www.petronas.com
Cover Rationale

The sheer pace and magnitude of energy transition are rapidly shifting how the world consumes energy. Society is demanding for a lower-carbon future, demonstrating a critical movement for sustainability goals to become even more central for governments and corporations.

In fulfilling our responsibility as a progressive energy and solutions partner, PETRONAS is committed to providing energy that is affordable, secure and sustainable for Malaysia and our customers across the globe.

By working closely with our stakeholders, we ensure that the oil and gas as well as the cleaner energy solutions we produce along our integrated value chain, are delivered with sustainability at the heart of our efforts.

Anchored to our purpose of enriching lives for a sustainable future, let’s progress forward together and recharge the future for a better tomorrow.

We Aspire to Deliver on Our Purpose:

A Progressive Energy and Solutions Partner
Enriching Lives for a Sustainable Future

Welcome to the PETRONAS Integrated Report 2021
Malaysia Integrated Value Chain

Cash generators are existing assets which provide strong and stable cash flows. Protecting and maximising these assets are paramount to provide a solid base for profitability and a foundation for growth.

Expanding Core Business

It is essential to expand the core business with a lower carbon footprint as it matures into becoming PETRONAS’ new cash generator.

The strategies are as follows:

- Deliver Material Resources
- Monetise Unconventional Resources
- Grow the Integrated Business Model and Expand Adjacencies

Stepping Out

Global trends brought on by the Energy Transition are reshaping the energy landscape, consumption patterns and consumer preferences. PETRONAS continues to build capabilities and allocate resources to step-out beyond its current core business.

- Specialty Chemicals
- Customer-Centric Solutions
- New Energy

Our Three-Pronged Growth Strategy
Our Sustainability Agenda

Sustainability is deeply rooted in our Statement of Purpose, “A progressive energy and solutions partner enriching lives for a sustainable future”. As a purpose-driven organisation, sustainability considerations contribute directly to what we do as a business, how we operate and how we engage with employees, customers, suppliers, service providers, local communities, regulators, investors and other stakeholders.

Scientific findings on climate change are accelerating the pace of the energy transition which demands tangible and urgent actions to reduce greenhouse gas (GHG) emissions to the atmosphere. Recognising the signs early on, PETRONAS’ leadership has taken progressive steps to position the organisation forward. The leadership team, together with a strong mandate from the Board, has announced our net zero carbon emissions by 2050 (NZCE 2050) aspiration, the first from an oil and gas company in Southeast Asia. We are making this pledge to make a positive change, not only to pursue new opportunities in the energy transition, but because a fundamental shift is needed, and the organisation wants to be part of the solution towards a more sustainable future.

As part of our broader efforts to achieve our NZCE 2050 aspiration, we are collaborating with various global organisations. In November 2021, we endorsed the World Bank’s Zero Routine Flaring by 2030 Initiative and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to deliver greater transparency around actions on climate change.

The delivery of our NZCE 2050 aspiration will build resilience and better prepare the organisation and Malaysian value chain for a sustainable future. As we decarbonise, we must also create social value and enable progress for society that will offer better prospects for more people, with the notion of leaving no one behind, thus promoting a Just Transition.

In pursuing our NZCE 2050 aspiration, we remain steadfast in achieving three short-term targets that were set in 2019:

- **Greenhouse Gas Emissions**: Cap GHG emissions at 49.5 million tonnes of CO₂ equivalent (MtCO₂e) for our Malaysia operations by 2024.
- **Renewable Energy**: Increase renewable energy capacity to 3,000 MW by 2024.
- **Education Beneficiaries**: Reach over 24,000 beneficiaries through education programmes, cumulatively between 2020 and 2024.

As part of our ongoing efforts to achieve our NZCE 2050 aspiration, we are also collaborating with various global organisations. In November 2021, we endorsed the World Bank’s Zero Routine Flaring by 2030 Initiative and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to deliver greater transparency around actions on climate change.

The Zero Routine Flaring Initiative aims to end flaring of associated gas from oil production. We have pledged to avoid routine flaring in new field developments and end routine flaring at existing oil production sites by 2030. This is applicable to our upstream operations within operational control and excludes flaring sources due to safety and non-routine flaring. We will publicly report our flaring data on an annual basis, with our first disclosure targeted in 2023.

We have also announced our support towards the recommendations of the TCFD and will work to adopt the disclosure framework from 2023 onwards. We intend to proactively strengthen our reporting while shaping Malaysia’s national climate-related risk disclosures.

In April 2021, we joined other oil and gas companies in submitting a letter of commitment to the World Economic Forum’s Stakeholder Capitalism Metrics. We agreed to adopt the Stakeholder Capitalism Metrics in our reporting, promote the further convergence of existing environmental, social and governance (ESG) frameworks and principles, as well as support the progress of a globally accepted solution for common ESG metrics. We have published the first PETRONAS disclosure on World Economic Forum Stakeholder Capitalism Metrics in our corporate website.

Meanwhile our membership in the World Business Council for Sustainable Development (WBCSD) helps us further align our efforts with global best practices, strengthen capacity and capability as well as raise awareness among leadership on sustainability. Our President and Group Chief Executive Officer, and Vice President and Chief Sustainability Officer are actively involved as Council Member and Liaison Delegate respectively. Additionally, our Executive Vice President and Chief Financial Officer is part of the WBCSD Chief Financial Officer (CFO) Network, and our Senior Vice President Group Human Resource Management is a member of the WBCSD Business Commission to Tackle Inequality.

Our President and Group Chief Executive Officer also chairs the CEO Action Network, a coalition of leaders of major Malaysian businesses that focus on sustainability advocacy, capacity building, action, and performance improvements.
We are pleased to present our 2021 Integrated Report.
About Stakeholders

We are pleased to present the PETRONAS Integrated Report 2021, which showcases our performance in creating financial and non-financial values for our stakeholders during the year. The report aims to offer a balanced assessment of our operations, progress and future direction. We continue to evolve as a progressive energy and solutions provider, developing meaningful relationships with our stakeholders to create sustainable value and Recharge the Future.

While we are not a public listed company, we are committed to this process as a means of adding value for our stakeholders as it creates better visibility, transparency and allows an informed assessment of our operations.

Scope and Boundaries

The PETRONAS Integrated Report is produced and published annually, covering the full calendar year from 1 January to 31 December 2021, unless stated otherwise. The report covers all our operations and activities across PETRONAS and its subsidiaries (PETRONAS Group), joint operations and associates.

This report extends beyond financial reporting. It includes our non-financial performance, governance, key strategies, material topics, risks and opportunities, as well as stakeholder value creation. The non-financial data in this report includes data from our owned and operated businesses, in line with industry best practices. It does not include data from equity interest fields/projects, such as joint ventures, where we do not have operational control.

Those areas that we do not have operational control over are included in disclosures of the management approach.

Reporting Frameworks

This report is guided by local and global standards, including:
- The International Integrated Reporting Council (IIRC) <IR> Framework, a principles-based approach that promotes the six capitals concept and considers material inputs as well as resources required to create and sustain value in the long term.
- Ipicca/APIP/SOPP Sustainability reporting guidance for the oil and gas industry.
- Global Reporting Initiative (GRI) Standards.
- World Economic Forum’s Stakeholder Capitalism Metrics.

Sustainability Reporting

We aim to embed sustainability consistently into our business strategy and decisions. We see this as an essential component of our value creation. By focusing on responsible environmental, social and governance (ESG) practices, we are better able to create long-term value for all stakeholders. With this in mind, this report includes our sustainability aspiration and performance aligned with relevant international standards. Additionally, we seek to demonstrate how our business strategy and initiatives contribute to the United Nations’ Sustainable Development Goals (SDGs).

Forward-Looking Statements

This report contains forward-looking statements. Words such as “believe,” “anticipate,” “intend,” “seek,” “will,” “plan,” “could,” “may,” “endeavour” and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and should be considered in light of the various important factors. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

The key factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include changes to IFRS and associated interpretations, applications and practices as they apply to past, present and future periods; ongoing and future acquisitions; changes to domestic and international businesses and market conditions such as exchange rate and interest rate movements; changes in domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political conditions; any labour disruptions and industrial action; and the effects of both current and future litigations.

Assurance

The financial information contained in this report, which has been extracted from the consolidated Audited Financial Statements for the financial year ended 31 December 2021, and was audited by KPMG PLT. We have also completed third party verification for the Lifecycle Carbon Footprint (partial CFP) for PC Ethylene products by DNK, USA. This increases the credibility of internally conducted Life Cycle Assessment (LCA) towards our disclosure to stakeholders, particularly customers.

About This Report

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About This Report

We value and appreciate all feedback to help make our future reports more relevant to our stakeholders.

### Feedback

PETRONAS is committed to continuously improving our reporting, and we value input from our stakeholders in making these enhancements. Should you have any queries or feedback on this report, please contact us through the following channels:

1. **Go online to our website at:**
   
   [www.petronas.com](http://www.petronas.com)

The PETRONAS Integrated Report is our primary report.

This report is supplemented by the following disclosures, which can be accessed online via [www.petronas.com](http://www.petronas.com):

1. **PETRONAS Activity Outlook 2022-2024**
2. **PETRONAS Human Rights Report 2020**
3. **PETRONAS Half-Yearly Sustainability Disclosures 2021**

We value and appreciate all feedback to help make our future reports more relevant to our stakeholders.

**Integrated Report 2021**

Provides a comprehensive overview of the Group’s financial and non-financial performance in 2021 and our outlook for 2022.

**Financial Report 2021**

Provides access to the Audited Financial Statements comprising Directors’ Report, Financial Statements, Notes to the Financial Statements and our Independent Auditors’ Report.
PETRONAS in 2021

A progressive energy and solutions partner enriching lives for a sustainable future

PETRONAS is a dynamic global energy and solutions company with a core intent to power society’s progress responsibly and sustainably. Recognised as one of the largest corporations in the world, included in the Fortune Global 500® ranking, we have a total of 46,884 employees with a global reach spanning over 100 countries.

As the custodian of Malaysia’s national oil and gas resources, PETRONAS explores, produces and delivers energy, both hydrocarbon and renewables, to ensure the security of energy supply for the nation and our customers around the globe. We have four core businesses – Upstream, Gas + New Energy, Downstream, and Project Delivery and Technology.

PETRONAS is also the largest petrochemical producer in Southeast Asia. The Group delivers petrochemical products such as olefins, polymers, fertilisers, methanol and other basic chemicals and derivative products.

In upholding our commitment as a responsible and conscientious player in the global energy sector, sustainability remains a core consideration of what we do and how we do it. We are committed to growing our business responsibly, positively contributing to society and the environment. Driven by our passion for innovation to serve a lower carbon energy future, every step takes us closer to attaining our aspiration of net zero carbon emissions by 2050 (NZCE 2050).

Our Shared Values

- **Loyalty**
  Loyal to corporation
- **Integrity**
  Honest and upright
- **Professionalism**
  Strive for excellence
- **Cohesiveness**
  United, trust and respect for each other

PETRONAS Cultural Beliefs

- **Customer Focused**
  Deliver solutions from the customer lens
- **Be Enterprising**
  Seek opportunities and make them happen
- **Innovate Now**
  Challenge norms and push boundaries
- **Speak Up**
  Express my views openly
- **Courage to Act**
  Take action to progress with pace

Brand Positioning: “Passionate About Progress”

Competitive Advantage

- **Our long track record as a global energy and solutions partner**
  Since 1974, we have transformed PETRONAS from a domestic-based national oil company into a fully integrated oil and gas multinational corporation. This experience has provided us with the winning formula to drive the transition to a lower carbon economy and further contribute to societal progress.

- **and expansive global reach**
  We are an organisation with a strong presence in over 100 countries and we strive to seek energy potential across the globe to deliver responsible energy solutions.

- **which is driven by a dedicated team of people**
  People are our strength and partners for growth; driving our passion for innovation to progress towards sustainable energy solutions. Our 46,884 employees worldwide continue to be at the forefront of executing our strategic objectives, equipped with the skills and expertise to thrive in a lower-carbon future.

- **and underpinned by responsible governance**
  Throughout the Group, we strive to achieve the highest standards of integrity in the conduct of our business and operations. We have robust policies, systems and protocols in place to ensure good governance and ethical business practices.

- **supports our expanding business and portfolio**
  We have a long history of success in exploration, development and production of crude oil and natural gas in Malaysia and abroad. Now, as the world’s energy systems are transitioning, our portfolio is expanding to include cleaner conventional hydrocarbons, renewable resources and a range of advanced products and adaptive solutions.
**Key Highlights**

### Financial Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>2021 (Billion)</th>
<th>2020 (Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>RM 248.0</td>
<td>RM 178.7</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax</td>
<td>RM 48.6</td>
<td>(RM 21.0)</td>
</tr>
<tr>
<td>Cash Flows from Operations (CFFO)</td>
<td>RM 78.6</td>
<td>RM 40.7</td>
</tr>
<tr>
<td>Total Assets</td>
<td>RM 635.0</td>
<td>RM 574.1</td>
</tr>
<tr>
<td>Return on Average Capital Employed (ROACE)</td>
<td>10.8%</td>
<td>(4.1%)</td>
</tr>
</tbody>
</table>

### Business Highlights

**Upstream**

- Recorded a total daily production average of 2,275 thousand oil equivalent (boe) per day, a 3% increase in comparison to 2020.
- Achieved first hydrocarbon for 21 projects – 14 in Malaysia and 7 abroad (South Sudan (2), Chad (1), Myanmar (1), Turkmenistan (1), Brazil (1) and Indonesia (3)).
- Achieved Final Investment Decision (FID) for 22 projects – Malaysia (18), Indonesia (2), Brazil (1) and Turkmenistan (1).
- Made 10 exploration discoveries – Malaysia (7), Indonesia (1), Brunei (1) and United States (1).
- Signed 7 Production Sharing Contracts (PSCs) with new and existing players in Malaysia.

**Downstream**

- Overall Equipment Effectiveness (OEE) of 93.3% across all business segments.
- Overall marketing sales volume of 21 billion litres from PETRONAS Dagangan Berhad (PDB), Engen Petroleum and PETRONAS Lubricants International Sdn Bhd (PLI), a 200 million litres increase from previous year.
- Supplied fuel for the first Malaysia Airlines flight using a blend mixture of 38% sustainable aviation fuel (SAF) and conventional jet fuel as a cleaner and more viable energy option.
- Commenced commercial operations of 8,000 metric tonnes per year silicone blending facility in Gebeng, Pahang, to strengthen position as key silicone manufacturer in the region.
- Conducted PETRONAS Marine’s first LNG bunkering in Port Klang and Port of Sandakan to provide a cleaner source of fuel in support of the International Maritime Organization’s sulphur limit for ships’ fuel oil.

**Gas + New Energy**

- First in the world to produce LNG from two floating facilities: PFLNG Satu and PFLNG Dua.
- Delivered 12,000th LNG cargo from PETRONAS LNG Complex in Bintulu, Sarawak, Malaysia, that includes five carbon neutral LNG cargoes.
- Completed 960 Virtual Pipeline System and LNG bunkering delivers across Malaysia, and 2,026 LNG deliveries in ISO tanks to China.
- Close to 1 GW of solar capacity in operation and under development.
- Grew Hydrogen expertise through strategic collaborations with Sumitomo Corporation, Tokyo Gas, ENEOS, JERA and MASDAR.

**Project Delivery and Technology**

- Managed 587 projects valued at more than RM 9 billion.
- 25 key technologies achieved site readiness.
- RM 25 million registered in commercialisation revenue through the deployment of 17 technologies and 98 TechApps softwares.
- Created RM 830 million in total value creation through ARIES, our digital enabling engineering solutions.
- Achieved RM 818 million in cash generation through Alpha Series, a digital transformation of our value chain.
- Reduction of 6.4% of GHG emissions in support of NZCE 2050.
Sustainability Highlights

Corporate Governance
- Board members attended programmes to keep abreast on matters related to sustainability including human rights, Just Transition and climate change.

Environmental Management
- 40% of total waste generated was recycled.

GHG Emissions
- GHG emissions reduced by 6.4%.
- Upstream GHG intensity reduced by 27.3%.
- A decrease of an estimated 4.1 million tCO₂e from GHG Emissions Reduction Projects.
- Reduction of an estimated 0.1 million tonnes of methane emissions.

Anti-Bribery and Corruption
- More than 90% of PETRONAS employees completed online courses on the five Critical Legal Areas: Ethics and Integrity, Data Privacy, Sanctions, Export Control and Competition.

Employee Attraction, Retention and Development
- 2,172 new hires.
- Average 30 hours per employee spent on training.

Human Rights
- 98% of grievance cases closed.
- 68% of employees completed Human Rights Management e-learning module.

Innovation and Circularity
- Identified 19 potential storage sites to offer CCS as an option for carbon management solution.

Economic Contribution
- RM48.2 billion contributed to the Federal Government of Malaysia and state governments.
- Contributed 12,000 devices to students worth RM30 million for hybrid learning and teaching.
- More than RM163 million invested in the PETRONAS Education Sponsorship Programme (PESP).
- Invested up to RM635.8 million in CSR programmes driven by Yayasan PETRONAS (the Foundation) together with the businesses.

Health and Well-Being
- Mental health and well-being signature programmes contributed to:
  - 70% improvement in Depression, Anxiety and Stress Scores.
  - 1,409 employees enrolled for Digital Healthy Lifestyle Coaching.

