

MESSAGE FROM THE MD/CEO

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# ENSURING STABILITY AND GROWTH AS WE STEER TOWARDS NET ZERO



Highlights from our 2023 performance:

- Maintained world-class operational standard in reliability
- Successful revision of 3<sup>rd</sup> term of Gas Processing Agreement (GPA) with PETRONAS
- Attained Final Investment Decision (FID) for LNG storage expansion and new Air Separation Unit (ASU) at Pengerang

Dear Valued Shareholders,

Navigating through a challenging operational terrain, PGB achieved strong financial results and maintained world-class standards in operational excellence throughout 2023. We have refined and fortified our growth and sustainability strategies, positioning the Group for resilience and stability amidst the evolving energy landscape.

ABDUL AZIZ OTHMAN  
Managing Director/Chief Executive Officer

A RESILIENT OVERALL PERFORMANCE

While our business was exposed to adverse market conditions such as unfavourable foreign currency movements, cost inflation and higher fuel prices in 2023, our people have once again demonstrated resilience, agility and business acumen, strategically focusing on key areas to positively influence outcomes and effectively navigate obstacles.

All segments continued to uphold world-class operational standards in terms of safety and reliability during the year, maximising our income. With revenue from our regulated businesses fixed and electricity prices pegged to TNB tariff, the optimisation of operational expenses remained a top priority. Our commitment to stringent cost discipline and optimisation in 2023 proved vital in mitigating the impact of adverse cost environment to our bottom line, contributing to the strong overall performance for the Group.

In contractual developments, I am pleased to report that we have successfully completed the revision of 3<sup>rd</sup> term of GPA, for our Gas Processing services to PETRONAS from January 2024 to December 2028.

Concurrently, we have made notable strides in unlocking growth opportunities aligned with the objectives outlined in our Strategic Agenda, with three projects reaching completion within our Gas Processing and Gas Transportation segments. Furthermore, several new projects have either obtained FID approval or are nearing sanctioning, ensuring a continuous pipeline for growth.

Amidst an operating environment marked by ongoing cost volatility and market challenges, the Group showcased resilience to achieve commendable results and is pleased to reward shareholders with a 72.0 sen per share declared as dividends in respect of 2023.

DELIVERING ON OUR NEW STRATEGIC AGENDA

In 2023, we initiated the first year of the PGB Strategic Agenda, a finely crafted roadmap to shape our success from 2023 to 2030. This strategic plan solidifies our commitment to elevate performance in the key domains of Growth, Commercial Excellence, Project Excellence and Operational Excellence, collectively known as G5dot5 which also serves as our winning formula to unlock the potential of our businesses, while ensuring the sustainability of PGB in alignment with our four sustainability lenses.

Our collective efforts to achieve G5dot5 Strategic Agenda targets served as a vital buffer against the influence of adverse market forces in 2023.



Within these strategic focal points, our objectives include delivering high-impact growth projects, ensuring safe and timely project delivery within budget and quality parameters, and achieving top-quartile results in crucial operating and sustainability metrics while ensuring optimum value creation. In the inaugural year, we successfully met targets for all growth initiatives while maintaining Quartile 1 performance in the majority of our operating metrics. However, we have simultaneously recognised areas for improvement and will refine our approach in 2024 to further enhance our performance.

The cumulative efforts under our Strategic Agenda yielded significant value in 2023, which helped to cushion the impact of adverse market forces, such as higher material and operating costs, on our profitability.



## MESSAGE FROM THE MD/CEO

### PGB STRATEGIC AGENDA



### PROGRESSING OUR GROWTH DELIVERY PROJECTS

The Group has continued to make progress on the various growth project delivery highlighted in last year's report. In our Utilities segment, the commissioning of a new facility to supply utilities to PCC Oxyalkylates Malaysia Sdn. Bhd. at the PETRONAS Petroleum Industry Complex was a success, with offtake commencing in October 2023. Our Gas Processing segment, meanwhile, is close to completing its off-gas rerouting initiative to link the Terengganu Crude Oil Terminal to our Gas Processing Kerih complex, with the project expected to be finalised in the second quarter of 2024.

Our Gas Transportation segment has concluded works on the 10 km pipeline extension to Banting in Selangor, and 42 km lateral gas pipeline to the new power plant at Pulau Indah. Concurrently, the new gas compressor station project in Kluang, Johor, is expected to commence operations in early 2025.

Two new growth projects successfully reached Final Investment Decision during the year. These include the installation of a third floating storage unit, along with the construction of a cold energy ASU at Pengerang.

