

## CHAIRMAN'S MESSAGE

# FOSTERING RESILIENCE AND AGILITY TO NAVIGATE A DYNAMIC LANDSCAPE

Dear Valued Shareholders,

Against the backdrop of a challenging operating environment in 2023, PGB delivered resilient operational and financial performance while making progress across sustainability, governance and strategic initiatives.



ADNAN ZAINOL ABIDIN  
Chairman

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### NAVIGATING AN EVOLVING BUSINESS ENVIRONMENT

A variety of externalities impacted our operations in 2023, with factors such as geopolitical instability, escalating inflation and a weakening Ringgit contributing to volatility in our material costs and operating expenses.

High gas prices precipitated by ongoing conflicts in Eastern Europe and West Asia were key factors in elevating internal gas consumption costs across our business segments, most notably in our Utilities segment where energy consumption is the primary expense. Our Regasification and Transportation segments were especially exposed to currency fluctuations, due to some of our USD denominated long-term contractual obligations as well as the higher costs of imported materials.

Further to this, industry players are facing increasingly stringent regulations and stakeholder expectations surrounding sustainability and climate action, with many of our major institutional shareholders closely analysing our sustainability initiatives to ensure we meet their sustainable investing parameters.

Faced with these challenges, we have turned them into opportunities for progress. By resolutely focusing on driving cost optimisation and operational efficiency, supported by the targeted introduction of digital solutions, we successfully mitigated the year's high-cost environment, delivering a resilient financial performance that stands us in strong stead for the future.

**We have transformed challenges into opportunities for progress, prioritising cost optimisation, operational efficiency and digital solutions to mitigate rising costs and deliver a resilient financial performance.**

At the same time, we navigated the evolving sustainability environment adeptly towards net zero carbon emission. This will pivot our position as key driver of the nation's energy transition through the government's National Energy Transition Roadmap (NETR), launched in August 2023. As a contributor to the roadmap's catalyst projects, we now have the opportunity to capture new value propositions in the renewable energy and carbon abatement spaces, greenifying our portfolio for long-term value creation.

Drawing upon our infrastructure and competitive advantages in the energy sector, we are participating in some of the catalyst projects to enhance our economic sustainability while contributing to the nation's climate and energy objectives.

### ENHANCING OUR SUSTAINABILITY BLUEPRINT

In 2023, we formalised our Sustainability Blueprint, which was developed in alignment with PETRONAS' Net Zero Carbon Emissions by 2050 pathway and sets forth our agenda across our four sustainability lenses: Sustainable Value Creation, Safeguard the Environment, Positive Social Impact and Responsible Governance.

By establishing this blueprint, we have clearly articulated our aspirations and identified specific areas where we seek to enhance our performance. We have complemented this with a roadmap outlining milestones to be achieved by 2030. Through these comprehensive guidelines, we aim to align our strategic objectives with a clear vision of how to attain our goals, fostering a unified and collective pursuit across the Group.

Concurrently, we established our Task Force on Climate-related Financial Disclosures (TCFD) Roadmap in 2023, providing guidance to our teams and placing us on track to reach our goal of achieving full compliance on TCFD recommendations by 2024.

Our concerted, Group-wide climate action efforts are both necessary and opportune, coming at a time when shareholders and financiers are exercising greater scrutiny over the climate commitments of companies, while the Malaysian government simultaneously accelerates its net zero drive through NETR and the National Energy Policy.

**By supporting initiatives and catalyst projects under the government's NETR, we are contributing to the nation's energy transition and paving the way for new, low-carbon growth avenues.**





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### PROMOTING GOOD GOVERNANCE

As the nation's leading gas infrastructure and centralised utilities company, we embrace our responsibility to uphold the highest standards of integrity and ethics in everything we do. We continually place utmost priority in instilling good governance practices across all levels of our business, conscious that our actions impact our varied stakeholders, including our shareholders, customers, business partners and the nation. This becomes even more of an imperative in light of the transformative changes we are undertaking as we explore opportunities in renewable energy and pivot to meet the needs of the regional energy market.

We take great care to ensure that our Board contains the necessary blend of industry expertise and leadership skills to uphold our standards and oversee our strategies. To this end, we conducted a thorough 2023 Board Effectiveness Evaluation (BEE) exercise identifying priority areas that have since been incorporated in action plans to further improve Board performance.

### AWARDS AND ACCOLADES

We are pleased that our commitment to upholding excellence is once again recognised through the prestigious local and international awards attained in 2023. This collectively paid tribute to our stellar performance in the realms of governance and Health, Safety, Security and Environment (HSSE), as well as our concerted efforts to drive digital transformation across the Group.