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- Identified 19 potential storage sites to offer CCS as an option for carbon management solution.
We are delighted with our numerous accomplishments over the year. These awards and accolades are a strong testimony to our continuous pursuit of excellence across the PETRONAS Group of Companies.
Key Highlights

Awards and Recognitions

KPMG Customer Experience Excellence 2021
• PETRONAS Dagangan Berhad
  – First among Malaysia’s Top 10 Leaders

Leading Employers Graduates 2021
• PETRONAS
  – Second in Malaysia’s 100 Award
  – First in Energy, Oil and Gas, Utilities sector for the fourth consecutive year since 2018

Linkedin Talent Awards 2021
• PETRONAS
  – Diversity and Talent Insight Pioneer

Majlis Amanat dan Makan Malam Apresiasi Sepanjang Ulang Tahun ke-75 Jabatan Kejilikan Masyarakat
• PETRONAS
  – Anugerah Korporat Prihatin

Malaysian Society for Occupational Safety & Health (MSOSH)
• Upstream
  – 15 Gold Merit Awards
  – 6 Gold Class Awards

NACS Convenience Summit Asia 2021
• PETRONAS Dagangan Berhad
  – Convenience Retail Technology Award (Winner)

National Annual Corporate Report Awards (NACRA) 2021
• PETRONAS
  – Excellence Awards
  – Non-Listed Organisations – Platinum

• PETRONAS Gas Bhd
  – Special Awards
  – Best Designed Annual Report
  – Gold

Prime Minister’s Hibiscus Award 2019/2020
• PETRONAS Carigali Sdn Bhd (Terengganu Crude Oil Terminal)
  – Excellent Achievement Award

• PETRONAS Carigali Sdn Bhd (Terengganu Gas Terminal)
  – Exceptional Achievement Award

• PETRONAS Carigali Sdn Bhd (Sarawak Oil)
  – Notable Achievement Award

• PETRONAS Penapisan (Terengganu Sdn Bhd)
  – Notable Achievement Award

• PETRONAS Penapisan (Terengganu Sdn Bhd)
  – Bronze in Special Projects Award
  – Exceptional Achievement Award in Environmental Performance

Prime Minister’s Hibiscus Award 2019/2020
• PETRONAS Gas Berhad
  – Gas Processing Santong
  – Notable Achievement in Environmental Performance

• PETRONAS Gas Berhad (Regasification Terminal Sungai Udang)
  – Exceptional Achievement in Environmental Performance

• PETRONAS Gas Berhad (Tanjung Suiong Export Terminal)
  – Notable Achievement in Environmental Performance

• PETRONAS Gas Berhad (Utilities Geleng)
  – Excellent Achievement in Environmental Performance

Malaysia LNG Sdn Bhd
• PETRONAS Chemicals Polyethylene Sdn Bhd
  – Exceptional Achievement Award in Environmental Performance

• PETRONAS Chemicals Ammonia Sdn Bhd
  – Exceptional Achievement Award in Environmental Performance

• PETRONAS Chemicals MTBE Sdn Bhd
  – Notable Achievement Award in Environmental Performance

• Institut Teknologi Petroleum PETRONAS (INSTEP)
  – Winner, Energy Management Pillar

• Institut Teknologi Petroleum PETRONAS (INSTEP)
  – Winner, Land Use & Biodiversity Pillar

• Institut Teknologi Petroleum PETRONAS (INSTEP)
  – Winner, Materiality Pillar

• Institut Teknologi Petroleum PETRONAS (INSTEP)
  – Winner, Climate Change & Emission Pillar

Sarawak Chief Minister Environmental Award (CMEA) 2019/2020
• PETRONAS Carigali Sdn Bhd (Sarawak Asset)
  – Champion under Large Enterprises Category for Mining & Resource Extraction Sector

• PETRONAS Carigali Sdn Bhd (Sarawak Asset)
  – Gold Award under Large Enterprises Category for Mining & Resource Extraction Sector

Putra Brand Awards
• PETRONAS Dagangan Berhad
  – Gold Award in Automotive Fuel, Lubricants and Accessories

Shared Services & Outsourcing Network (SSON) Impact Awards 2021
• PETRONAS
  – Silver Award in Process Improvement and Value Creation
  – Bronze Award in Best Shared Services Team

Royal Society for the Prevention of Accidents (RoSPA) 2021
• Institut Teknologi Petroleum PETRONAS (INSTEP)
  – Gold Award

• PETRONAS Chemicals Fertiliser
  – Gold Award

• PETRONAS Gas Berhad (Utilities Geleng)
  – Gold Medal Award (PGB Utilities Geleng)

• PETRONAS Gas Berhad (Utilities Geleng)
  – Gold Medal Award (PGB Utilities Plant Geleng)

• PETRONAS Chemicals Polyethylene Sdn Bhd
  – Gold Medal Award (PGB Utilities Plant Kerteh)

Strategic Trade Act (STA) 2020 Compliance Award
• PETRONAS Chemicals Group Berhad
  – STA 2020 Compliance Award (Winner)

Sustainable Business Awards 2021
• PETRONAS
  – Winner, Community Pillar
  – Winner, Stakeholder Management Pillar

• PETRONAS Chemicals Group Berhad
  – Winner, Stakeholder Management Pillar

Top Companies South Africa: Reputation Index Award
• Engen Petroleum
  – Oil & Gas (Winner)

- Integrated Pipeline Integrity Solutions (I-PIMS)
- Integrated Pipeline Integrity Management System (I-PIMS)

- Human Resources
  - Diversity, Equality & Inclusion

- Sustainability
  - Environmental Performance

- Diversity and Talent Insight

- Risk & Compliance
  - Assurance

- Operational Excellence
  - Project Delivery

- Technology
  - Enterprise Data Hub

- Ethics and Responsibility
  - Ethics & Governance

- Strategic Trade Act (STA) 2020 Compliance Award

- Strategic Trade Act (STA) 2020 Compliance Award

- Strategic Trade Act (STA) 2020 Compliance Award

- Strategic Trade Act (STA) 2020 Compliance Award
Key Highlights

**Event and Conference Highlights**

Throughout 2021, we engaged with key stakeholders at local and international events. Through these events, we exchanged insights and knowledge to drive the industry and nation forward and deepen our understanding of how to unlock our own potential in meeting the energy needs of the future.

**World Economic Forum (V)**
25-29 January 2021
We attended the World Economic Forum, represented by President and Group Chief Executive Officer (GCEO), Datuk Tengku Muhammad Taufik. Through these events, we exchanged insights and knowledge to drive the industry and nation forward and deepen our understanding of how to unlock our own potential in meeting the energy needs of the future.

**CERAWEEK 2021 (V)**
1-5 March 2021
As a Strategic Partner and Agora Partner of CERAWEEK 2021, we strengthened our position on the global platform with insightful topics and strategic content presented by our leadership team.

**EXPO 2020 DUBAI – Opening Ceremony**
4 October 2021
As the Official Premier Partner of the Malaysian Pavilion at the Expo 2020 Dubai, we invested RM5 million in the third-largest global event in terms of economic and cultural impact.

**Khidzah Megatrends Forum (V)**
4 October 2021
President and GCEO, Datuk Tengku Muhammad Taufik spoke at the conference during the Special Address session on “The Great Reset: Shaping a Sustainable Energy Future.”

**GasTech 2021**
21-23 September 2021
President and GCEO, Datuk Tengku Muhammad Taufik and VP LNG Marketing & Trading, Enick Shamsiaribahkazim respectively spoke on Sustainability and low-carbon commitment, and Growing LNG-to-Power Across Asia in the C-Suite Dialogue Sessions held at GasTech 2021 in Dubai. At the conference, PETRONAS and Malaysia LNG was announced as winner for Best Engineering Partnership.

**International Conference on Nation-Building**
8-9 September 2021
We were represented by Senior Vice President of Corporate Strategy Mazuin Ismail, who was invited as a conference speaker.

**The Economist: Future of Energy Week**
4-7 October 2021
President and GCEO, Datuk Tengku Muhammad Taufik was interviewed by the Editor of The Economist and spoke on “To the Last Drop: The End of Oil and Gas?” at the Plenary Session. We were also one of the event sponsors.

**India Energy Forum by CERAWEEK (V)**
20-22 October 2021
Thousands of delegates from Indian, regional, and international energy companies, institutions, and governments gathered virtually and in New Delhi for the 5th India Energy Forum by CERAWEEK, under the patronage of Hon. Shri Hardeep Singh Puri, Minister of Petroleum and Natural Gas & Housing and Urban Affairs. President and GCEO, Datuk Tengku Muhammad Taufik, participated as one of the speakers under the topic “Creating Resilience to Climate Change: Lessons from the pandemic.”

**ASEAN Methane Roundtable 2021 (V)**
26 October 2021
PETRONAS supported by Thailand’s PTT Public Company Limited (PTT) hosted the inaugural ASEAN Energy Sector Methane Roundtable 2021. In his welcoming address, President and GCEO, Datuk Tengku Muhammad Taufik stressed on the importance for ASEAN to embrace a transition strategy that is responsible and equitable to ensure the sustainability of the region’s energy system.

**Reuters IMPACT (V)**
4-7 October 2021
The event brought together world leaders, big business C-Suite, and forward-thinking pioneers to inspire, drive action and accelerate innovation towards the greatest challenge of our generation: the climate emergency. President and GCEO, Datuk Tengku Muhammad Taufik, participated as a speaker under the topic “Mobilising global business to deliver on climate action.”

**Energy Intelligence Forum (EiF) (V)**
6 October 2021
President and GCEO, Datuk Tengku Muhammad Taufik spoke during the Leadership Dialogue session. Meanwhile, EVP and CEO of Upstream, Adit Zulkifli participated in a panel session on the “Advantage Oil and Gas: What Makes the Cut in the Age of Austerity.”

**LNG Producer-Consumer Conference (LPCCI) (V)**
5 October 2021
President and GCEO, Datuk Tengku Muhammad Taufik delivered a video message, in conjunction with the 10th Anniversary of the Conference.

**LEADERSHIP DIALOGUE – PETRONAS**
15-18 November 2021
As a Merdeka Award Trustee, along with ExxonMobil and Shell, we selected five young Malaysians to receive grants that offer learning opportunities at world-renowned institutions.

**PETRONAS FutureTalks (V)**
23-24 November 2021
PETRONAS’ inaugural FutureTalks focus on region’s progress in the energy transition – driven by emerging digital technologies and shifting business-as-usual to business-unusual.

**ADIPEC 2021**
15-18 November 2021
President and GCEO, Datuk Tengku Muhammad Taufik was one of the invited speakers at ADIPEC, hosted by the Abu Dhabi National Oil Company (ADNOC). We also linked four new agreements with technology partners.

**PETRONAS in 2021**
As a Merdeka Award Trustee, alongside ExxonMobil and Shell, we selected five young Malaysians to receive grants that offer learning opportunities at world-renowned institutions.

**PETRONAS**
We are PETRONAS, Malaysia’s national oil and gas exploration and production company. Our mission is to lead an innovative, sustainable, and transformational energy company that enables progress for people and planet.

**Integrated Report 2021**
We are committed to sustainable development and have set ambitious targets to achieve our vision. Our focus is on reducing our carbon footprint, maximizing our resource efficiency, and enhancing stakeholder engagement and accountability.

**PETRONAS Cares**
Our commitment to corporate social responsibility is reflected in our initiatives and programs that help to create a better world for all. Through PETRONAS Cares, we support a range of initiatives that benefit the community, environment, and other stakeholders.

**PETRONAS FutureTalks**
As the Official Premier Partner of the Malaysian Pavilion at the Expo 2020 Dubai, we invested RM5 million in the third-largest global event in terms of economic and cultural impact.

**Future Energy Asia (V)**
25-27 August 2021
As one of the Sponsors, President and GCEO, Datuk Tengku Muhammad Taufik and VP LNG Marketing & Trading, Shamsiaribahkazim respectively spoke at the conference, hosted by the Ministry of Energy Thailand and co-hosted by EGAT and PTT.
Our role as Malaysia’s fully integrated energy provider is built on a dynamic value chain. Through our core businesses, we are able to deliver society’s growing energy needs and contribute to a better tomorrow for everyone.

**Upstream**

PETRONAS Upstream business is a fully integrated business that encompasses Exploration, Development, Production and Malaysia Petroleum Management (MPM), covering a broad portfolio of resources and play types. Upstream’s presence extends across more than 20 countries globally, with 247 producing fields, 432 offshore platforms and 30 floating facilities.

Upstream also promotes sustainable and orderly development of Malaysia’s petroleum resources through 100 active Petroleum Arrangement Contracts (PACs), including within the Malaysia-Thailand Joint Development Area. We are also involved in 65 PACs internationally.

**Gas + New Energy**

Gas + New Energy (G+NE) business comprises the Liquefied Natural Gas (LNG), Gas and Power, New Energy and Hydrogen business segments.

As PETRONAS’ one-stop centre for a reliable and cleaner energy solutions, G+NE provides accessible cleaner energy fueling through our integrated value chain to meet the growing global demand.

In addition, we strive to create sustainable value and profitable growth for PETRONAS and our partners by focusing on customer-centricity, operational and commercial excellence, supported by the right talent, culture and digital innovations.
PETRONAS’ Project Delivery and Technology (PD&T) Division innovates and enables tech-digital transformation for PETRONAS, and leverages technology and digital synergy to achieve sustainable and regenerative development. PD&T’s role is to service, safeguard, and shape the Group’s growth and strategy, backed by distinctive research and technical expertise, innovative solutions, as well as robust systems and processes.

In recent years, PD&T’s role has increased significantly as PETRONAS moves into new areas of opportunities beyond oil and gas to meet our NZCE 2050 aspiration. As the engine that drives groupwide growth, PD&T is committed to support the Group’s business targets by leveraging data to deliver value via a wide spectrum of technology and digital products and solutions.

**Business Snapshots**

**Downstream**

PETRONAS’ Downstream business enhances the value of petroleum resources through the refining, marketing and trading of crude oil and petroleum products, as well as manufacturing and marketing of petrochemicals, specialty chemicals and derivatives.

Downstream owns and operates an extensive retail network of more than 2,000 PETRONAS and Engen stations in Malaysia and sub-Saharan Africa respectively, offering high quality fluids and lubricants, as well as innovative non-fuel solutions to create seamless and frictionless experience for our customers.

Guided by PETRONAS’ Sustainability Agenda, the Downstream business also offers cleaner energy solutions including sustainable aviation fuel (SAF), LNG bunkering and electric vehicles (EV) infrastructure and fluids in supporting PETRONAS’ NZCE 2050.

**Project Delivery and Technology**

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**Business Snapshots**

- **Profits After Tax**: RM0.7 billion
- **Portfolio value**: more than RM9 billion for 587 projects
- **Refining Capacity**: More than 700 kilobars per day
- **Upskilled participants in Citizen Analytics**: 10,366
Our Integrated Value Chain

**Upstream**

**Exploration**
Exploration activities in PETRONAS is a consolidation of exploration functions in Malaysia and internationally, which explores, acquires, extracts and delivers new resources to sustain long-term production. The role also includes the responsibility to attract exploration investment in Malaysia through data enrichment, technical evaluation and overseeing exploration activities as part of the regulatory body for the upstream sector under the umbrella of Malaysia Petroleum Management (MPM) business unit of PETRONAS. Core activities include block promotion, block acquisitions, basin evaluations, play generation, prospect maturation and exploration drilling. Exploration delivers new resource addition through continuous exploration in basins domestically and abroad to provide a pipeline of hydrocarbon resources for a sustained and long-term hydrocarbon production.

**Development and Production**
Development and Production (DnP) comprises a consolidation of development and production functions for Malaysia Assets, International Assets, and Centre of Excellence (CoE), which provide value-driven, world-class operational delivery, with utmost priority on Health, Safety and Environment (HSE) and Asset Integrity. DnP CoE, which includes Petroleum Engineering, Wells, Operational Excellence, Petroleum Economics, Global Resource Planning and Capability Development and Upstream Digital collectively provide value-driven operations in both technical and commercial solutions. This is done in collaboration with Assets, Exploration CoE, Project Delivery and Technology (PD&T) and Group Digital to support business growth.

**Malaysia Petroleum Management**
As the custodian of the country’s hydrocarbon resources, PETRONAS through MPM plays its role as the oil and gas industry shaper and investment enabler by providing stewardship towards the development of a safe and sustainable industry. We work with industry players to optimise efficiency throughout the field life by adopting integrated technical and commercial solutions. We also champion collaboration with various stakeholders ranging from government bodies to energy companies, business associations and higher learning institutions to create a strong ecosystem towards the development of a safe and sustainable industry.

**Liquefied Natural Gas (LNG)**
We are a leading global LNG producer and supplier. We have a diverse portfolio of assets and supply nodes located across Malaysia, Egypt, Australia and soon Canada.

**Gas and Power**
With a broad range of customer-centric products and solutions, we maximise our position domestically and pursue growth in emerging markets. Our world-class asset performance and diverse customer portfolio allow us to be the ideal solutions partner in delivering natural gas to our clients.

**Refining**
With a refining capacity of more than 700 kilobarrels per day, our processing plants transform and refine crude oil and various alternative raw materials into high-value petroleum products such as gasoline, kerosene, jet fuel, gasoil, bitumen, fuel oil and lubricant base oil.

**Chemicals**
We are one of the largest integrated chemicals producer in Southeast Asia, with over 12.8 million tonnes per annum production capacity from 11 manufacturing sites around the world. We manufacture and sell a range of solutions including olefins, polymers, fertilisers, methanol, specialty chemicals and derivative products to our industrial customers in various sectors such as personal care, textile, automotive, construction, packaging, pharmaceutical, among others.

**Downstream**
We manufacture and market a full range of high-quality automotive and industrial products in over 90 markets globally through more than 30 marketing offices located in 27 countries.

**Lubricants**
We deliver high-quality solutions to customers including automotive, marine and aviation fuels, gas for cooking, heating and electrical power, as well as cleaner energy solutions such as electric vehicles (EV) charging stations, LNG bunkering and sustainable aviation fuel (SAF). In addition to operating the largest fuel retail network in Malaysia and South Africa, we also have retail presence in sub-Saharan Africa.

**Marketing and Trading**
We also market and trade crude oil and petroleum products, including PETRONAS’ equity crude where we are internationally present in development and production activities.

**Hydrogen**
Our venture into hydrogen is built upon our expertise in extracting blue hydrogen from our facilities. We are developing a competitive green hydrogen supply chain by leveraging our expanding renewables portfolio, energy partnerships and advanced R&D in electrolysis. We continue to grow hydrogen as an energy source and grow Malaysia’s position as a hydrogen hub and proximity to key demand centres in Asia.