Our efforts to maintain forward momentum within in our growth initiatives have helped us realise value in the form of RM2,386.02 million in PBT for 2023, an increase of 5.1% compared to the previous year.

### A STRONG FINANCIAL PERFORMANCE

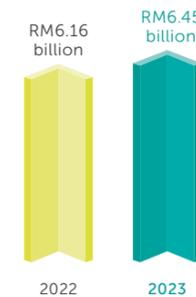
On the back of an efficient and reliable operational performance in 2023, the Group recorded a substantial increase in revenue, which rose by 4.6% to RM6.45 billion. This growth was mainly contributed by higher revenue in the Utilities segment, driven by an upward revision of Imbalance Cost Pass-Through (ICPT) tariff for the electricity that we have sold to customers. However, gross profit declined by 2.6% or RM60.68 million during the year, as a result of reduced contributions from our Gas Transportation, Gas Processing and Regasification segments. The decline was influenced by reduction in transportation and regasification tariffs, as well as an increase in operating expenses.



## MESSAGE FROM THE MD/CEO

### GROUP REVENUE

▶ **RM6.45**  
billion



I am pleased to report a growth in our Profit Before Tax (PBT), which improved by 5.1% or RM116.65 million on the back of successful efforts to minimise our foreign exchange exposure through prepayment of a long-term USD lease liability. Stronger contributions from joint venture companies also contributed to the overall improvement in PBT. In tandem, our Profit After Tax (PAT) for the year rose by 8.1% to RM1.90 billion, with the absence of the Prosperity Tax that was imposed in 2022 contributing to the improved results.

Despite grappling with ongoing challenges, the Group is encouraged by the stronger performance achieved in 2023. The resilience of the Group's business model, supported by long-term contracts in the Gas Processing, Gas Transportation and Regasification segments, ensures we retain a robust financial position, while our continued investments in strategic growth projects will further fortify our revenue streams and asset base.

For details on the operational performance across our core segments, please read our Business Review from pages 42 – 49 in this report.

### GROSS PROFIT

▶ **RM2.29**  
billion



### DRIVING A GENERATIVE HSSE CULTURE

Guided by our PGB Generative HSSE Culture ambition, we remain deeply committed to upholding good HSSE practices, going above and beyond compliance to not just uphold but exceed rigorous workplace safety standards. This culture fosters transparency and mindfulness within our workforce, exemplified by PETRONAS' 'Jom Patuh dan Tegur' initiative that encourages employees or third parties to speak up whenever they see unsafe practices or feel unsafe in the work place.

The Leadership Team continues to play a pivotal role in instilling a sense of personal accountability amongst all employees and contractors, with regular unannounced audits led by leaders organised to reinforce safety protocols, along with increased engagement with project management teams and contractors to emphasise the paramount importance of safety.

Despite our ongoing monitoring of HSSE leading performance indicators, it is with regret that PGB recorded one Major Loss of Primary Containment and one Loss Time Injury during the year. As part of our commitment to prevent

future recurrences, we have established an Accountability and Behaviour Reinforcement Committee tasked with carefully deliberating personnel behaviours contributing to HSSE incidents. By adding emphasis on identifying the specific undesired actions of personnel that could lead to incidents, we are better equipped to eradicate future occurrences of such conduct.

On top of that, PGB has implemented several new safety recommendations gleaned from the independent investigation team that was established last year, and will continue to conduct thorough studies and analysis to enhance future health and safety performance.

Our HSSE performance is a vital component of G5dot5 objectives, as we remain aware that not attaining desired performance results could lead to significant business, operational and reputational impacts. As we move towards completing our readiness for a new concept of empowered management of machineries by Department of Occupational, Safety and Health (DOSH), we remain committed to closing any gaps in our performance and promoting the desired attitude and conscientiousness amongst employees to achieve our Generative HSSE Culture and Zero HSSE incident targets.



### DEVELOPING OUR PEOPLE AND CULTURE

With people being the core driver of our success, we are consistently enhancing our human resource management approach in alignment with PETRONAS policies and procedures. Special emphasis has been placed on implementing effective succession planning and developing leadership competencies across the organisation.

## MESSAGE FROM THE MD/CEO

To this end, we have introduced a new Leadership and Conditioning framework to develop and nurture future leaders, through which we continuously identify high potential staff to be developed further as potential successors for top leadership positions. To ensure we are able to spur professional development across all employee tiers, we are also implementing a structured capability development framework tailored to both technical and non-technical workgroups at every employee level.