It is particularly gratifying to highlight that PGB stands as one of the public listed companies meeting the criteria for the recent PwC Malaysia's Building Trust Award 2023 conferred upon PETRONAS. This recognition underscores PGB's commitment to capability, transparency, and responsibility. Notably, this award's credibility is bolstered by its unique process, wherein submissions and nominations are not solicited, adding further weight to the acknowledgment.

**Our inaugural success in the PwC Malaysia's Building Trust Awards 2023 affirms our commitment to instilling responsible and transparent governance practices.**

In addition, we also received an award that recognised our efforts to enhance the adoption of new technology and digital tools to enhance our ways of working:

#### International Data Corporation Future Enterprise Award 2023

**The implementation of RGTSU Digital Transformation strategy resulted in winning the Best in Future of Operation Award in both the Malaysian and Asia-Pacific categories.**

### DIVIDENDS

Amidst a challenging economic climate, we have remained committed to our long-term dividend policy of distributing a gross dividend of approximately 50% of our consolidated profit after tax and non-controlling interest to equity holders.

In respect of financial year 2023, we paid out four (4) single-tier interim dividends totalling 72.0 sen net per share, amounting to RM1.42 billion over the course of the financial year. This represents a payout ratio of 78.3% of our net earnings in 2023, underscoring our aim to deliver healthy returns to our shareholders in recognition of their continued trust.

### MOVING FORWARD

Moving forward, our focus will lie in improving our performance against the ambitions of our Strategic Agenda and maintaining the momentum we have created in greenifying our portfolio. To drive progress, we have identified specific targets and goals within the pillars of Growth, Operational Excellence, Commercial Excellence and Project Excellence. These goals, collectively referred to as G5dot5, will guide us in building a stronger and more resilient PGB in the years ahead and towards the agenda's conclusion in 2030.

In terms of growing our capacity and capabilities, the Board has sanctioned two new projects in 2023, which are the expansion of LNG storage and the installation of a cold energy ASU at Pengerang. These projects are amongst the first to incorporate sustainability considerations where they have undergone Carbon Footprint Assessments (CFA) to measure carbon footprint post-project completion. All future projects will undergo CFA from the very early stages of planning and conceptualisation.

With regard to greenifying our portfolio, our proactive work in exploring renewable energy, carbon abatement and other climate-related initiatives stands us in good stead to support the nation's energy transition. Doing so will position us as a future-oriented energy company, safeguarding our reputation and opening the door to further private and public sector

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collaborations on this journey. Through our work with the catalyst projects of the NETR, there is further scope to make an impact towards our net zero ambition and the shared climate action goals of the nation.

Looking beyond the near-term, and notwithstanding our existing renewable energy investments, we believe that natural gas has a critical role to play in the ASEAN region's energy transition. With high reliability, a low levelised cost of energy and approximately 40% lower carbon emissions compared to coal, it will be a vital transitional fuel for the coming decades as countries gradually invest in building infrastructure required to deploy renewable energy at scale.

On this note, the liberalisation of the regional energy market presents a prime opportunity for PGB to play a better role as a natural gas infrastructure service provider across ASEAN, while Malaysia positions itself as the region's Gas Hub. We remain hopeful that Malaysia will continue to move towards a conducive ecosystem to support this aspiration.

This is a time of great change and great opportunity for the energy sector. With an innovative mindset and astute strategies, we can position ourselves to deliver greater value for our business and our stakeholders over the long-term.

### ACKNOWLEDGEMENTS

Our continued resilience and dynamism to transform during challenging times is thanks in no small part to the support of our stakeholders and, on behalf of the Board, I would like to issue my heartiest thanks to them.

First of all, we owe our gratitude to our valued shareholders for their unwavering trust during good and more difficult

times alike; for standing behind our ambitions and believing in our vision of transformation. Similarly, the support of our key partners, including the relevant Government agencies and the various private and public entities we work with to realise our goals, has been vital to ensuring the nation's energy supply security and opening new doors for shared value creation. Thank you for your continued support.

Our goals would not be achievable without the contributions of our employees and Leadership Team, who put boots on the ground and minds to work to meet the energy challenges of today and shape the futures of generations to come. Thank you for your commitment, passion and strength on our shared journey.

Finally, I would like to express my appreciation to my fellow members of the Board for their work in spearheading PGB's transformation and driving excellence at every level of the business. In particular, I would like to place on record our collective appreciation to Dato' Abdul Razak Abdul Majid, who resigned in March 2023 after serving four (4) years on the Board. We thank Dato' Abdul Razak for his tireless contributions to the Group during his tenure and wish him every success in his future endeavours.

Operating in a fast-changing energy sector, let us remain guided by our purpose as an organisation. By being progressive in thinking and action, we can develop solutions that support the energy transition, enriching lives for a more sustainable future that benefits all. Thank you.

**ADNAN ZAINOL ABIDIN**  
Chairman