**New Energy**
We continue to grow our position as an international renewable energy provider through flexible integrated solar and wind solutions. We offer a range of affordable and customer-centric solar energy solutions to ensure customers receive a reliable supply of clean energy. These solutions include on-site rooftop solar, off-site solar, battery storage, hybrid solutions and advanced analytics energy monitoring services. As of the year date, we have grown our solar capacity in operation and under development to close to 1 GW locally and internationally, reinforcing our position as one of the key clean energy providers in the region.
### Corporate Structure

#### Wholly-owned Subsidiaries (184)

- PETRONAS International Corporation Ltd
  - PETRONAS Carigali Myanmar Inc.
  - PETRONAS Carigali (Turkmenistan) Sdn Bhd
  - MITCO Labuan Co. Limited (MLCL)
    - PCM Chemical India Private Limited (PCMCPL)
  - PETRONAS Carigali Nile Ltd
- PICL (Egypt) Corporation Ltd
  - WDDM Energy Ltd
  - Nada Properties Co Ltd
  - PC Madura Ltd
  - PC Muriah Ltd
  - PC (Myanmar) Holdings Limited
    - PC Myanmar (Hong Kong) Limited
  - PETRONAS Carigali Myanmar III Inc.
  - PICL Marketing Thailand Ltd
  - Myanmar PETRONAS Trading Company Limited
  - PETRONAS Thailand Co., Ltd
  - PC Vietnam Limited
  - PC Mauritania I Pty Ltd
  - PC Mauritania II B.V
  - PETRONAS Philippines Inc
  - Argentinean Pipeline Holding Company S.A
  - PETRONAS Australia Pty Ltd (PAPL)
    - PAPL Services Pty Ltd
    - PAPL (Upstream) Pty Ltd
    - PAPL (Upstream II) Pty Ltd
    - PAPL (Dowstream) Pty Ltd
  - Labuan Energy Corporation Limited
    - PSE Inland Limited
    - LEC Inland Employment Limited
  - PETRONAS LNG Sdn Bhd
    - PETRONAS Energy (India) Private Limited
    - PETRONAS LNG UK Ltd
    - PETRONAS LNG Ltd
    - PETRONAS Energy Trading Limited
    - LNG Investments Europe Ltd
  - PETRONAS Carigali Brunei Ltd

#### Partly-Owned Subsidiaries (54)

- Transasia Pipeline Company Pty Ltd (35%)
  - PT Transportasi Gas Indonesia (40%)
- SUD Petroleum Operating Co. Ltd (67.88%)
- Petrodar Operating Company Ltd (40%)
  - Greater Nile Petroleum Operating Company (50%)
  - DAR Petroleum Operating Co. Ltd (40%)
  - Greater Pioneer Operating Co. Ltd (50%)
- PETRONAS Carigali Brunei Ltd

#### Associate Companies (49)

- Egypt LNG Co. S.A.E (35.5%)
  - Burullus Gas Company S.A.E (23%)
  - Idku Natural Gas Liquefaction Company S.A.E (38%)
  - El Beherah Natural Gas Liquefaction Company S.A.E (35.5%)
  - Egyptian Operating Company for Natural Liquefaction Project S.A.E (35.5%)
- SUDD Petroleum Operating Co. Ltd
- Petrodar Operating Company Ltd (40%)
  - Greater Nile Petroleum Operating Company (50%)
  - DAR Petroleum Operating Co. Ltd (40%)
  - Greater Pioneer Operating Co. Ltd (50%)
- PICL Marketing Thailand Ltd
- Myanmar PETRONAS Trading Company Limited
- PETRONAS Thailand Co., Ltd
- PC Vietnam Limited
- PC Mauritania I Pty Ltd
- PC Mauritania II B.V
- PETRONAS Philippines Inc
- Argentinean Pipeline Holding Company S.A
- PETRONAS Australia Pty Ltd (PAPL)
  - PAPL Services Pty Ltd
  - PAPL (Upstream) Pty Ltd
  - PAPL (Upstream II) Pty Ltd
  - PAPL (Dowstream) Pty Ltd
- Labuan Energy Corporation Limited
  - PSE Inland Limited
  - LEC Inland Employment Limited
- PETRONAS LNG Sdn Bhd
  - PETRONAS Energy (India) Private Limited
  - PETRONAS LNG UK Ltd
  - PETRONAS LNG Ltd
  - PETRONAS Energy Trading Limited
  - LNG Investments Europe Ltd
  - Japan Malaysia LNG Co. Ltd (93%)
- MFF Holding Limited (14.06%)
Wholly-owned Subsidiaries (184)

- PETRONAS International Corporation Ltd (100%) (Cont’d)
  - PETRONAS (E&P) Overseas Ventures Sdn Bhd
    - PETRONAS Iraq Garraf Ltd
    - Natura I B.V.
    - PETRONAS Carigali Canada B.V.
    - PETRONAS Carigali International E&P B.V.
    - PETRONAS Carigali Iraq Holding B.V.
    - PETRONAS Brasil E&P Limited
    - PETRONAS Angola E&P Ltd
    - Garraf Technical Services Ltd
    - PETRONAS Azerbaijan Upstream Sdn Bhd
    - PC Kualaikum Ltd
    - PC North Madura II Ltd
    - PETRONAS Carigali Chad Exploration & Production Inc
    - PC Senegal Ltd
    - Petroleam Manpower Services Mexico S.A. de C.V.
    - PC Sakalosumang B.V
    - PC Gambila Ltd
    - PETRONAS Petroleo Brasil Limitada
    - PC Oman Ventures Ltd
    - Petroleam Manpower Support Services Mexico S.A de CV
    - PETRONAS Carigali International Sdn Bhd
    - PETRONAS Gebang Indonesia B.V.
    - PETRONAS Andaman III Indonesia B.V.
    - PETRONAS West Papua IV Indonesia B.V.
    - PETRONAS Aru Indonesia B.V.

- PETRONAS Lubricants International Sdn Bhd
  - PLI (Netherlands) B.V.
  - PLI Italy SPA
  - PETRONAS International Marketing (Thailand) Co., Ltd.
  - PETRONAS Base Oil (M) Sdn Bhd
  - PETRONAS Lubricants Africa Ltd
  - PETRONAS Lubricants (India) Private Limited
  - PLAL DMCC
  - PETRONAS Lubricants China Company Limited
    - PETRONAS Lubricants International (China) Co. Ltd.
    - PETRONAS Marketing (China) Co. Ltd.
    - PT PLI Indonesia
    - PLI Australia Pty. Limited

- Guangxi Beihai Yuchai Petronas High Quality Lub Co. Ltd. (50%)
Corporate Structure

PETRONAS International Power Corporation B.V.
- Amplus Energy Solutions Pte Ltd.
- Amplus Energy Solution FZE
- Amplus Energy Solutions (Thailand) Co Ltd
- Amplus Solar Power Private Limited
- Amplus Solar Solutions Private Limited
- Amplus Andhra Power Private Limited
- Amplus Power Solutions Private Limited
- Amplus KN Solar Power Private Limited
- Amplus KN One Private Limited
- Amplus Management Services Private Limited
- Grian Energy Private Limited
- Amplus Sun Solutions Private Limited
- Amplus Ages Private Limited
- Amplus Solar Power MH Private Limited
- Amplus Costal Power Private Limited
- Nay Energy Private Limited
- Amplus RJ Solar Private Limited
- Sunroot Energy Private Limited
- Amplus Green Power Private Limited
- Amplus Dakshin Private Limited
- Amplus Poonra Private Limited
- Amplus Shams Private Limited
- OneVolt Energy Private Limited
- Solbridge Energy Private Limited
- Amplus Green One Power Private Limited
- Amplus Power Supply Private Limited
- Amplus Tumkur Solar Energy One Private Limited
- Amplus Pavagada Solar Energy Two Private Limited
- Amplus Venus Private Limited
- Amplus Alwana Energy Private Limited
- Amplus Helios Private Limited
- Amplus Inc Private Limited
- Amplus Vidyut Power Private Limited
- Amplus Beat Energy Private Limited
- Amplus Active Private Limited
- Amplus Uttar Private Limited
- Amplus EON Private Limited
- Amplus Sunlight Private Limited
- Amplus Centaur Solar Private Limited
- Amplus Phoenix Energy Private Limited
- Amplus Ampere Private Limited
- Amplus IIFA Solar Private Limited
- Amplus Alpha Solar Private Limited
- Amplus Solar Shakti Private Limited

PETRONAS Power Sdn Bhd
- PETRONAS International Power Corporation (Mauritius) Ltd

Partly-Owned Subsidiaries (54)
- PETRONAS Power Sdn Bhd
- PETRONAS International Power Corporation (Mauritius) Ltd
- Eastern Sabah Power Consortium Sdn Bhd (30%)
- NE Suria Satu Sdn Bhd (80%)
- Voltage Renewables Sdn Bhd (70%)

Associate Companies (49)
## Corporate Structure

### Wholly-owned Subsidiaries (184)

- KLCC (Holdings) Sdn Bhd
- PETRONAS Research Sdn Bhd
- Institute of Technology PETRONAS Sdn Bhd
- UTP FutureTech Sdn Bhd
- PETRONAS Gas & New Energy Sdn Bhd
- PETRONAS Hydrogen Sdn Bhd (formerly known as PNW LNG Marketing Sdn Bhd)
- PETRONAS Penapisan (Terengganu) Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- Malaysian Refining Company Sdn Bhd
- PETRONAS Management Training Sdn Bhd
- PETROSAINS Sdn Bhd
- Sanzbury Stead Sdn Bhd
- PETRONAS Capital Limited
- PETRONAS Global Sukuk Limited
- ENERGAS Insurance (IJ) Limited
- PETRONAS NGV Sdn Bhd
- Petrofibre Network (M) Sdn Bhd
- PRPC Utilities and Facilities Sdn Bhd
- PRPC Water Sdn Bhd
- PRPC Power Sdn Bhd
- PRPC SPJ Sdn Bhd
- PETRONAS Marketing International Sdn Bhd
- PETRONAS Energy & Gas Trading Sdn Bhd
- PETRONAS in 2021

### Partly-Owned Subsidiaries (54)

- KLCC Property Holdings Berhad (66.94%)
- MISC Berhad (51%)
- Malaysia LNG Sdn Bhd (90%)
- Malaysia LNG Dua Sdn Bhd (80%)
- PETRONAS LNG 9 Sdn Bhd (65%)
- Malaysia LNG Tiga Sdn Bhd (60%)
- Bintulu Port Holdings Berhad (28.52%)
- Trans Thai-Malaysia (Thailand) Ltd (50%)
- TTM Sukuk Berhad (100%)
- Trans Thai-Malaysia (Malaysia) Sdn Bhd (50%)

### Associate Companies (49)

- ENGEN Limited (74%)
- Shell MDS (Malaysia) Sdn Bhd (7%)
- Labuan Reinsurance (IJ) Ltd (10%)
- Tenaga Nasional Berhad (0.40%)
- Gas Malaysia Berhad (54.8%)
- Through PETRONAS Technology Ventures Sdn Bhd
- LanzaTech New Zealand Limited (3.6%)
- Through Petrofibre Network (M) Sdn Bhd
- Fiberall Sdn Bhd (10%)
- Through PETRONAS Marketing International Sdn Bhd
- Vivo Energy Plc (3.68%)

### Note:

This chart excludes subsidiary companies of MISC Berhad, KLCC (Holdings) Sdn Bhd and Engen Limited.

* Listed on Bursa Malaysia.
Recharge with Passion

Key Messages

Leadership perspectives from the front line

48  Letter from the Chairman
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68  Letter from the Vice President and Chief Sustainability Officer
Dear Stakeholders,

Two years have passed since the pandemic began, and our world continues to be challenged by volatility and uncertainty on an unprecedented scale in living memory. Even as countries and industries alike strive to recover from the brutal impact of COVID-19, they now face newfound challenges in the wake of the ongoing Russia-Ukraine conflict whose consequences may well long outlast the hostilities themselves and which are likely to reshape the industry landscape in fundamental and complex ways.

Notwithstanding the prevailing uncertainties, the role that PETRONAS plays as an energy company in the context of the wider society remains clear – namely, that it continues to serve as an effective engine that drives economic recovery for Malaysia and beyond by ensuring the safe, secure and reliable supply of energy, while taking vital steps that pave the way to gradually transition to a lower-carbon future in a just and equitable way.

In our efforts to fulfil this role, PETRONAS remains unwavering in the delivery of its amanah (trust), always striving to dutifully discharge its obligations and responsibilities despite the overwhelming odds and challenges. With prudent financial management and an unyielding commitment to upholding performance as well as delivery of commercial and operational excellence, PETRONAS registered a strong performance in 2021 after two years of extreme disruptions to the energy ecosystem. This achievement by the Group is credited to the courage, dedication and tenacity of our people. In this opportunity, I would also like to thank our stakeholders for their support and assistance that allowed us to continue operating safely and optimally throughout the lockdown periods.

Looking ahead, changes in the energy landscape will provide new challenges and growth opportunities that we must approach with a credo and mindset for progress and innovation. To this end, I am confident that with the right steer and support from the Board, PETRONAS is well-positioned to progress with pace and resilience to deliver profitable and sustainable growth aligned to our Three-Pronged Growth Strategy and net zero carbon emissions by 2050 (NZCE 2050) aspiration.

Reflecting on 2021

PETRONAS’ performance for the year in review demonstrates its relentless focus on operational and commercial excellence across the Group. The organisation ensured the reliability of its operations to leverage the recovery in global energy demand seen in 2021 with the safety of our people and assets as its highest priority.

Although some degree of stabilisation was seen with the rollout of vaccinations and economies recovering from easing of lockdowns and gradual removal of border restrictions, delivering the Group’s performance did not come easily. During the year, the oil and gas industry continued to be very volatile and uncertain in the face of sudden shocks to the market, many of which were beyond our control. These included:

1. The threat of new and highly infectious COVID-19 variants derailing economic recovery which proved to be of grave concern for the safety of our people and its impact on our supply chain.
2. The oil and gas industry remaining fragile as the rebound in oil price was driven by the multi-speed reopening of economies, steadfast active market management by OPEC+ and an unfolding global energy supply crisis.
3. The increasing pace of the energy transition causing sustainability-driven structural changes to our industry with stakeholders demanding more visible, impactful results in our efforts to decarbonise.
Nevertheless, PETRONAS successfully demonstrated its ability to respond and become part of the solution. Together, the PETRONAS Board and Leadership Team were able to not only preserve and enhance its core oil and gas portfolio but also grow in the new energy space for long-term business sustainability and resiliency. As a result, PETRONAS was able to generate healthy financial returns and contribute to its stakeholders in the form of cash payments, tax, export duties, state sales tax and dividends. In 2021, we paid the scheduled RM25 billion dividend payments to the Government of Malaysia.

Accelerating Sustainability

As a National Oil Company, hydrocarbons will still be part of our energy mix even as we seek to integrate renewables and lower-carbon solutions as well as specialty chemicals into our portfolio in a gradual and phased manner. It remains our duty to maximise the value of Malaysia’s hydrocarbon resources to provide long-term economic value creation for shared prosperity and energy security – this, while also contributing to the low-carbon aspirations of the nation.

Reaching net zero carbon emissions is a monumental undertaking and requires a steady, evolutionary approach of continuous improvements on emissions reduction. For PETRONAS, we have responded decisively to accelerated energy transition with clarity and discipline with our 2024 sustainability targets and carbon commitments, supported by the right ecosystem for growth. We are making progress on zero venting and flaring, operational improvements, electrification and developing lower carbon solutions.

It remains our duty to maximise the value of Malaysia’s hydrocarbon resources to provide long-term economic value creation for shared prosperity and energy security – this, while also contributing to the low-carbon aspirations of the nation.

To enhance these efforts and further entrench momentum, the PETRONAS Board has expressed its support to incorporate environmental, social and governance (ESG) elements in our assessments of future investments in which decisions would consider value-creation from the perspective of the 3Ps of sustainability – people, planet and profits.

With the significant progress achieved under our core portfolio in 2021, PETRONAS will continue to focus on building a resilient portfolio that is not only robust to the energy transition but also captures attractive business opportunities which the transition presents. Since we announced our NZCE 2050 aspiration last year, the Group has undertaken deliberate steps in moving from a commodity player to a customer-centric solutions provider. PETRONAS’ roadmap for our NZCE aspiration will see the organisation play its part in moving the needle towards the goal of net zero, contributing to Malaysia’s Nationally Determined Contributions (NDC) to the Paris Agreement for the long-term, while supporting our customers in decarbonising their energy systems.

Reinforcing Strong Governance

In an increasingly challenging environment characterised by market uncertainties and heightened geopolitical risks, PETRONAS must continue to reliably demonstrate its ability to deliver its core responsibilities while transforming to meet the energy needs of the future.

PETRONAS holds Malaysia’s hydrocarbon resources in trust, and we have always striven to ensure its potential continues to be harnessed for the benefit of the people and the nation. Similarly, in our global ventures, we have sought to build partnerships and gain hand-in-hand support from our partners as well as customers in our journey towards progress.

With a strong foundation built on trust, PETRONAS has successfully balanced its unique position to fulfil its commitment as Malaysia’s NOC while living up to the demanding expectations of being an international energy player. Over the years, our stakeholders have given us the opportunity to serve and create new value as their partners in progress, allowing us to continue growing as a FORTUNE Global 500 company.
Letter from the Chairman

As we embrace a more enterprising way of work and position ourselves to seize opportunities for future growth, PETRONAS will continue to uphold the highest standards of governance and integrity as a culture in everything that we do. With our global footprint and commitment to enriching the lives of those around us, we must do our very best to strengthen our commitment to integrity at both individual and organisational levels. PETRONAS adopts zero tolerance standards on corruption, and a strict consequence management approach should the boundaries be crossed.

