strategy. Retaining and developing existing talent can strengthen business sustainability and resilience in the long run.</p>
	<p><b>HW</b> <b>Health and Well-being</b></p>	<p>The Health and Well-being of employees is important to PETRONAS to ensure a productive and healthy working environment. Proactive measures to foster a sound work culture negate the risks of employees feeling undervalued, experiencing low morale or facing reduced productivity.</p>
	<p><b>HR</b> <b>Human Rights</b></p>	<p>Respecting Human Rights across our operations and supply chains is fundamental to ethical and sustainable business practices at PETRONAS. Upholding human rights practices fosters trust, strengthens stakeholder relationships and promotes fair labour practices. Failure to address human rights risks can lead to human rights abuses, legal consequences, financial losses and reputational harm, ultimately impacting business resilience and long-term success.</p>
	<p><b>SC</b> <b>Sustainable Supply Chain</b></p>	<p>Sustainable Supply Chain management promotes ethical sourcing while minimising environmental and social impacts across the value chain. It ensures that products are safe, sustainable and responsibly managed. These initiatives also drive cost efficiencies, foster innovation in sustainable materials and processes, and strengthen brand reputation, ultimately creating value for both the business and our stakeholders.</p>

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Impact Materiality		Financial Materiality		Our Response
Significance	Trend Compared to 2023	Significance	Trend Compared to 2023	
●●○	▼	●●○	▼	+ Please refer to Delivering Net Zero on pages 92 to 111.
●●●	=	●●●	=	+ Please refer to Delivering Net Zero on pages 92 to 111.
●○○	▼	●○○	▼	+ Please refer to Circular Economy on pages 124 to 129.
●●○	=	●●○	=	+ Please refer to Environmental Management on pages 118 to 123.
●●○	=	●○○	▼	+ Please refer to Nature and Biodiversity on pages 113 to 117.
●●○	▲	●●○	=	+ Please refer to Employee Attraction, Retention and Development on pages 147 to 158.
●○○	=	●○○	=	+ Please refer to Health and Well-being on pages 159 to 162.
●●●	▲	●●○	=	+ Please refer to Human Rights on pages 132 to 144.
●●○	=	●○○	▼	+ Please refer to Sustainable Supply Chain on pages 145 to 146.