To foster collaboration and unity amongst our workforce, we conducted numerous employee engagement sessions throughout the year. Our initiatives were well received by our workforce, as we recorded a commendable scores based on the surveys conducted amongst our staff.



### DRIVING ENGAGEMENT AND SATISFACTION

PETRONAS Organisational Culture Survey (POCS) 2023

► Favourable score of **85**

Post Engagement Satisfaction Level 2023

► **3.86/4**

As part of our PETRONAS Mind-A-Care ambassador programme, we have also upskilled leaders and managers with the necessary skills to foster and support the physical and mental well-being of our workforce. Our efforts to empower employees were validated by improved scores in our annual POCS, with the high response rate of 99% from PGB's employees indicating that we have successfully inculcated a highly engaged workforce that has embraced our 'Speak Up' culture for the betterment of the Group.

The PGB culture of excellence continues to be recognised through the numerous international and national awards received throughout the year. Key wins include our first-time triumph in the esteemed PwC Malaysia's Building Trust Awards 2023 and the International Data Corporation Future Enterprise Award for Best in Future of Operation (Malaysia and Asia Pacific categories).

### ADVANCING DIGITAL TRANSFORMATION AND NEW TECHNOLOGIES

Our ongoing commitment to embrace innovative digital technologies remains instrumental in supporting cost and labour efficiency amid rising operational expenses, while also serving to future-ready our operations and infrastructure. Digital transformation projects at Regasification Terminal Sungai Udang and Regasification Terminal Pengerang, key components of our new ways of working, have been successfully completed since 2022, enhancing equipment performance monitoring, health analysis and prompt troubleshooting.

Our establishment of PGB's Unified Operations Centre has been a key driver of our best-in-class operational performance this year, with internal analysis indicating that multiple troubleshooting cases have been resolved more efficiently during the year as a result of employees being able to leverage on remote assist functions.

As the impact of Artificial Intelligence (AI) applications become more pronounced, we are adopting various tools that leverage on AI to enhance our efficiency and analysis capabilities. In 2023, we deployed a cutting-edge Gas Transmission Optimisation digital application that harnesses machine learning to optimise internal gas consumption. Additionally, we implemented state-of-the-art CO<sub>2</sub> monitoring technology that provides us with real-time data on our exact CO<sub>2</sub> emissions, a tool that will prove invaluable in identifying trends and opportunities to progressively reduce emissions.

We are also expanding our use of drones to further enhance our monitoring capabilities, leveraging upon our industrial 5G network and existing use of nested drones for pipeline surveillance to explore new applications such as providing additional security in remote locations and undertaking surveillance and monitoring of our assets.

## MESSAGE FROM THE MD/CEO

### ENSURING SUSTAINABLE VALUE CREATION

To maintain consistent and sustainable value creation for our stakeholders, we will persist in striving towards the ambitions and targets of our G5dot5 Strategic Agenda. The attainment of these targets will not only optimise the value we gain from our incentive-based long-term contracts, but also safeguard Malaysia's energy security by ensuring all our assets are available, reliable and operating at their optimal capacity.

While maintaining operational excellence and infrastructural reliability remains crucial for our revenue stability, we will simultaneously explore growth avenues that capitalise on our core competencies, as well as those arising from the ongoing energy transition.

We expect all ongoing growth projects to progress as planned in 2024, and will seek to make headway on the new projects that reached Final Investment Decision during the year, namely the aforementioned LNG storage and cold energy ASU at Pengerang. We are also currently assessing the viability of other potential new projects, including a new compressor station at Jeram, while continuing our construction of a new 52 MW power plant in Sipitang, Sabah, of which the details were revealed in last year's report.

In pursuit of growth opportunities that align with the NETR, we are exploring several renewable projects as part of initiatives to greenify our portfolio.

Effective delivery of projects is crucial for the success of our overall growth strategy. Consequently, we have established integrated project management teams to ensure the efficient implementation of projects. At the same time, we are closely engaging with stakeholders to ascertain the viability of various new projects. With a lack of regulatory mechanisms such as

a carbon tax to spur industry-wide action, it is vital that we first gauge the support of stakeholders, to ensure our new growth initiatives, especially those in the renewable energy sector, will deliver long-term sustainable value for the Group.

### ELEVATING CLIMATE ACTION AND SUSTAINABILITY

We are significantly ramping up our commitment and resources towards our net zero targets, aligned with PETRONAS Group's Net Zero Carbon Emissions by 2050 (NZCE 2050) aspiration. To steer our actions, we have developed the PGB NZCE Pathway, which forms part of the Group's holistic Climate Change Risk Management Framework, to manage carbon footprint and greenhouse gas (GHG) emissions across our existing and expanding operations.