The foundational integrity embedded in our Shared Values along with Loyalty, Professionalism and Cohesiveness are the core principles of work ethics for all employees. We have in place a Corporate Governance framework and introduced our Code of Business Ethics (CoBE) in 2012 accompanied by an Anti-Bribery and Corruption Policy & Guidelines Manual. We have continued to step up our collaboration with the Malaysian Anti-Corruption Commission (MACC) to develop adequate measures as defined by Section 17A of the MACC Act.

In 2021, significant initiatives were implemented to strengthen groupwide awareness of the CoBE and the Anti-Bribery and Corruption Manual. This will empower employees to speak up on any wrongdoing, facilitated under the Whistleblowing Policy, to ensure secure and confidential disclosures.

A Leaders Speak Integrity series was also launched as a platform for leaders to pledge their commitment towards integrity and rally employees to always aim for exemplary conduct at all levels as a collective responsibility. Virtual dialogues were also held to provide a safe space for employees to discuss integrity-related topics.

I am also pleased to share that PETRONAS is a signatory of the World Economic Forum’s Partnering Against Corruption Initiative (PACI). As part of the PACI Vanguard Board, PETRONAS leverages on the platform to collaborate with leaders from international organisations, academia and civil society to address and advocate the importance of anti-corruption measures, upholding business integrity, transparency, and accountability.

To this end, I would like to assure that the PETRONAS Board is wholeheartedly committed to upholding the highest standards of governance and steadfastly supports all Group initiatives on integrity-related matters.

Delivering Our Amanah to The Nation

As we set out to serve our stakeholders safely and reliably, PETRONAS has never wavered from its commitment to ensure the well-being of society wherever we operate. Anchored on our Statement of Purpose, we recognise the importance of enriching the lives around us, especially in these prolonged trying times.

In 2021, PETRONAS’ CSR contribution which is focused on Education, Community Well-being and Development, and the Environment totalled RM1.4 billion in a span of two years alone.

Following last year’s efforts, we continued to support COVID-19 relief initiatives at home and abroad where we operate, amounting to more than RM75 million in 2021. Among the efforts were repeated contributions to the National Disaster Management Agency (NADMA) funds through staff and corporate donations, Program Bantuan Pihak Negara, and Program CERDIK, as well as the contribution of essential items to hospitals and communities to help ease the burden in coping with the effects of COVID-19.

PETRONAS also supported the Government of Malaysia’s vaccination drive with the setup of six Pusat Pemberian Vaksin Industri (PPVIN) for the oil and gas sector. This is in line with our commitment to provide a safer environment within the oil and gas ecosystem by achieving herd immunity for its frontliners. We donated wheelchairs to Pusat Pemberian Vaksin (PPV) through Yayasan PETRONAS and also launched the PETRONAS Foodbanks at our Mesra stations across Malaysia. It was indeed heartening to see our people stepping up to adopt the Foodbanks, pooling their own resources to ensure a continuous and sustainable supply of essential items to the needy. Our people continued to demonstrate exemplary courage by banding together to lend a helping hand when Malaysia endured the effects of a devastating flood in December that severely affected up to eight States. The organisation actively participated in relief efforts and contributed RM25 million to assist the Government of Malaysia with post-flood recovery.

Despite the cyclical and volatile swings in the energy market, I would like to reiterate that PETRONAS will continue giving back to society towards creating positive social impact for Malaysians and the countries where we operate.

In 2021, the organisation awarded 302 scholarships via the PETRONAS Education Sponsorship Programme and enhanced the technical and vocational capabilities of 93 students through the PETRONAS Vocational Institution Sponsorship & Training Assistance (VISTA) programme to nurture a market-ready future workforce.

PETRONAS expanded its community well-being and development programmes in South Sudan with the Water for Life programme which provides rural communities with access to clean water. Closer to home, a Solar Systems Project was launched to provide electricity to Kampung Orang Asli in Bersau, Johor. In collaboration with Tata Consultancy Services, PETRONAS onboarded 50 social entrepreneurs to SEEd.Lab, a social enterprise innovation hub to address youth unemployment in Malaysia through entrepreneurial opportunities.

Our ability to uplift societies to achieve a better and sustainable quality of life has been through effective collaboration. PETRONAS has long viewed its relationship with stakeholders as a partnership underpinned by common objectives and sustained by mutual understanding, respect and trust.

For a partnership to be successful for the long-term especially at a time of uncertainty and turbulence, the aspirations of each party which include industry partners, Oil & Gas, Services and Equipment (OGSE) players, customers, the community and indeed governments must be duly recognised, and the right balance achieved to produce outcomes that prove mutually beneficial for all.

On our part, PETRONAS will continue to adapt and transform to safeguard its ability to uphold the amanah to our nation and the well-being of the people around us, and we welcome meaningful participation as well as genuine support from all parties to ensure effective contributions that create value as we forge ahead together.
Moving Forward with Purpose

The year 2021 has proven that we need to constantly be prepared to pivot when faced with the unexpected. The unprecedented challenges of the past year offered PETRONAS an opportunity to reform strategies, expedite transformation and prioritise sustainability risks. It was imperative that PETRONAS emerged from this trying period more resilient, more agile, technologically stronger and financially more robust.

The achievements of 2021 demonstrate the dedication and strength of our people coupled with a robust integrated portfolio that provided PETRONAS with the strong foundation it needed to capitalise on price recovery. I am deeply grateful to the women and men who stood by PETRONAS amidst the turbulence and offer my sincere thanks to each and every one of them.

As we progress to capitalise on this period, PETRONAS will continue in its efforts to safely deliver commercial and operational excellence. We remain focused on maintaining fiscal discipline and careful operational spending as well as preserving liquidity to ensure resiliency and high performance across the Group. We are determined to seize new opportunities for sustainable, profitable growth as we uphold our commitment to our shareholder and lay the foundation for our future growth.

The PETRONAS of the future will still have hydrocarbons as a key part of its portfolio with products delivered safely, responsibly, cost optimised, and emissions abated. The new forays that we are making in step-outs today will complement our core portfolio to provide energy for a world that continues to progress and develop, while being in ever-greater need of solutions for emissions.

While the variety of our business offerings expands, the heart of the organisation, in its purpose and values are timeless and remain the same. Our Purpose, Cultural Beliefs, and Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness will continue to bind us together.

PETRONAS will continue in its efforts to safely deliver commercial and operational excellence.

Looking ahead, the pressures on PETRONAS are only going to increase as we continue to bear the expectations and aspirations of Malaysia and the communities where we operate. We must make our move to navigate through the turbulence to find our position for the future. In our quest to create a sustainable legacy for the next generation, we must steer the business and shape an energy future that they deserve, one in which PETRONAS will continue to be their preferred energy and solutions partner.

In Appreciation

On behalf of the PETRONAS Board, I would like to take this opportunity to record my sincere appreciation to Tan Sri Ahmad Nizam Salleh for all his contributions as Chairman since August 2018 and wish him every success in his new undertakings. I would also like to extend a warm welcome to three of our Directors who joined the Board during the year – namely, Mr Thayaparan S. Sangerapillai as Independent Non-Executive Director, Chairman of the Risk Committee and a member of the Audit Committee; Puan Liza Mustapha as Executive Director; and Datuk K Y Mustafa as Non-Independent and Non-Executive Director. I am confident that their collective experiences and diverse insights will be valuable additions in providing the right steer for the Group, especially as we navigate through these challenging times.

Furthermore, I would like to thank Datuk Tengku Muhammad Taufik, President and Group CEO of PETRONAS, and his Leadership Team for ensuring the company continues to dutifully discharge its obligations and responsibilities despite facing overwhelming odds and challenges. My deepest gratitude also to our employees for their perseverance in upholding the trust as we continue to brave these trying times.

Finally, I would like to express my deep gratitude for our valued stakeholders – the Federal Government of Malaysia, State Governments and the Governments of our Host countries, industry partners and customers for their strong support and understanding during these times of prolonged turbulence and uncertainty. With your trust and confidence in PETRONAS, I am optimistic that we will continue to grow and deliver the energy for today and tomorrow, as your progressive energy and solutions partner.

Tan Sri Dato’ Seri Mohd Bakke Salleh
Chairman
Letter from the President and Group Chief Executive Officer

The Group is fully committed to remain disciplined in its delivery of our Three-Pronged Growth Strategy, and resolute in our efforts to achieve the goal of net zero carbon emissions by 2050.

Even as we contend with this volatile period, PETRONAS’ priority remains to ensure the security of energy supply for Malaysia and our customers around the world. The Group is fully committed to remain disciplined in its delivery of our Three-Pronged Growth Strategy, and resolute in our efforts to achieve the goal of net zero carbon emissions by 2050 (NZCE 2050).

In discharging this daunting responsibility, I am pleased to report that PETRONAS delivered a strong performance in 2021. The results were delivered under challenging circumstances, faced by every member of the PETRONAS family as the threat of the COVID-19 pandemic remains ever present in our day-to-day operations. It is with great pride that I am able to report that given the unwavering contribution and support of PETRONAS’ employees and its partners, the Group remained on steady footing to weather possible market shocks. Given the resilience on display, I remain confident that PETRONAS can, and indeed will, continue to deliver even more meaningful results as a progressive energy and solutions partner enriching lives for a sustainable future.

Upholding the Safety of Our People

In 2021, the Group ensured operations continued to run safely, reliably and efficiently with minimal interruptions. Across our operations, significant efforts were undertaken where work practices were modified to build safe working environments and quality processes in accordance with COVID-19 guidelines, upholding zero compromises on safety and integrity.

Although Major Fire was contained to one incident, the lowest in the past 12-year period, we remain susceptible to high-risk situations in our work. Regrettably, we lost three colleagues in the line of duty. The Safety Stand Down was held for the Group to reflect on the incidents and its root causes. I cannot emphasise enough that we must learn from these incidents and do everything possible in strengthening a safe working environment and culture where everyone goes home safely.

Extensive vaccination programmes were also rolled out for employees, contractors and the community where we operate. Sadly, 64 deaths involving staff and contractors were recorded cumulatively due to COVID-19 since the pandemic started. Recognising the psychological impact of COVID-19 on mental health, various targeted interventions focused on employees’ mental well-being were also implemented to provide employees with access to trained professionals to improve their physical and mental health.

By the end of 2021, the Group achieved 80 per cent vaccination rates around the world. The sustained operational resilience demonstrated by the Group contributed to its strong performance, further supported by surging commodity prices driven by the recovery in global energy demand as key economies reopened and travel restrictions eased amid higher COVID-19 vaccination rates around the world.

The results we registered for the year in review demonstrated the unwavering dedication of the PETRONAS workforce and the robustness of the Group’s integrated portfolio. We remained resilient through two years of extreme disruptions to the energy ecosystem, eventually benefitting from the oil price and market recovery. Our consistent emphasis on ensuring strong integrated operational performance enabled us to maximise our cash generators.

Revenue stood at RM248.0 billion in 2021. In contrast to a Loss After Tax of RM21.0 billion in 2020. The sustained operational resilience demonstrated by the Group contributed to its strong performance, further supported by surging commodity prices driven by the recovery in global energy demand as key economies reopened and travel restrictions eased amid higher COVID-19 vaccination rates around the world.

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Upholding our people’s safety is PETRONAS’ top priority. In 2021, the Group ensured operations continued to run safely, reliably and efficiently with minimal interruptions. Across our operations, significant efforts were undertaken where work practices were modified to build safe working environments and quality processes in accordance with COVID-19 guidelines, upholding zero compromises on safety and integrity.

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Gas + New Energy

Delivered projects and commercial solutions as a safe, sustainable, and low-carbon exploration and production (E&P) business.
- Recorded total daily production average of 2.375 thousand barrels of oil equivalent (boe) per day.

As much as we contend with the inexorably accelerating energy transition, oil and gas continues to remain essential to the global growth strategy. As much as we contend with the inexorably accelerating energy transition, oil and gas continues to remain essential to the global growth strategy.

As a result of the failure to respond to the challenge of energy transition, we can ultimately be as competitive and systematically.

On this front, PETRONAS had the privilege and opportunity to collaborate with the Economic Planning Unit (EPU) to help shape our future targets and policies for the National Energy Policy and the Natural Gas Roadmap which aims to provide the optimal balance of energy security, sustainability and welfare for Malaysia.

Petronas Nasional Berhad (PETRONAS)

Accelerating Our NZCE 2050 Aspiration

As we navigate the increasingly challenging operating landscape, the call for greater action to manage the energy transition has never been stronger. As we write to you today, we are among the few companies invited by many as a "post-Glasgow" era. It has become abundantly clear to the world at large — after COP26 was convened in this Scottish city in 2021 — that a more intense focus on decarbonisation efforts must be accelerated, not later, but right now.

Governments are transitioning towards a low-carbon future where approximately 90 per cent of the world has committed to zero carbon by 2050. Malaysia is no exception: it too has pledged to reduce its carbon footprint by 45 per cent by 2030 and aims to deliver net zero by 2050, with its path to action outlined in the Twelfth Malaysia Plan.

In 2021, PETRONAS together with the State Government of Sarawak, which owns 70 per cent of the share of the company, and Sabah have entered into mutually beneficial agreements which now enshrined in the 1974 Act that brought PETRONAS a new charter and stronger mandate to continue its path to action outlined in the 1974 Act to bring about a more sustainable future.

To this end, the Board of PETRONAS regularly examines the Group’s portfolio and determines candidates for both growth and divestment. The recent conclusion of our projects we pursue and the production we aspire can remain technically and economically feasible, despite the inevitable cyclical swings in the energy market.

Overall, PETRONAS will continue to nurture a green energy ecosystem to strengthen our resilience in responding to these challenges and effectively contribute to Malaysia’s economic growth. In this opportunity, we would like to thank our valued stakeholders and our partners for their many efforts and support for PETRONAS to continue growing the value pie of the nation’s economy for the good of the nation and its people.
PETRONAS will indeed support these national ambitions and strengthen our own targets and performance towards progressing our NZCZE 2050 aspiration. Our recent progress on this front includes the emission reduction programme, the World Bank Zero Flaring Commitment and the successful organisation of the ASEAN Methane Roundtable. We are also leveraging on our participation since February 2020 with the World Business Council on Sustainable Development (WBCSD) towards adopting the Task Force on Climate-related Financial Disclosures (TCFD) to ensure our continued ability to access financial markets.

Furthermore, through increased technological partnerships with industry players, PETRONAS is undertaking efforts to unlock Malaysia’s potential as a regional carbon capture and storage solutions (CCS) hub. PETRONAS is also exploring opportunities in lower-carbon solutions through collaborations in carbon direct (CD) storage technologies, deployment of DC Fast EV chargers at Mesra stations across Malaysia, and undertaking a joint feasibility study in carbon-neutral methane.

Through rigorous efforts in decarbonising our operations, I am pleased to share that we are on track to achieve our targets with total reduced GHG emissions in Malaysia by 5.4 per cent in 2021 to 43.8 million tCO2e, below our 2020 mid-term target which is to cap GHG emissions to 49.5 million tCO2e in Malaysia.

Our methane emissions intensity has also recorded a steady downward trend, more can be done and accordingly our efforts will be intensified on this front.

Seizing Opportunities for Future Growth

Looking ahead to 2022, while there is a certain degree of recovery and growth expected with the reopening of economies, inverse uncertainties still prevail. Therefore, PETRONAS will continue exercising prudent financial management given our cautious outlook amid an ultra-volatile geopolitical environment and an accelerating energy transition. At the same time, it is also imperative for the Group to seize the attractive opportunities which will surface as the energy transition unfolds.

In 2022, PETRONAS will be undertaking its next phase of growth by elevating the progress that has been achieved under the Gas + New Energy strategy. PETRONAS is determined to grow the new energy business profitably at scale and with pace by establishing a new independent entity focused fully on cleaner energy solutions. This entity will be charged to capture opportunities at pace in the energy transition alongside our core portfolio by providing customers with lower-carbon solutions in three core offerings – Renewables, Hydrogen and Green Mobility. Our ambition is for the entity to eventually be unaccommodatingly green, addressing our customers’ growing need for cleaner energy solutions and supporting the shared global aspiration for a lower carbon future.

PETRONAS will also be accelerating decarbonisation efforts across our own entire integrated value chain. This will include managing a carbon storage portfolio for emissions produced by our operations and establishing a regional storage hub for carbon emissions as a new revenue generator.

We are positioning ourselves to accelerate growth in these fast-developing spaces with the new entity and the Carbon Management Unit. The Group is confident that with the strength and reliability of our core portfolio combined with our new suite of offerings, PETRONAS will evolve to present itself to its customers as an energy superstore – one that powers businesses and fuels progress in a just and sustainable manner.

I look forward to sharing more exciting updates with you in due course.

Upholding the Trust Anchored on Shared Value

As PETRONAS positions itself for the future, it remains our sacred duty to manage and maximise the nation’s hydrocarbon resources for the benefit of all, and we will continue to do so with integrity and professionalism.

PETRONAS has in place a fully functioning Corporate Governance framework. Our constituted organisational structure continues to see an internal Audit function that reports directly to the independent directors on our Board Audit Committee. Our employees are guided by the PETRONAS Code of Business Ethics (CoBE) and the Anti Bribery and Corruption Policy & Guidelines Manual in how they should ethically carry out their duties. PETRONAS also continues to leverage its collaboration with the Malaysian Anti-Corruption Commission (MACC) which was instated since 2012. Following the formation of an integrity Unit in PETRONAS, we have a fully functioning Whistleblowing Committee chaired by a Chief Integrity Officer who independently reports to the PETRONAS Board.

With collaboration as the cornerstone of all our endeavours, PETRONAS takes accountability for the resources we have been entrusted with. The organisation’s actions are deeply embedded with the Shared Values of Integrity, Professionalism, Cohesiveness and Loyalty, living up to our purpose as a trusted part of the community for progress for our stakeholders.

Even as it discharges its duty of trust in managing the nation’s valuable resources, PETRONAS fully recognises that managing such finite resource cannot be an infinite venture. For the benefit of the nation and the generations to come, PETRONAS contributed RM100 million to the National Trust Fund during the year where the fund size stood at RM17.5 billion as at 31 December 2021. Since the fund was created in 1988, PETRONAS remains its sole contributor with cumulative contributions of RM20 billion as at 2021.

Despite the obvious headwinds we faced and challenging markets we contended with, Alhamdulillah I am pleased to report that PETRONAS was able to continue with its social initiatives in the areas of Education, Community Well-being and Development, and the Environment. It is a great source of pride to the organisation that it was able to remain unwavering in its commitment to these causes, and registered RM4.1 billion in Corporate Social Responsibility (CSR) contributions in these areas within the past two difficult years alone.

PETRONAS’ commitment – to Malaysians and the societies we serve – remains intact and we will continue to uphold the highest standards of governance and integrity for the well-being of the organisation, even as we continue to navigate in a volatile and uncertain business landscape.

Acknowledgements

The stage is well and truly set for PETRONAS to step up even more meaningfully in pursuing its purpose and delivering profitable growth responsibly and sustainably. To this end, we would be the first to recognise that the respectable performance we registered in 2021 was due to the contribution and efforts of many parties whom we now wish to acknowledge.

Given this opportunity, please allow me to extend my personal and heartfelt appreciation to Tan Sri Ahmad Nizam Selah, who will always be remembered as an upright and thoughtful leader with innumerable contributions – not only throughout his three-year tenure as Chairman, but over his many decades of service to the PETRONAS Group of Companies.

On 1 August 2021, it was the distinct privilege of PETRONAS to welcome Tan Sri Dato’ Seri Mohd Bakke for its reputation for integrity, astute insights and commercial acumen, I am assured his vast experience will ensure that the organisation remains a trusted partner for progress.

In 2021, we bid farewell to two members of the PETRONAS Executive Leadership team – Encik Malibis Kamal Mohamed, who retired as Senior Vice President and Group General Counsel, and Haji Samsudin Miskon, who retired as Senior Vice President of Project Delivery and Technology (PD&T). We wish all the very best for their dedicated service to the organisation and unwavering support to see us through the many challenges faced by the industry. They have now been ably succeeded by Encik Razman Hashim and Haji Bakh丘 Pilong respectively.

In early 2022, we saw the departure of Dato’ Md Arif Mahmood, Executive Vice President and CEO of PETRONAS Downstream Business, after 37 illustrious years with the company. A friend and mentor to many, he became known as a leader who no one has ever demonstrated in his pivotal role in our Pengerang Integrated Complex (PIC). In his stead, we welcome Mr. Cheong Wee Kwee who previously served as Vice President for Integrated PETRONAS Chemicals Group Bhd (PCG).

No acknowledgment would be complete without thanking our employees, stakeholders and industry partners both at home and wherever we operate for their unwavering contribution, support and trust in PETRONAS.

The PETRONAS family looks forward to navigating this next phase of growth with you as we fulfill our purpose to create your preferred progressive energy and solutions partner.

Datuk Tengku Muhammad Taufik
President and
Group Chief Executive Officer
Our Financial Year in Review

PETRONAS achieved a Profit After Tax (PAT) of RM48.6 billion for 2021, which is a major turnaround from the Loss After Tax (LAT) of RM21.0 billion the previous year. PAT for the year also exceeded the RM40.5 billion recorded in FY2019, before the industry-wide disruptions caused by COVID-19. The substantial rise in profit was driven by a rebound in revenue and the effectiveness of cost discipline measures that PETRONAS continued to practice.

The Group saw a substantial rise in revenue to RM248.0 billion, a 39 per cent increase from the RM178.7 billion recorded in 2020, also exceeding the RM240.3 billion recorded in 2019. The significant increase in revenue was contributed by rising energy prices, following a rebound in demand for gas, petroleum products and Liquefied Natural Gas (LNG), amongst other market influences.

PETRONAS also saw stronger performance across other key financial metrics. In line with the higher revenue and effective cost management, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) rose to RM100.5 billion, an 82 per cent increase from the previous year’s RM55.3 billion.

Segmental Performance

PETRONAS Group recorded improved performance across all three business segments in 2021. While the volatile crude oil prices in 2021 had varying impacts across different business segments, the Group as a whole benefitted from the integrated business that encompasses the total oil and gas value chain.

Upstream business recorded revenue growth of 48 per cent to RM104.4 billion by capitalising on rising energy prices and higher gas demand from Malaysia and international operations. Upstream’s PAT stands at RM34.5 billion for the year.

Gas + New Energy (G+NE) business recorded a 38 per cent increase in revenue, to RM85.8 billion. G+NE’s overall performance was positively impacted by the increase in energy prices, maximising gas and LNG sales to fulfill the market supply-demand gap. G+NE also achieved growth by leveraging the increasing demand for new energy products.

Downstream revenue rose by 46 per cent to RM124.5 billion. The Business saw a rise in the cost of inputs as energy and feedstock prices were higher than normal in 2021. Stronger financial results for the year can be attributed to an increased focus on cost discipline and securing more favourable commercial deals by being more customer-centric.

The Group saw a substantial rise in revenue to RM248.0 billion, a 39 per cent increase from the RM178.7 billion recorded in 2020, and exceeds the RM240.3 billion recorded in 2019.

Letter from the Executive Vice President and Group Chief Financial Officer

PETRONAS Group delivered a strong set of financial and operational results for the year as the company continued to accelerate its recovery efforts. Improvements in global energy prices have been fundamental this year, with the reopening of economies globally. Despite the rising trend in energy prices, the situation remained volatile and uncertain. The global landscape faces ongoing COVID-19 challenges, geopolitical factors and supply chain disruptions, which coincided with the acceleration of the energy transition. Therefore, the Group responded to the favourable market conditions with a disciplined approach. Despite the prevailing high oil price towards the end of the year, we exercised fiscal discipline to ensure long term sustainability and growth. As such, we remain prudent and maintain our long-term price outlook within the range of USD50-60/bbl. At the same time, the Group continued to strengthen the core business through commercial and operational excellence, while accelerating its efforts to pursue growth in non-traditional businesses. The focused execution of strategies coupled with agile and resilient operations, has been key to the Group’s commendable performance in 2021.
Strong Financial Position

The Group’s Cash Flows from Operations (CFFO) remained robust at RM78.6 billion, in line with higher cash operating profits. CFFO margin also increased to 32 per cent in 2021, up from 23 per cent in 2020. Stronger cash flow during the year resulted in a 29 per cent rise in the Group’s net cash position to RM67.2 billion for 2021. The current solid cash position puts PETRONAS in the top quartile among its peer group of international oil majors.

Prudent Financial Management

Despite the more favourable operating environment, PETRONAS continued to maintain stringent financial discipline during the year. The Group worked to achieve the right balance between financial prudence and strategic investments to catalyse future growth.

During the year, PETRONAS continued to invest in growth projects. However, many projects were affected by the prolonged movement restriction order, coupled with supply chain interruptions. Both domestic and international projects experienced delays and deferrals, resulting in a nine per cent decrease in capital expenditure (CAPEX) to RM30.5 billion.

Cash flows from operating activities grew by RM37.9 billion or 93 per cent from 2020, in line with higher cash from operations. Additionally, gearing ratio increased to 23.1 per cent from 21.3 per cent in 2020, which is primarily due to the issuance of notes and bonds.

Total Assets

RM635.0 billion
(2020: RM574.1 billion)

CFFO

RM78.6 billion
(2020: RM40.7 billion)

CAPEX

RM30.5 billion
(2020: RM33.4 billion)

Key Messages

Both bond issuances were well received by investors in the international debt capital market, drawing high demand, resulting in the lowest coupon and tightest issue spreads in PETRONAS’ 30-year issuance history.
Credit Rating

PETRONAS’ credit ratings remain strong, with a rating of A2, A- and BBB+ from Moody’s, Standard & Poor’s (S&P) and Fitch, respectively. The standalone credit profile is four notches above PETRONAS’ credit ratings, as assessed by S&P and Fitch. These ratings bear testimony to PETRONAS’ robust financial strength and solid business fundamentals, which bolster our ability to adapt and remain resilient amidst the new normal for the industry and market.

Contributions to Governments

PETRONAS’ contribution to the Federal Government of Malaysia and state governments amounted to RM48.2 billion for the year ended 31 December 2021. This includes dividends, taxes and cash payments. In addition, PETRONAS paid RM100 million to the National Trust Fund (NTF) in 2021.

To this end, PETRONAS’ cumulative contributions to the Federal Government of Malaysia, state governments and NTF amounted to RM1.3 trillion.

Delivering on Our Purpose Beyond Profit

The year witnessed evolving stakeholder expectations and global pressure on businesses to identify and manage their environmental, social and governance (ESG) impacts. Within the energy industry, oil and gas producers are expected to devise strategies to respond to the energy transition as well as any direct implications on their business and operations. Against this backdrop, one of the biggest change for oil and gas (O&G) companies would be to redirect sizeable capital or investment towards other sustainable sources of energy and low carbon solutions such as carbon capture and storage (CCS) technologies.

In response to this changing landscape, PETRONAS has allocated approximately 20 per cent of total CAPEX over the next five years for green investments in pursuit of meeting the net zero carbon emissions by 2050 (NZCE 2050) aspiration. In 2021, close to RM1.0 billion of CAPEX was spent on stepping out beyond our core business, mainly on renewables. In 2020, PETRONAS Group embarked on its first decarbonisation project for high carbon dioxide (CO₂) gas field at the Kalawai gas field in the waters off Sarawak.

The project will deploy CO₂ reinjection technology into a storage reservoir, potentially preventing up to 90 per cent of emissions, or 3.7 million tonnes of carbon dioxide equivalent (tCO₂e), from being released into the atmosphere. This will entail significant initial investment. Under the annual Plan and Budget FY2022-2026, various investments shall be explored including carbon offsets and carbon technologies towards delivering NZCE 2050.

Moving Forward

The outlook for the year ahead remains uncertain. Volatility in oil prices will continue to pose new challenges in the operating environment. The strong rebound in energy prices since the beginning of 2021 has been supportive of PETRONAS’ Group’s performance. Notwithstanding, the current state of higher prices could well be short-lived, given the uncertainties of geopolitical climate, along with other shocks that could hit the energy market. This is further aggravated by significant pressure arising from energy transition, which necessitates us to intensify efforts to decarbonise, and scale up investments in the renewables space. Accordingly, the business remains cautious and continues to focus on operational efficiencies, commercial excellence and prudent financial management.

Liza Mustapha
Executive Vice President and Group Chief Financial Officer

The year 2022 will be critical to revive delayed or deferred projects mainly from the disruptions caused by COVID-19. An increase in capital expenditure from project launches and deals is expected, coupled with a steep rise in renewables and low carbon technology and solutions spending in the near to medium-term. PETRONAS is well-positioned to leverage this changing landscape, with its affordability matrix, where necessary investments have been earmarked towards future growth strategies and sustainability goals while exercising strict capital discipline.

As it enters a new year, PETRONAS will remain committed to its strategic planning process, driven by the energy transition and NZCE 2050 aspiration. The Group will achieve its ESG commitments and growth through risk assessments, cost controls, responsible governance and above all, strong fundamentals for sustainable value creation.

In 2021, close to RM1.0 billion of CAPEX was spent on stepping out beyond our core business, mainly on renewables.
Dear Stakeholders,

I am pleased to join PETRONAS as its first Vice President and Chief Sustainability Officer during an exciting albeit trying time. The world is at a pivotal moment. The events of recent years have highlighted the importance of addressing societal and environmental challenges. From the socio-economic impacts of the COVID-19 pandemic to rising climate-related disasters, the need to build a more resilient and sustainable future is clearer than ever. People across society are looking at businesses to help drive this sustainability agenda, with increasing pressure from customers, investors, regulators and other stakeholders. For the energy sector, this means undergoing a radical shift towards greener, low-carbon solutions capable of meeting long-term energy demands. This energy transition is necessary to limit the worst effects of climate change and stimulate sustainable and inclusive economic development.

At PETRONAS, we are embracing these rising expectations for sustainable business practices. Sustainability to us goes hand-in-hand with our long-term strategic objectives. By taking a proactive stance we protect our business from environmental, social and governance (ESG) risks and improve our prospects to achieve long-term growth while supporting the needs of our stakeholders. Therefore, we view the rapid changes as a defining opportunity to create positive change benefitting more segments of the population – transforming the energy system to create economic growth, revitalising society and leaving behind a better planet for future generations.

The Sustainability Landscape

At the 2021 United Nations’ Climate Change Conference (COP26) held in Glasgow, United Kingdom, I sensed new levels of commitment to climate action. People from a range of groups, including the private sector, governments, investors, NGOs and activists, came together to try and solve the global climate crisis. The conference was framed by the findings of the 6th Assessment Report by the Intergovernmental Panel for Climate Change (IPCC), which warns that without drastic and immediate action to reduce greenhouse gas emissions, the world is headed towards a global temperature increase significantly above 1.5°C that is expected to result in irreversible consequences.

Letter from the Vice President and Chief Sustainability Officer
COP26 is considered a significant turning point in collective climate action, as 90 per cent of global Gross Domestic Product (GDP) has now committed to achieving net zero carbon emissions. The pledges made alongside the COP26 event support the global shift to more sustainable solutions, with many international leaders taking a stance on the energy transition. For instance, over 100 countries signed the Global Methane Pledge, limiting methane emissions by 30 per cent by 2030, compared to 2020 levels. Several nations have also committed to phasing out the use of coal, including Malaysia. In support of the energy transition, the Glasgow Financial Alliance for Net Zero (GFANZ), a global coalition of leading financial institutions pledged over USD130 trillion of private capital to accelerate decarbonisation with a specific emphasis on developing countries.

Over the year, nature has become a key aspect in climate-related policy discussions. The alarming loss of biodiversity is now recognised as a critical factor in securing a stable climate and well-being for the world’s population. Also here we can expect greater demands on corporate action. Malaysia is classified as one of the most biodiverse-rich countries in the world. Going forward, we will seek to better understand our impact on nature and take more assertive action in promoting nature conservation.

The social aspect of sustainability has also gained much needed attention recently. The disproportionate impacts of COVID-19 on vulnerable communities highlighted severe inequalities faced by society, resulting in increased calls for action. Companies are scrutinised for their diversity and inclusion efforts, human and labour rights practices, and stance on other societal issues.

It is important to note that many economies are at very different stages of maturity in navigating the sustainability landscape. We are conscious that the energy transition needs to be just and equitable, especially in Asia, where major economic gaps exist between and within countries. This requires unprecedented collaboration between policymakers, industry, investors, community groups and society at large in driving an energy transition that creates better outlooks for the growing population of the region.

The inherent link between climate change, nature loss, persistent inequality, and business resilience and performance is now better understood. The debate has moved on from the ‘why’ to the ‘how’ we should be addressing these systemic sustainability challenges. We are seeing a rapid scale up in emissions-related regulation, ESG standards and frameworks that in turn drive investor confidence in low carbon technology and solutions.

PETRONAS recognises sustainability as a critical element in how we develop our business. We are responding to the external context by developing robust data collection and analysis as a basis for future target setting, firming up governance, capacity and capability around sustainability management. We are exploring better integration of ESG factors into PETRONAS’ Enterprise Risk Management (ERM) process. Similarly, we conduct an annual materiality assessment to determine key ESG matters that impact our sustainable value creation, which is considered during risk assessments and strategic decision making. All risks identified in our corporate risk profile are deliberated by the Board through the Board Risk Committee. In 2021, this included deliberation on ESG risks associated with climate change, health and safety, and human rights.

The establishment of my new role, Chief Sustainability Officer (CSO), reporting directly to the President and Group Chief Executive Officer, sets out to orchestrate PETRONAS’ roadmap for our net zero carbon emissions by 2050 (NZC2050) aspiration, to guide future business propositions and PETRONAS’ journey across the value chain in working towards this aspiration. It is pertinent that PETRONAS, in its capacity as a national oil and gas company, develops its own unique narrative that is specific to Malaysia, building on the strength and ambition of the nation.
Towards a Low Carbon Future

We acknowledge the scientific consensus on climate change, and recognise the express need to cut our emissions in contribution towards global climate goals. In 2020, we announced our aspiration to reach net zero carbon emissions by 2050 (NZCE 2050) – the first oil and gas company in Southeast Asia to do so. Our aspiration underscores our ambition to meet higher sustainability goals for the longer term that address stakeholder concerns and support the ambitions of the Paris Agreement.

In 2021, we recorded a total of 45.2 million tonnes of carbon dioxide equivalent (tCO₂e) emissions across our operations, a reduction of 6.4 per cent from 2020. In Malaysia, our greenhouse gas emissions decreased by 5.4 per cent to 43.8 tCO₂e from 46.3 tCO₂e in 2020, mainly contributed by venting and flaring reduction projects in Upstream operations.

We understand that our NZCE 2050 aspiration will require a major shift in how we develop our business going forward. We are committed to expedite our emissions reduction, including a specific focus on methane emissions. To this end, PETRONAS has endorsed the World Bank’s Zero Routine Flaring by 2035 Initiative, which aims to end routine flaring of associated gas from our oil production. We are also signatory to the international Methane Guiding Principles initiative that promotes collaboration between stakeholders to expedite emissions abatement.

The shift to cleaner, more sustainable energy sources presents a major growth opportunity for our business. We are already on this journey. In 2021, we had close to 1 GW of solar capacity in operation and under development. We have also formalised our collaborations with customers, technology and industry partners to develop carbon capture and storage (CCS) technology as a viable abatement option for our own operations and other high emitting industries, studying the feasibility of producing carbon neutral methane and sustainable aviation fuel (SAF), to mention a few areas with promising growth prospects.

Our NZCE 2050 aspiration provides the necessary impetus for us to pursue more climate-friendly solutions and opportunities in the broader energy space that will create sustainable new values for the organisation.

To openly inform and engage our stakeholders in how climate change may affect our business both from downside risk and opportunity angles, PETRONAS will adopt the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), with a target to commence our disclosures in 2023.

Partners of Society

As we increase our efforts in protecting the planet, we remain steadfast in our commitment to providing positive social impact.