To this end, we remain focused on transforming our business and operations in order to fully comply with the sustainability requirements of NZCE 2050. Our dedicated efforts to automate data collection and have real time monitoring of GHG emission, we have replaced our system to iCON. This will further improve our data reliability and accuracy. Armed with this data, we can identify trends and statistics crucial for our net zero journey. Despite that, carbon abatement technologies is pivotal to meet the net zero ambitions.

Our foray into the renewable energy sector also holds potential for regional expansion. The Malaysian government has lifted the ban on exporting renewable energy in tandem with increased regional energy cooperation and the proposed ASEAN Power Grid development, opening prospects for the export of renewable energy in future. This provides a bigger opportunity for PGB to greenify our portfolio.



Gas Processing Kertih

## MESSAGE FROM THE MD/CEO

We simultaneously acknowledge the increasing significance of enhancing our ESG disclosures in response to heightened regulatory emphasis on sustainability, along with elevated expectations from shareholders. We are thrilled to have made some significant headway in this aspect, as we achieved a FTSE4Good Bursa Malaysia rating of 4.1 in 2023, surpassing our target of 4.0 or better by 2025. We are also on track to achieve full TCFD compliance next year, leveraging on a newly formulated roadmap to guide our efforts in 2024 and beyond.

As we continue to make progress across the sustainability spectrum, our approach will remain guided by our PGB Sustainability Blueprint established in 2023, providing us with a holistic master plan for achieving our sustainability ambitions.

While gas remains the cleanest of all fossil fuels, we concede that it is nevertheless a limited resource. In contemplating the long-term sustainability of PGB, our proactive initiatives to progress climate action and contribute to the nation's energy transition positions us on a trajectory that seamlessly unite profitability and sustainability.

### OUTLOOK

Moving forward, we will take into account both regional and global factors impacting the outlook of the gas industry, paying close attention to the energy transition across the ASEAN region and global initiatives to move away from hydrocarbons. Despite national policies and roadmaps being increasingly implemented, there remain significant hurdles and constraints in quickly increasing the use of renewable energy, coupled with concerns surrounding affordability and reliability. With its low Levelised Cost of Energy, gas therefore remains the optimal clean fuel to meet energy demand until renewable energy becomes more dependable.

**All segments are anticipated to contribute positively to the Group performance in 2024, underpinned by revenue stability from our long-term contracts.**

In terms of undertaking new growth projects, we will remain vigilant and focused in our approach, prioritising prospects related to our core business and other industry-adjacent opportunities in order to fully capitalise on our strengths, expertise and existing infrastructure.

In addition to our ongoing projects and new projects that reached Final Investment Decision in 2023, we are continuing to explore other avenues to bolster our growth funnel, including a new compressor station in Jeram, with the potential viability and anticipated challenges of these proposals currently under assessment. Looking towards the mid-term, we are exploring regional power solutions and expanding our industrial gases business, aligning with our aspiration to grow along the natural gas value chain.