Our commitment to safeguarding people intensified with the COVID-19 pandemic. We swiftly introduced COVID-19 protocols and programmes with the aim to keep our people safe with minimal disruptions to our operations – a true testament to the agility of our organisation. Further details about our robust response to the pandemic is outlined on page 193 of this report.

Additionally, through Yayasan PETRONAS, the Corporate Social Responsibility arm of PETRONAS, we provided flood relief aid to hard-hit communities, delivering necessary supplies to prevent control and treat impacted communities located across our assets. We mobilised our employee volunteers to offer on-the-ground assistance to local communities with an additional contribution of RM25.0 million towards relief and assistance for the victims.

The COVID-19 pandemic has forcefully exposed and exacerbated inequalities across the world. As partners of society, we recognise the need to accelerate our efforts in providing equal access to resources and opportunities, as well as the importance of putting human rights at the centre of our operations. We are continuously looking to improve and systemise our human rights assessments in the company and throughout the value chain.

Strengthening Performance through Collaboration

As a national oil and gas company with an extensive international reach, we play a strong role in supporting sustainable development, particularly in driving a low-carbon energy future for Malaysia. The energy transition demands a whole transformation of society. To better prepare the organisation and our value chain, we need to bring our partners along the path to a low carbon economy, while ensuring our employees, partners and stakeholders are all upskilled on sustainability. We firmly believe that real positive change can only occur through collective action and a more assertive approach.

In 2020, we became a member of the World Business Council for Sustainable Development (WWF), joining over 200 other forward-thinking multinational companies. Through WWF, we can shape and gain insights and collaboratively develop solutions to address pressing sustainability challenges. We can leverage WWF’s wide networking platform across a variety of sectors.

To remain a WWF member, we need to adhere to stringent criteria, such as setting ambitious science-informed environmental goals, committing to becoming net-zero by 2050, declaring support for the United Nations Guiding Principles on Business and Human Rights, supporting inclusion, equality and diversity, and operating at the highest level of transparency through sustainability disclosures.

What the Future Holds

In the years ahead, the need for green and sustainable practices will only grow. For PETRONAS, we are determined to seize new opportunities for sustainable, profitable growth as we uphold our responsibility as Malaysia’s national oil and gas company and lay the foundation for our future growth. In 2022, we will be stepping up even more meaningfully in pursuing our purpose to become a progressive energy and solutions partner enabling lives in a sustainable future. This includes releasing more details about our pathway towards NZCE 2050 and how this will lay the foundation for other sustainability priorities.

Charlotte Wolff-Bye
Vice President and Chief Sustainability Officer
Recharge to Grow

Value We Create

The framework boundaries and principles that guide us in our Integrated Reporting journey

76  Our Integrated Approach to Value Creation
78  Our Key Capitals
80  Value Creation Model
82  Performance by Capital
88  Engaging with Stakeholders
96  Because We Care
Our Integrated Approach to Value Creation

At PETRONAS, we adopt an integrated approach to deliver long-term sustainable value to our stakeholders. We do this to gain a holistic view of our activities, examining the interaction between the environment, the evolving expectations of our stakeholders and our overall operations to achieve our business aspirations. This ensures that our business remains strong, resilient and sustainable, thus enabling us to meet the energy needs of current and future generations.

Operating Landscape
Our ability to realise our value creation abilities hinges on the global macroeconomic landscape and its impact on the global oil and gas industry. The varying factors that affect the macroenvironment are closely analysed in relation to our business and operations, allowing us to identify potential trends and opportunities.

Stakeholder Expectations
As we transition to expand our portfolio to include cleaner energy solutions, we are aware of the importance of managing the changing needs of our stakeholders. We proactively engage in meaningful dialogues, collaborations and engagements on various platforms to position ourselves as a credible, trustworthy partner.

Material Topics
Our ability to deliver stakeholder value is influenced by a range of ESG factors. Hence, we identify material topics that are closely related or could impact our stakeholders to help us develop and execute the right strategies that will drive the future of energy.

Strategy
We are guided by PETRONAS’ Three-Pronged Growth Strategy (3PGS), designed to meet our long-term stakeholder needs and position us as a progressive energy and solutions partner enriching lives for a sustainable future. The 3PGS are:
1. Maximising Cash Generators
2. Expanding Core Business
3. Stepping Out

Reinforcing Good Governance
We see corporate governance as a critical tool in our value creation story. For us, it means going beyond compliance in protecting the best interest of all stakeholders. We uphold the highest levels of integrity, governance and ethical business practices, anchored by a strong culture of transparency and accountability. This safeguards our business and protects the best interest of all our stakeholders.

Our ultimate goal is to create sustainable value for all our stakeholders. Through our integrated approach, we ensure all elements are taken into consideration to allow us to deliver value, now and for the future.
Our Key Capitals

Our value creation story relies on a range of resources broadly categorised into Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural Capitals. The efficient and intelligent utilisation of these capitals is key to achieving our operational, commercial and growth aspirations.

Guided by strong financial metrics and a prudent financial management track record, we have built a pool of funds to finance operations and deliver business growth. By upholding disciplined Financial Capital spending, we are able to balance stakeholder value with business growth.

Financial Capital

We possess an extensive range of highly reliable and efficient assets, such as our offshore platforms, floating facilities, processing plants, innovative equipment, world-class office buildings and many more. Our Manufactured Capital allows us to meet the changing market and energy demands, current and future.

Manufactured Capital

Our operations are backed by proprietary technologies, knowledge, systems procedures and protocols that drive value creation and deliver sustained growth. This is our differentiating factor and will enable us to meet our long-term strategic objectives.

Intellectual Capital

The future of our organisation depends on the skills, knowledge and capabilities of our people. We invest in providing a wholesome talent experience to nurture a high-performing, innovative culture that is able to navigate a volatile industry for long-term growth.

Human Capital

We develop long-lasting, mutually-beneficial relationships with our stakeholders to help business growth and improve the well-being of the communities. Doing so enables us to build stakeholder trust and support in our ability to deliver value far into the future.

Social and Relationship Capital

Our business model leverages natural resources to ensure the security of energy supply as well as the development of quality products and services for customers. Respecting the delicate balance between the natural environment and human economy, we advocate responsible utilisation of natural resources to create sustainable value for all stakeholders.

Natural Capital

Although each capital is distinct from one another, they are interrelated. Therefore, our strategy development and execution involve contemplating the dynamics between the six capitals to optimise stakeholder value over the short, medium and long term.
Sustainability Agenda

**Continued Value Creation**

**Safeguard the Environment**

**IntelliGent**

**Four Sustainability Lenses**

**Responsible Governance**

**Value Creation Model**

**Material Topic**

- Safety Management
- Health and Well-Being
- Environmental Emissions and Waste
- Renewable Energy
- Human Rights
- Intellectual Property
- Chemistry
- Biodiversity and Ecosystem Services
- Safety Management
- Sustainable Supply Chain

**Key Risks**

- Market Risk
- Financial Risk
- Legal and Regulatory Risk
- Customer Risk
- HSE Risk

**Business Activities**

**Upstream**

A business consisting of Exploration, Development, Production and Malaysia Petroleum Management (MPM).

- New Cash Generator
- Future Cash Generator

**Value Creating Activities**

- Generate New Cash Generator
- Stepping Out
- Expanding Core
- New Energy
- Specialty
- Adjacencies

**Our Value Creating Activities**

- New Cash Generator
- Future Cash Generator

**Invest to Sustain**

- Invest to Sustain to maintain our current cash generators

**Expand Core To New Areas**

- Invest to Grow
- Invest to Diversify

**Guided by**

- Our Strategy
- Our Values
- Our Vision

**Related Businesses**

- Oil and Gas
- Specialty
- Downstream
- New Energy

**Safeguard the Environment**

- Reduced GHG emissions
- Water efficiency
- Biodiversity conservation

**IntelliGent**

- Intelligent management systems
- Data analytics
- Artificial intelligence

**Four Sustainability Lenses**

- Social
- Environmental
- Economic
- Governance

**Responsible Governance**

- Corporate Governance
- Compliance
- Employee Development
- Environmental Management

**Our Value Creating Activities**

- New Cash Generator
- Future Cash Generator

**Invest to Sustain**

- Invest to Sustain to maintain our current cash generators

**Expanding Core**

- Existing Core
- New Core

**New Cash Generator**

- Future Cash Generator

**Committed by**

- Our Commitments
- Our Approach

**Value Creation Model**

- Value Creation Model
- Business Model
- Value Chain
- Value Map

**Invest to Grow**

- Invest to Grow to expand our resource base and replicate our integrated model internationally to build the next line of cash generators

**Invest to Diversify**

- Invest to Diversify to future proof our overall portfolio

**Safeguard the Environment**

- Reduced GHG emissions
- Water efficiency
- Biodiversity conservation

**IntelliGent**

- Intelligent management systems
- Data analytics
- Artificial intelligence

**Four Sustainability Lenses**

- Social
- Environmental
- Economic
- Governance

**Responsible Governance**

- Corporate Governance
- Compliance
- Employee Development
- Environmental Management

**Our Value Creating Activities**

- New Cash Generator
- Future Cash Generator

**Invest to Sustain**

- Invest to Sustain to maintain our current cash generators

**Expanding Core**

- Existing Core
- New Core

**New Cash Generator**

- Future Cash Generator

**Committed by**

- Our Commitments
- Our Approach

**Value Creation Model**

- Value Creation Model
- Business Model
- Value Chain
- Value Map
Performance by Capital

Our strong financial base through income and earnings generated by our business, is necessary to fund our long-term objectives.

Inputs

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (RM billion)</td>
<td>635.0</td>
<td>574.1</td>
</tr>
<tr>
<td>Shareholders’ equity (RM billion)</td>
<td>350.9</td>
<td>330.6</td>
</tr>
<tr>
<td>Cash Flows from operations (CFFO) (RM billion)</td>
<td>78.6</td>
<td>40.7</td>
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<tr>
<td>Free cash flows (RM billion)</td>
<td>48.1</td>
<td>7.3</td>
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Outputs/Outcomes

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<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (RM billion)</td>
<td>248.0</td>
<td>179.7</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax (RM billion)</td>
<td>48.6</td>
<td>25.0</td>
</tr>
<tr>
<td>EBITDA (RM billion)</td>
<td>100.5</td>
<td>55.3</td>
</tr>
<tr>
<td>CAPEX (RM billion)</td>
<td>30.5</td>
<td>33.4</td>
</tr>
<tr>
<td>Dividend Payout to Government (RM billion)</td>
<td>25.0</td>
<td>34.0</td>
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</tbody>
</table>

Trade Offs

- Financial Capital helps create value through its conversion into other forms of capital.
- We need to balance the utilisation of Financial Capital between investments in our core business, predominantly Manufactured Capital, and growth.
- Financial Capital is utilised to fund capital investments and operating expenditures to increase other capitals to achieve long-term growth and sustainable performance.
- Although this may reduce our short-term Financial Capital, we can replenish this and create greater financial value in the long run through disciplined and effective investment decisions.

Actions to Enhance Outcomes

- Strengthen liquidity and risk management to protect cash flow.
- Maintain prudent and disciplined financial management system.
- Uphold and strengthen transparency and corporate governance disclosures.

Performance by Capital

Our highly reliable and efficient equipment, infrastructure and other physical assets are required to meet evolving market demands.

Inputs

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of producing fields</td>
<td>247</td>
<td>206</td>
</tr>
<tr>
<td>Refineries</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Floating Facilities</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Number of LNG Plants</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>LNG Floating Facilities</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Number of gas processing complexes</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Number of satellites terminals</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Number of gas pipelines</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Number of processing plants</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Number of petrochemical production sites</td>
<td>7</td>
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Outputs/Outcomes

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LNG Sales (MMT)</td>
<td>32.74</td>
<td>33.12</td>
</tr>
<tr>
<td>Malaysia average sales gas volume (MMSCFD)</td>
<td>2,644</td>
<td>2,521</td>
</tr>
<tr>
<td>Total petrochemical production volume (million tpa)</td>
<td>10.4</td>
<td>10.7</td>
</tr>
<tr>
<td>OEE (T)</td>
<td>98.1</td>
<td>96.8</td>
</tr>
<tr>
<td>Downstream</td>
<td>93.3</td>
<td>90.0</td>
</tr>
<tr>
<td>Renewable energy installed capacity (MW)</td>
<td>851</td>
<td>644</td>
</tr>
</tbody>
</table>

Trade Offs

- As an asset-heavy organisation, the growth of our company depends on growth in our Manufactured Capital.
- Financial Capital needs to be used to expand our infrastructure, processing plants, equipment, renewable technologies, and more so that we can continue meeting society’s energy demands, which contribute to our Social and Relationship Capital.
- However, we must manage our Manufactured Capital in a responsible manner. Health and safety issues will negatively affect our Human Capital, while poor environmental practices impact our Natural, and Social Capital.
- Improving Corporate Governance is key in the long-term sustainable growth and, most importantly, create added value for our stakeholders.
### Intellectual Capital

Our proprietary technologies, knowledge, systems procedures and protocols that enable us to deliver sustained value and growth.

<table>
<thead>
<tr>
<th>Inputs</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of R&amp;D Laboratories</td>
<td>178</td>
<td>160</td>
</tr>
<tr>
<td>Number of dedicated researchers</td>
<td>175</td>
<td>184</td>
</tr>
<tr>
<td>Investment in technology (RM million)</td>
<td>361.8</td>
<td>335.7</td>
</tr>
</tbody>
</table>

**Trade Offs**

- It is important to invest in smart and innovative solutions that improve our Intellectual Capital and overall competitive advantage.
- We channel Financial Capital into research and development (R&D) to enhance our end-to-end visibility and processes across the value chain, including operational and cost efficiencies.
- Although this may immediately deplete our Financial Capital, the expected benefits gained in the coming years will strengthen our long-term value through improved Natural, Social, Human, and Intellectual Capitals, which inadvertently results in sustainable financial growth.

**Actions to Enhance Outcomes**

- Foster innovation and accelerate presence in the digital space for optimised, effective solutions across the value chain.
- Intensify low-carbon technology solutions, R&D capabilities and innovation pipeline to maximise efficiency and support towards NZCE 2050.
- Improve cost and operational effectiveness in the delivery of top quartile products.
- Improve the number of patents secured.

### Performance by Capital

**Human Capital**

A diverse and high-performance workforce equipped with future-ready skills and capabilities.

<table>
<thead>
<tr>
<th>Outputs/Outcomes</th>
<th>2021</th>
<th>2020</th>
</tr>
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<tbody>
<tr>
<td>Total number of PETRONAS employees</td>
<td>46,884</td>
<td>48,679</td>
</tr>
<tr>
<td>Total investment for training and development (RM million)</td>
<td>111.9</td>
<td>170.0</td>
</tr>
<tr>
<td>Gender diversity in workforce (% of women)</td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>

**Trade Offs**

- We believe in investing in upskilling and reskilling our global workforce to compete and win in the future marketplace, given the constantly changing market landscape.
- We invested in digital tools to better churn insights and intelligence from data, simplify work processes, empower decision making and enable seamless collaboration.
- Additionally, we continue to invest in providing the right environment for our people to thrive, for example a conducive workplace that promotes well-being, Diversity and Inclusion (DiRi), and organisational culture.
- This may impact Financial Capital but will positively impact Human Capital to deliver business performance, hence, it will also benefit Financial Capital in the longer term.

**Actions to Enhance Outcomes**

- Intensify investment in upskilling/reskilling programmes especially in areas such as agile ways of working, innovation, analytics, and digital, as well as sustainability.
- Provide flexible work arrangements to ensure the safety, health, and well-being of employees.
- Continue to build awareness and progress to improve DiRi.
- Continue to inculcate the refreshed PETRONAS Cultural Beliefs through various engagements and communications.

<table>
<thead>
<tr>
<th>Outputs/Outcomes</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost Time Injury Frequency (LTIF)</td>
<td>0.14</td>
<td>0.10</td>
</tr>
<tr>
<td>Fatal Accident Rate (FAR)</td>
<td>1.13</td>
<td>1.47</td>
</tr>
<tr>
<td>Employee attrition rate (%)</td>
<td>8.4</td>
<td>4.9</td>
</tr>
<tr>
<td>Number of employees completed online training</td>
<td>31,207</td>
<td>30,268</td>
</tr>
<tr>
<td>Number of Technical Professionals developed</td>
<td>1,281</td>
<td>1,173</td>
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<table>
<thead>
<tr>
<th>Inputs</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new products and softwares launched</td>
<td>35</td>
<td>14</td>
</tr>
<tr>
<td>Number of patents secured</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td>Number of proprietary chemical formulations</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Number of technical solutions deployed/piloted</td>
<td>62</td>
<td>23</td>
</tr>
<tr>
<td>Number of registered trademarks</td>
<td>67</td>
<td>54</td>
</tr>
</tbody>
</table>

**Value We Create**

- We invested in digital tools to better churn insights and intelligence from data, simplify work processes, empower decision making and enable seamless collaboration.
- Additionally, we continue to invest in providing the right environment for our people to thrive, for example a conducive workplace that promotes well-being, Diversity and Inclusion (DiRi), and organisational culture.
- This may impact Financial Capital but will positively impact Human Capital to deliver business performance, hence, it will also benefit Financial Capital in the longer term.
Social and Relationship Capital

A strong network of mutually-beneficial relationships that allow us to contribute to societal well-being and empowerment.

Natural Capital

The responsible utilisation of natural resources by our operations, as well as our ability to take care of the environment.

### Actions to Enhance Outcomes

- Strengthen collaboration and relationships with industry players.
- Drive multifaceted strategic initiatives with government agencies to help shape policies for the energy industry.
- Amplify collaborations with the Malaysian Government and host governments for humanitarian relief efforts such as COVID-19, natural disasters, and others.
- Enrich the lives of our communities by continuing to provide education opportunities through sponsorship, programmes, and infrastructure.
- Advocate the use of natural gas and renewable energy to stakeholders to realise our energy transition plan.

### Trade Offs

- A large part of our operations still depend on carbon-based energy and materials, resulting in waste and emissions that could potentially impact Natural Capital.
- In achieving our NZCE 2050 aspiration, we need to improve our consumption of Natural Capital. This requires investments in reduction and mitigation initiatives that minimise our environmental footprint.
- Financial Capital is channelled into our Manufactured Capital as we invest in resource-efficient infrastructure and operations, thus minimising our use of Natural Capital.
- We also use Financial Capital to improve our Human Capital, in which we train and upskill employees so they can accelerate the move towards a low-carbon economy, which improves Natural Capital in the long term.
- Through resource efficiency, we can achieve cost savings for improved Financial Capital in the long run. Furthermore, by taking care of our Natural Capital, we also gain stakeholder trust (Social and Relationship Capital).

### Performance by Capital

#### Inputs

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment in PETRONAS Education Sponsorship Programme (PESP) (RM million)</td>
<td>&gt;163</td>
<td>&gt;177</td>
</tr>
<tr>
<td>Investments in community/nation-building initiatives (RM million)</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Outputs/Outcomes

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of beneficiaries from various PETRONAS programmes</td>
<td>7,272</td>
<td>5,175</td>
</tr>
<tr>
<td>Total contribution to flood relief efforts (RM million)</td>
<td>15</td>
<td>n/a</td>
</tr>
<tr>
<td>Number of students awarded scholarships (Malaysian)</td>
<td>302</td>
<td>370</td>
</tr>
<tr>
<td>Scholars recruited by PETRONAS (%)</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Total contribution to COVID-19 relief efforts (RM million)</td>
<td>86.0</td>
<td>50.6</td>
</tr>
</tbody>
</table>

#### Trade Offs

- To achieve our strategic vision, we need to build stakeholder trust and loyalty, which is essentially reflected in our Social and Relationship Capital.
- We utilised our Financial Capital in 2021 to protect our stakeholders and business from the impact of COVID-19. Funds were channelled to help employees navigate new work environments, support suppliers’ operations during lockdown periods, and provide critical assistance to communities in need.
- While this may have impacted Financial Capital, it has enhanced our position as a responsible corporate citizen among our stakeholders, which indirectly serves all our other capitals.

#### Actions to Enhance Outcomes

- Continue to reduce carbon footprint by accelerating lower carbon solutions, leveraging technology-driven operations.
- Enhance operational efficiency and achieve zero continuous hydrocarbon venting and flaring to reduce GHG emissions.
- Pursue new plastics economy and waste reduction potential to address global waste issue and Malaysia’s sustainability agenda.
- Enhance our research and development activities in carbon capture and storage (CCS) technology to effectively manage high carbon dioxide (CO₂) field development.
Engaging with Stakeholders

Our stakeholders are at the heart of everything we do. We work with a broad range of stakeholders, with a strong emphasis on proactive, transparent and open engagement. This, in turn, promotes mutually beneficial relationships and value for our stakeholders and PETRONAS. From rising inequalities, climate change, natural disasters and the COVID-19 pandemic; stakeholder management has been key in navigating a volatile business environment. Hence, meaning collaborations and timely engagements with relevant stakeholders are important in fulfilling our strategic objectives.

To ensure this, we identify, attend to our stakeholders’ expectations, track our engagement outcomes against our planned initiatives, and measure our stakeholders’ sentiments through a stakeholder management system through periodic surveys. Ultimately, our goal is to be recognised as a credible and progressive partner in providing the right solutions and contributing towards common goals.

Federal/Host Governments

**Why They Are Important**
We proactively engage with government agencies and regulators as this enhance lasting relationship in ensuring continuous business operations. In addition, we serve as a key thought partner in shaping policies that support the broader economy with the foresight to anticipate future regulations that may potentially affect the industry. It also builds trust and promotes synergies to advance mutually-beneficial objectives. This strengthens our position as a responsible solutions partner for the industry and for the government, as well as a trusted partner in nation-building.

**How We Create Value**

- Catalyse nation-building through economic contributions, as well as provide human capital development and employment opportunities.
- Engage as a credible thought partner in shaping policies for the energy industry to help realise the government’s aspiration in advancing the country’s sustainability agenda.

**Stakeholders’ Key Concerns**

- Nation-building agenda.
- Compliance with laws and regulations.
- Ethical business practices.
- Health and safety.
- Employment opportunities.
- Human capital development.
- Sustainable development.
- Environment and climate change.
- Social development.

**PETRONAS’ Response**

- Supported Government nation building and economic recovery initiatives such as Program Bakul Prihatin Negara and Program CERDIK.
- Participated in Government’s initiative under the collaboration with the Economic Planning Unit (EPU) to develop clear targets and policies for the National Energy Policy and the Natural Gas Roadmap.
- Collaborated in COVID-19 responses and management measures to ensure business continuity.
- Strengthened collaborations on NZCE 2050 aspiration and sustainability ambitions.
- Operated in compliance to safety standards, laws and legislations.
- Provided timely update and information on PETRONAS business operations.

**Engagement Channels/Platforms**

- Face-to-face and virtual meetings.
- Regular reporting, briefings and meetings.
- Participated in government-related conferences and exhibitions.

**Value Creation Highlights**

- Conducted various programmes that benefitted 3,111 students in vocational and industrial training such as GEES, VISTA, internship and others.
- Advisory role in Chemical Industry Roadmap to bring up the chemicals sector to position Malaysia amongst the top competitive nations by 2030.
- Allocated RM425 million for disaster relief aid nationwide.

**State Governments**

**Why They Are Important**
As PETRONAS operates in various states within Malaysia, continuous engagements with state governments help broaden their understanding of our operations and build trust over the long term. We operate according to the state’s regulatory requirements to ensure safe operations and minimise business disruptions. In return, it creates business opportunities for the local industries, enriches local communities, and contributes to the state and country’s economy.

**How We Create Value**

- Spur the state’s economic growth and social upliftment through local industry and human capital developments, as well as equitable employment opportunities.
- Establish partnership with the states and leverage the pool of local talents and the new energy growth frontiers.

**Stakeholders’ Key Concerns**

- Employment opportunities.
- Skills and entrepreneurship development.
- Environment and climate change.
- Community investment.
- Compliance with laws and regulations.
- Social development.
- Ethical business practices.
- Health and safety.

**PETRONAS’ Response**

- Supported the states’ economic transformation projects, and economic recovery efforts.
- Provided technical advisory to states during crisis such as during water supply shortages in certain states.
- Ensured business continuity by adhering closely to state laws and regulations.
- Provided timely updates and information on PETRONAS’ business operations.
- Contributed to the construction of two MARA Junior Science College (MRSM) campuses in Sabah and Sarawak to encourage and promote students’ interest in STEM for a combined capacity of 900 students.

**Engagement Channels/Platforms**

- Face-to-face and virtual meetings.
- Regular meetings, briefings and dialogues with state Ministries.
- Joint Working Committee meetings and Strategic Dialogues.

**Value Creation Highlights**

- Participated in state governments’ policy-shaping initiatives and programmes.
- Facilitated engagements and communications between businesses and various state governments as well as agencies for business opportunities in the new energy sector.
Engaging with Stakeholders

Quality of Engagement: ★★★★☆ Material Topics: 📈 📈 📈 📈

Why They Are Important
Customers provide valuable feedback, which enables us to deliver innovative and quality customer-centric products, services and technological solutions that create value and improve their overall experience. Our strong ability to constantly diversify our portfolio will also build long-term trust and loyalty from customers, which ultimately will support our growth and sustainability agenda.

How We Create Value
Provide positive customer experience through superior, innovative products and timely product delivery with reliable after-sales support.

Stakeholders’ Key Concerns
• Customer experience.
• Health and safety.
• Operational efficiencies.
• Product quality and availability.
• Product pricing and credit terms.
• Ethical practices.
• Sustainability matters.
• Environment and climate change.

PETRONAS’ Response
• Introduced high-quality and innovative products and solutions.
• Ensured supply reliability and security of oil and gas products.
• Rolled out the PETRONAS Dynamic Diesel Euro 5 with Pro-Drive that contains less sulphur at more than 1,000 PETRONAS stations nationwide.
• Expanded Setel® ecosystem, enabling seamless service delivery across key lines of our business and providing added convenience to our customers.
• Increased usage of environmentally friendly products and packaging such as sustainable fabrics for PETRONAS merchandise through PRYSM products.
• Issuance of biodegradable and compostable bags at PETRONAS stations.
• Continued collaboration with Alam Flora for drive-through recycling initiatives at selected PETRONAS stations and collected 8.72 tonnes of recyclable items.
• Mobilised ROVR (mobile refuelling service) to provide critical refuelling services in areas affected by flood in Malaysia.

Engagement Channels/Platforms
• Face-to-face and virtual meetings.
• Events, dialogues, roadshows and engagements.
• Marketing activities and outreach programmes.
• Social media platforms (such as YouTube, Facebook, Instagram and Twitter).
• Company’s website.
• Feedback management system.
• Customer appreciation programmes.

Value Creation Highlights
• Provided reliable services, innovative and sustainable products and solutions to customers.

Engaging with Stakeholders

Quality of Engagement: ★★★★☆ Material Topics: 📈 📈 📈 📈

Why They Are Important
Our workforce is unquestionably our most valuable asset. We value their talent and contributions, and that is why their health, safety and well-being remain our top priority. Despite challenges faced during the COVID-19 pandemic, they remained committed and dedicated to helping PETRONAS achieve its 2021 business goals against a challenging market landscape. They are fundamental to our success, growth and sustainability.

How We Create Value
• Provided a wholesome talent experience that emphasises on a self-driven culture for growth via learning and development, supported by the right environment.
• Encourage the spirit of innovation and creativity to accelerate the move towards a lower carbon future and new energy industry.

Stakeholders’ Key Concerns
• Competitive remuneration and benefits.
• Flexible work arrangement.
• Opportunities for career growth.
• Learning and development.
• Strategic direction, business growth and performance.
• Safe and healthy work environment.
• Ethical and sustainable business practices.
• Diversity and inclusion.

PETRONAS’ Response
• Provided upskilling and reskilling of existing talents to ensure we have the best talents in the right role.
• Provided regular enterprise engagement and communications to keep employees informed and engaged.
• Ensured the overall safety, health and well-being of employees.
• Enhanced PETRONAS’ Remote Working Arrangement.
• Provided New Ways of Working (NWOW) assistance and introduced monthly Connectivity Assistance.
• Conducted various programmes as part of Diversity and Inclusion (D&I) efforts to enhance gender diversity in many areas including leadership.
• Established Employee Assistance Programme 2.0 (myFriends), MIND-A-CARE (First Aid for Mental Health), Building Personal Resilience via iCARE in efforts to safeguard PETRONAS’ employees mental well-being.
• Introduced myLearningX, a new digital learning platform that offers personalisation and flexible learning options.
• Advocated youth empowerment through PETRONAS Young Professionals Club (YPJC).

Engagement Channels/Platforms
• Staff engagement sessions.
• Leaders’ Townhall.
• Employee feedback sessions.
• Intranet and email blast announcements.

Value Creation Highlights
• Close to 100 per cent of PETRONAS employees have been fully vaccinated.
• More than 30,000 users on PETRONAS Dot App – an internal platform for employees to stay engaged with the latest happenings within the Group, have dialogue with Leaders and quick access to important announcements during the Movement Control Order (MCO). It became a valuable and cohesive tool for PETRONAS staff groupwide to remain connected.
### Shareholders/Investors/Credit Rating Agencies

**Why They Are Important**
We nurture stakeholders’ trust and confidence to ensure continued access to capital at competitive rates/terms. We also value the stakeholders’ support in imparting market intelligence and insights, which enable early identification of opportunities and emerging trends within the financial markets.

**How We Create Value**
Progressive business with strong fundamentals, prudent financial performance and good governance with firm commitment towards energy transition and sustainability goals.

**Stakeholders’ Key Concerns**
- Business and industry outlook.
- Financial positions and shareholders’ returns.
- ESG and energy transition.
- Regulatory compliance.

**PETRONAS’ Response**
- Provided accurate and timely reporting with transparency.
- Robust fundamentals and resilient financial performance.
- Strong commitment to delivering NZCE 2050 aspiration (aligned with the international frameworks, standards and progressive improvements in ESG practices).

**Engagement Channels/Platforms**
- Stakeholder engagements.
- Financial results announcements.
- Analyst briefings.
- Announcements and disclosures via corporate websites.
- Annual General Meetings.

**Value Creation Highlights**
- Maintained standalone credit ratings.
- Continued access to capital at competitive rates and terms, notably USD3.6 billion bonds issued with lowest coupon and tightest issue spread for PETRONAS in recent years.

### Media

**Why They Are Important**
The media is an important partner in relaying the right messages and information to our stakeholders. It builds brand strength, safeguards our reputation and strengthens rapport. Continuous engagements are conducted with the media to increase PETRONAS’ share of voice, to shape perception and address the expectations of our targeted audiences (media/industry/public).

**How We Create Value**
- Communicate accurate and timely information to build trust and confidence.
- Advocate transparency, ethical business conduct and practices, business performance, environmental, social and corporate governance.
- Sustain media trust towards PETRONAS.
- Maintain professional relationship with the media.
- Credible conduit for information dissemination.
- Enhance visibility of PETRONAS’ corporate agenda and business developments.
- Manage positive perception towards PETRONAS’ performance, behaviour and transparency.

**Stakeholders’ Key Concerns**
- Governance.
- Products/Services.
- Financial Performance.
- Leadership.
- Technology and digital innovation.
- Sustainability and renewables.
- Environment and climate change.

**PETRONAS’ Response**
- Fostered open and transparent communication.
- Ensured timely communication and dissemination of information.
- Undertook robust activation of media strategies and plans.
- Initiated collaboration and support for meaningful initiatives.

**Engagement Channels/Platforms**
- Face-to-face and virtual engagement sessions (dialogues, press conferences, press releases, announcements).
- Timely dissemination of information via press releases, statements or announcements.
- Media sponsorships.

**Value Creation Highlights**
- Positive reporting on PETRONAS-related news.
- Improved mitigation on issues.
- Increased publicity.
- Strengthened media presence.
- Facilitated fair and informed reporting of stories.
- Maintained positive news sentiment.
- Maintained positive public perception.
Engaging with Stakeholders

**Industry Partners and Government-linked Companies (GLCs)**

**Quality of Engagement: 9/10**

**Material Topics:**

- Business continuity and industry relevance amidst Just Transition phase.
- Improved monetisation through commercialisation of technology solutions.
- Cost optimisation and reduction of HSE risks.
- Local community grasp the significance of PETRONAS’ emerging technologies.

**Why They Are Important**

- We continue to work closely together with industry partners to elevate industry standards as well as develop new cleaner technology and solutions for a mutually-thriving and sustainable energy industry. This enables us to improve operational efficiencies and build capabilities to explore new areas for growth that support our NZC E2050 aspiration in meeting the energy needs in a lower-carbon future.

**How We Create Value**

- Develop the nation in a sustainable manner through collaborations on research, development and commercialisation of technology solutions fit for the energy industry and beyond.
- Improve industry standards/regulation through advocacy via regulators (government/non-government).
- Deploy and exchange best practices to improve operations, products and services across multiple industries.

**Stakeholders’ Key Concerns**

- Governance and integrity.
- Business continuity and industry relevance amidst Just Transition phase.
- Local participation in the industry.
- Industry requirements, local content, regulations and policies.
- Business opportunities.
- Oil and gas as new as energy capabilities.

**PETRONAS’ Response**

- Timely delivery of capital projects for PETRONAS.
- Applied best practices, research and development (R&D), commercialisation and technology solutions.
- Strengthened the supply chain through collaborative programmes and initiatives.
- Continued to nurture vendors under programmes such as Vendor Development Programme (VDP) and support the vendors by facilitating access to financing under the Vendor Financing Programme (VFP).
- Collaborated with relevant stakeholders in countries where we operate, such as the governments, regulators, agencies and organisations.
- Elevated knowledge sharing and technology transfer in engineering solutions.
- Improved monetisation through commercialisation of PETRONAS’ emerging technologies.

**Engagement Channels/Platforms**

- Face-to-face and virtual meetings.
- Familiarisation visits for stakeholders.
- Content sharing and festive greetings via emails, Official events (MoU signings, launching ceremonies, etc).

**Value Creation Highlights**

- Capabilities in key energy industry activities through multilateral knowledge sharing with regional industry players.
- Technical expertise and technologies on hydrogen production available to customers from both industry players and public.
- Drones at PETRONAS facilities are being used as a case study for application in other industries and wider purposes resulting in operational efficiency, cost optimisation and reduction of HSE risks.

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**Communities/Non-Government Organisations (NGOs)**

**Quality of Engagement: 9/10**

**Material Topics:**

- Official events (MoU signings, launching ceremonies, etc).
- Content sharing and festive greetings via emails.
- Familiarisation visits for stakeholders.

**Why They Are Important**

- Community engagement reflects our position as a responsible corporate citizen, builds public trust and ensures the continued viability of our business in the long term. We aim to enrich the lives of the communities through the social investments we make towards societal upliftment and safeguarding the environment.

**How We Create Value**

- Uplift communities and work with NGOs of similar cause for greater social good in creating positive social impact, safeguarding the environment and continuous value creation.

**Stakeholders’ Key Concerns**

- Corporate Social Responsibility (CSR) programmes.
- Regular briefings and engagements with local communities.

**PETRONAS’ Response**

- Implemented community development and socio-economic programmes.
- Collaborated with NGOs for the protection and preservation of wildlife, environment and social causes such as recycling and rainwater harvesting.
- Introduced eco-friendly product designs and operations.
- Amplified Food Bank Programme at 400 PETRONAS stations.
- Established Industry Vaccination Centre or Pusat Vaksin Industri (PVIN) at six locations across Malaysia.
- Conducted periodic engagement with communities on safety education and crisis preparedness at PETRONAS operations areas to improve community resilience.
- Conducted surveys and focus group discussions to identify and mitigate social and safety risks with local communities near to PETRONAS’ operation.