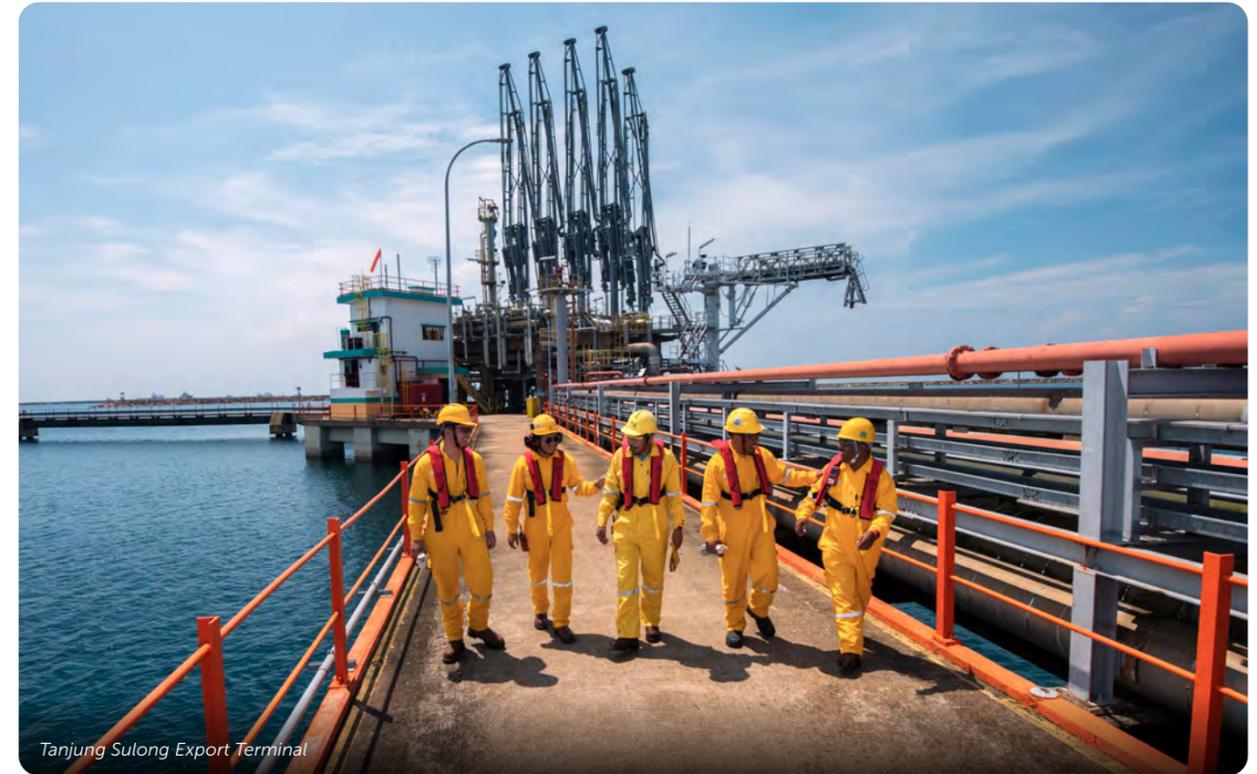
Concurrently, the Group will focus on expanding its renewable energy projects, aligning with our commitment to greenify our portfolio. Our expansion is anticipated to strengthen compliance with sustainability standards, hence yielding a profound long-term impact, enhancing accessibility to funding and facilitating participation in opportunities.

While regulatory uncertainties and economic challenges persist on the horizon, we are confident that all segments will contribute positively to a robust performance for the Group in 2024, underpinned by the stability of revenue from our long-term contracts. Furthermore, the recent decision by the Suruhanjaya Tenaga to uphold elevated ICPT tariff for the initial half of 2024 augurs well for revenue generated from our Utilities segment in the immediate future. Despite this cautious optimism, we are vigilant to the prospects of inflationary operating costs and will continue to optimise cost efficiencies throughout our operations.

Amidst this era of profound transformation in the energy sector, we will remain steadfast in striving towards the overarching ambitions and defined targets within our Strategic Agenda, fulfilling our purpose of being a 'Progressive Energy and Solution Partner, Enriching Lives for a Sustainable Future.'



## MESSAGE FROM THE MD/CEO



Tanjung Sulong Export Terminal

### ACKNOWLEDGEMENTS

The achievements of 2023 stand as a testament to the incredible efforts and unwavering support from a multitude of contributors. On behalf of the PGB Leadership Team, I extend my heartfelt gratitude for the invaluable contributions made.

Our expansive workforce, from ground-level employees to our corporate leaders, has once again demonstrated immense commitment to our shared cause. Their tireless dedication and diligence have played pivotal roles in enabling us to attain the ambitious goals set at the beginning of the year. Showcasing a collective spirit of cooperation and collaboration, every PGB employee has contributed to helping the Group surpass last year's results.

A special thank you to the government agencies and regulatory bodies for their continuous support to PGB, and ensuring to maintain a vibrant ecosystem for the gas industry, which is fundamental to our success. Our sincere appreciation also extends to investors, shareholders, business partners, suppliers and customers for their steadfast trust in the Group's ability to deliver, even amidst challenging market conditions.

We are also immensely grateful to the Board of Directors at PGB for their invaluable insights and guidance that have proved instrumental in steering us along a profitable path. The Leadership Team has once again exceeded expectations, offering guidance to all employees and empowering their commitment to excellence.

Looking ahead, we eagerly anticipate continuing our collaboration with stakeholders, working hand-in-hand to transcend challenges and embrace new opportunities in the evolving landscape of the energy sector. Armed with our strategic objectives, we will continue to uphold excellence and conscientiousness in fulfilling our service to the nation and to our customers. Thank you.

**ABDUL AZIZ OTHMAN**  
Managing Director/Chief Executive Officer