**Engagement Channels/Platforms**

- Improved the economy of communities through the MEXAR programme.
- Increased the livelihood of local farmers and the lower-mid income demographics (B40 and M40) via PETRONAS Dagangan Berhad’s (PDB) Segar@Mesra.
- Promoted local brands via the Love Local campaign at PDB’s Kedai Mesra.
- Local community grasp the significance of environmental care and coastal ecology with about 20,263 mangrove trees planted in a 14,000 sqm ecoCare area along the Sungai Kerith in Terengganu.

**Value Creation Highlights**

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The year 2021 has been particularly difficult for many Malaysians. Not only were there resurgence of new COVID-19 variants and economic slowdown, but also severe floods that affected several states in Malaysia at the end of the year. It was a challenging year for everyone across various stakeholder groups who faced loss of lives and livelihoods, leaving far-reaching economic consequences.

Despite the challenges, we rallied our workforce together. We stood united to reach out and help those in need, through on-the-ground support, digital solutions, and monetary contributions. To this end, we prioritised the health and safety of our workforce and our communities through rapid, coordinated and effective response. Leveraging on our workforce’s broad range of competencies, we partnered with governments and forged powerful alliances to drive economic recovery, assisting our vendors through a difficult period significantly marked by the pandemic. Meanwhile, for our customers, we introduced products, services and solutions to cater to their needs.

Federal Government/Host Governments

Governments around the world faced continuous pressure to revitalise the economy. In Malaysia, the government accelerated the National Vaccination programme and gradually opened economic sectors. Stimulus packages were introduced to help businesses and the population, especially those from the lower-income group.

• Strengthened COVID-19-related Standard Operating Procedures (SOPs) throughout our value chain.
• Contributed RM4 million towards the setup and operation of six PPVINs.
• Introduced the Green Bubble and Green Net approaches at 33 assets in Malaysia and PETRONAS’ selected international locations to curb the spread of COVID-19.
• Channeled funds to purchase critical medical equipment and supplies to hospitals and frontliners.
• Collaborated with government agencies to facilitate approvals for essential vendors to operate during the MCO.
• Facilitated business continuity mitigation during the pandemic by liaising with authorities and government agencies as well as coordinated approval for Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta (PIKAS) for more than 10,000 employees and contractors nationwide.
• PETRONAS contributed RM10 million and Yayasan PETRONAS contributed RM5 million to NADMA’s flood relief efforts.

Customers

Customers adapted to the new normal by leveraging technology and solutions to work, learn as well as stay connected with friends and family. In addition to strict COVID-19 SOPs, border closures and restricted movements led to challenges in obtaining their daily needs and disrupted the security of energy supply.

• The Setel® App, which was introduced by PDB to encourage customers to make seamless purchases minus the queues, was also used as a platform for donations toward PETRONAS’ Food Bank Programme.
• Implemented innovative solutions to ensure the security of energy supply to customers via ROVR, ISO tanks, bunker solutions, Virtual Pipeline System (VPS) and more.
• Implemented strict SOPs in retail and customer-facing areas.

Because We Care
The pandemic caused disruption to the supply chain, both locally and globally. The MCOs and cautious outlook by various economic sectors led to suppliers and vendors facing difficulties in obtaining access to financial assistance and also inability to operate during the lockdowns.

More segments of our communities, especially those in the lower-income segment, continued to be impacted by COVID-19. Apart from unemployment, many lacked access to food, basic hygiene necessities, and remained unaware of the importance of being vaccinated.

What Happened
The safety and well-being of our employees remained a top priority. With the implementation of a flexible working arrangement policy, employees continued to Work From Home (WFH), except for those in critical and essential sectors. Strict safety measures, including cybersecurity awareness, were implemented. Assistance on mental well-being was also rendered to employees in managing WFH challenges, particularly having an appropriate work-life balance.

Our Response
- Provided financial and connectivity assistance to support employees working from home.
- Achieved close to 100 per cent vaccination rate among employees with the establishment of 11 vaccination centres, onshore and offshore across our operations nationwide, partnering with governments and the private sector.
- Established COVID-19 One-Stop Centre, Incident Action Plan (for international assets), Pandemic Preparedness and Response Team (PPRT), COVID-19 digital platform and E-Health Vaccination, backed by 85 technical guidelines and directives to improve Business Continuity and safeguard the workforce.
- Introduced My Personnel e-Tracker (MyPeT) app for oil and gas personnel and supply chain to ensure minimal industry-wide disruption at domestic and international assets.
- Partnered NALURI (for EAP Counselling) and Malaysian Psychiatric Association (for MIND-A-CARE Programme) to improve mental health and overall well-being of employees.
- Partnered with the private medical sectors to provide 210 emergency/non-emergency assistance to COVID-19 infected employees.
- Enhanced security measures during the various containment measures to protect PETRONAS’ interests, locally and abroad.
- Distributed hygiene kits to employees.
- Extended financial support to vaccinated employees and international assignees and their families returning to Malaysia.
- Established quarantine centres for employees from the Upstream and gas operations at local hotels to allow smooth transition and changes in shifts.

Because We Care

Internal/Employees

Industry Partners and Government-linked Companies (GLCs)

What Happened
The pandemic caused disruption to the supply chain, both locally and globally. The MCOs and cautious outlook by various economic sectors led to suppliers and vendors facing difficulties in obtaining access to financial assistance and also inability to operate during the lockdowns.

Our Response
- Enabled essential vendors to operate during restrictive movement periods for business continuity by facilitating approvals with government agencies.
- Simplified internal interface processes between PETRONAS and vendors to overcome logistic challenges due to travel restrictions.
- Continued to support and ease Oil and Gas Services and Equipment (OGSE) vendors by facilitating access to financing under the Vendor Financing Programme.
- Initiated COVID-19 relief aid by providing necessary supplies to prevent, control and treat impacted communities located across our domestic and international assets.
- Total donations of more than RM2 million raised for the PETRONAS Food Bank Programme which benefitted 2,142,000 recipients during the COVID-19 pandemic.
- Assisted frontliners via the PDB Coffee Break Programme at 15 hospitals nationwide, with discounts for vehicle-related services.
- Contributed medical equipment and hygiene products/kits to frontliners and communities in collaboration with Federal and State authorities.
- Activated disaster relief for communities affected by flood in key operating states.
- Contributed over RM30 million worth of learning devices that benefitted 12,000 B40 students to support virtual learning during the pandemic for the CERDIK initiative.

Communities/Non-Government Organisations (NGOs)

What Happened
More segments of our communities, especially those in the lower-income segment, continued to be impacted by COVID-19. Apart from unemployment, many lacked access to food, basic hygiene necessities, and remained unaware of the importance of being vaccinated.

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Recharge for a Shared Future

Strategic Progress
Insights into how we execute strategy to create value

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Business Review
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152 Downstream
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In 2021, the world faced pandemic-led challenges as a resurgence of COVID-19 variants weighed heavily on businesses and people across the world. Heightened geopolitical tensions followed by uneven global vaccination rates also led to uneven economic growth. In Malaysia, the national vaccination programme made inroads in stemming the spread of COVID-19 though new variants led to extended lockdowns that slowed economic recovery.

Global oil and gas market rebounded strongly in 2021 with increased number of industry players scaling up commitments towards driving a low-carbon future.

Geopolitics
Throughout 2021, geopolitical flashpoints continued to erupt despite the resurgence of new COVID-19 variants that kept many regions and countries under lockdown measures. In certain countries, elections were called as leaders aimed to gain fresh mandates to implement policies to revive spending and boost their economy to counter economic headwinds. Amidst efforts to curb the spread of the pandemic and the uneven pace in vaccination rates, nations refocused efforts on improving domestic recovery. While vaccine roll-outs led to improved consumer confidence, some countries faced additional setbacks from military coups and proxy wars that led to further political instability worldwide.

Economy
According to the International Monetary Fund (IMF), the global economy expanded 5.9 per cent in 2021, even with border restrictions and intermittent mobility restrictions imposed by nations to limit the impact on their healthcare systems. These pandemic-led limitations resulted in prolonged supply chain disruptions that sent prices of commodities and consumer goods soaring.

Gas and Liquefied Natural Gas (LNG)
Gas and LNG prices surged to record levels in 2021, mainly due to the increase in demand that coincided with supply disruptions at LNG plants and reduced gas supply from Russia. Asian spot LNG exceeded USD50/mmBtu, a record, in the year due to extreme cold weather in Europe and China at the start of 2021, followed by hotter-than-usual summer in the middle of the year. These events led to depleted gas storage in Europe, just as Russia cut supplies. As a result, spot LNG prices in Asia surged to levels unforeseen in the past.
The chemicals market rebounded in 2021 from the lowest in more than a decade, led by a surge in demand for plastics used in food packaging, personal protection and medical equipment and electronic goods. Ethylene, a benchmark for chemicals, averaged USD1,009 per metric tonne last year, up 43 per cent from the average in 2020. Prices had tumbled in 2020 as the COVID-19 pandemic led to lockdowns and consumption fell. China, the world’s biggest market for most chemicals, drove the recovery as its economy expanded 8.1 per cent in 2021, fastest in 10 years, bolstered by the reopening of economies and post-lockdown spending surge which boosted demand for chemicals and other goods and materials.

In 2021, Upstream spending rebounded from the lowest level in 15 years as the reopening of economies boosted energy prices. Upstream capital expenditure (CAPEX) stood at about USD400 billion as oil and gas players remained focused on sustaining capital discipline to improve cash flows. Following the recovery experienced in oil prices, US-led mergers and acquisitions reached a two-year high in the second quarter of 2021. During this period, companies realigned their portfolios. Some players disposed petroleum assets while others picked-up assets to gain economies of scale and cut operational costs.

The energy crisis in the previous year led to an increase in nationalistic pride as countries looked inwards to ensure short-term energy security means nations have to be able to meet sudden surges in demand, security of supply. While short-term energy security means governments made stronger pivots towards a low-carbon future to reverse the effects of climate change in 2021. To date, 90 per cent of emitters have made the pledge towards net zero carbon emissions. A noteworthy event that took place during the year in review was the establishment of the first-ever climate pact that directly referenced coal and fossil fuels at the United Nations (UN) Climate Change Conference (COP26) in Glasgow. This was followed by key pledges to reduce methane, phase-out inefficient fossil fuel subsidies and increase commitment towards zero-emission vehicles.

Oil prices are seen facing greater volatility amid heightened geopolitical strife that has disrupted output from key producers, especially those in the Middle East and North Africa. In 2022, OPEC+ agreed to fully unwind its historic production cuts of 9.7 mil bpd while continuing its active market management. However, operational issues in Nigeria and Angola coupled with declining OPEC spare capacity have trimmed the Group’s ability to react to supply-demand shocks. Meanwhile, rising supply from non-OPEC producers such as the US, Canada and Brazil, including threats of new COVID variants on oil demand recovery, will pose downside risk to the oil market.

As governments around the world prioritise climate change and draw up related policies, adoption of cleaner alternatives in the transport sector is set to increase at a faster pace. Escalating oil prices will also force consumers to seek more efficient transport solutions, hastening the transition towards electric mobility.

Growing calls for the oil and gas sector to decarbonise have also pushed industry players to seek and deploy carbon-removal solutions along their entire value chain. Slow adoption of decarbonisation strategies will stand the risk of being side-lined by key stakeholders, namely the financial industry, regulators and end-consumers.
Gas and LNG prices are expected to remain elevated in 2022, driven by Europe’s heightened demand as the Russia-Ukraine conflict prolongs. Amid a re-opening of economies and Europe’s determination to wean itself off Russian gas, has increased LNG demand. Europe, which consumes more than 500 bcm of natural gas a year, is competing for LNG with Asia when extended plant disruptions keep supply limited. Following a subdued 2020, the surge in gas and LNG prices is expected to boost developers’ confidence in taking FID for LNG projects.

The number of carbon-neutral LNG cargoes being sold globally has multiplied, from less than a handful in 2019. This is due to buyers increasing demand for cleaner fuels to avoid taking on emissions in their value chain, after adopting stricter emission targets.

Upstream CAPEX is forecasted to rise in 2022 to around USD500 billion, though spending may remain below the peak of USD800 billion achieved in 2014. The increase is due to higher costs that have eroded the expenditure’s value to boost production. This has emerged as a cause of concern for the oil and gas sector as a lack of growth in spending will impede output growth in the later years.

Supply chain disruptions and increased commodity prices, including steel, will also increase costs. Following growing calls to lower their carbon footprint, there will be many players allocating spending on carbon-abatement technology.

Escalating oil and gas prices is expected to increase merger and acquisition activities in 2022, opening up opportunities for cash-rich companies to expand market share by acquiring smaller rivals.

With oil prices remaining volatile, net importing countries will look for alternative energy supply or boost domestic production to meet demand.

The chemicals market is set for a second year of recovery supported by growing demand for plastics and packaging amid a growing population, rising urbanisation and improving living standards. As the pandemic alters consumer behaviour and amplifies the importance of sustainability in daily products, specialty chemicals is an area with potential for faster growth. Rising pressure from consumers and other stakeholders is pushing chemical producers to invest in boosting the circularity of their products through plastics recycling, battery recycling and incorporating bio-based feedstock in their value chain.

The 2021 United Nations Climate Change Conference (COP26) has left the world with a longer climate to-do list, pressuring governments and corporations to transition towards a low-carbon future. Amidst increasing scrutiny and regulations, ESG will be the immediate focus for companies as more investors face sustainability mandates.

With renewables becoming more cost-competitive and playing an increasing role in the energy mix, the demand for green hydrogen and energy storage is expected to rise, though this is a likely scenario for the long term.

To this end, technology and innovative solutions to reduce and capture emissions are becoming more critical, especially the adoption of carbon capture, utilisation and storage (CCUS), and methane capture. Carbon offsets are poised for growth in the quest to net zero as companies race for time to achieve short-term targets. Meanwhile, the upcoming COP27 in Egypt this year will see governments being called to account for their pledges and provide updates on their progress.
Material Topics

Material topics are an essential aspect of our value creation and growth strategy. By addressing these topics, we are able to stay ahead of new trends, evolving customer demands and other challenges based on our operating environment.

Materiality Assessment Process

We conduct a materiality assessment on an annual basis to capture topics that substantively affect our ability to create sustainable value over the short, medium and long term, guided by the International Integrated Reporting Council (IIRC) <IR> Framework. Our materiality assessment process consists of four steps:

Step 1: Identification

We identified a list of potential material topics that are important to our stakeholders and PETRONAS via an in-house desktop analysis based on a range of internal and external sources, as follows:

- Reporting frameworks and standards (GRI, Ipieca, TCFD, World Economic Forum’s Stakeholder Capitalism Metrics, and SDGs).
- Relevant legislations in the countries we operate.
- National industry-specific trends and surveys outcome.
- ESG rating and benchmarking agencies.
- Peer benchmarking.
- Internal and external audits.
- Reputation Issue Analysis, Reputation Strength Index and Internal Sustainability Survey.

Based on this analysis, a total of 52 potential material topics were identified.

Step 2: Stakeholder Engagement

We then conducted a validation process via interviews and surveys with external and internal stakeholders to assess the impact of these topics.

The stakeholders engaged include:

- Employee representatives including union leaders.
- Government and regulatory bodies.
- Embassies, high commissions and foreign representatives.
- Communities and customers.
- Media.
- Investors, credit rating agencies and financial institutions.
- Industry partners, alliances and business councils.
- Non-government organisations (NGOs) and special interest groups.
- Learning institutions.

We also conducted interviews and surveys with internal subject matter experts and the leadership team to assess the impact of the identified topics on our business.

Step 3: Prioritisation

We prioritised the identified topics based on two key areas – their importance to stakeholders and their impact on our business. For 2021, the prioritisation criteria also included material topics across several areas:

- Occurrence in grievances.
- Topics highlighted by investors and rating agencies in their assessment of PETRONAS.
- Discussions at Board and Executive Leadership Team meetings.
- Items identified as significant risks to the company.

Through this process, a total of 34 material topics were identified.

Step 4: Endorsement and Approval

We submitted the materiality matrix for endorsement to the Sustainability Council, which was then approved by the Vice President and Chief Sustainability Officer.

The emerging topics demonstrate the changing landscape and stakeholder expectations. Similar to our material topics, we are currently developing the appropriate monitoring and reporting processes for the emerging topics, as well as looking into their impact on our business and portfolio.

Management Approach to Material Topics

Lens 1: Continued Value Creation

Economic Contribution

Generating economic value from capital contribution to the economy through generation of products and services, servicing of capital, payment of wages, taxes, and community investment. Ensuring that PETRONAS is responsible and transparent in tax practices, governed by applicable local or regional tax regulations.

What It Means

The long-term success of our business goes hand-in-hand with the prosperity of the markets and communities in which we operate. Our ultimate goal is to drive economic development that benefits all segments of society.

Why It is Important

- Impacted business performance due to economic recession.
- A weak economy impacts the expansion of our market reach.

Opportunities

- Prioritising local employment increases the community’s socioeconomic performance.
- Responsible and transparent tax payments contribute to economic growth and stakeholder trust.

Our Response

- Substantial rise in revenue driven by a rebound in demand for our products and cost optimisation measures allows us to continuously contribute to the Government, amounting to RM48.2 billion in 2021.
- In the face of evolving stakeholder expectations and global pressure to identify and manage ESG impacts, we intensify our planning for capital allocations, including the introduction of Green CAFEX, in preparation for our NZCE 2050 aspiration.
- Yayasan PETRONAS introduced various academic, skills and entrepreneurship training programmes to uplift and empower the low-income communities and improve their income level and be self-sustaining in the long term.

Materiality Matrix

<table>
<thead>
<tr>
<th>Material Topics</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
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</thead>
<tbody>
<tr>
<td>Lens 1: Continued Value Creation</td>
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<tr>
<td>Economic Contribution</td>
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<tr>
<td>What It Means</td>
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<td>Why It is Important</td>
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<tr>
<td>Risks</td>
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<tr>
<td>Opportunities</td>
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- High Importance
- Medium Importance
- Low Importance

Materiality Matrix

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- Media.
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Material Topics

Innovation and Circularty

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</thead>
<tbody>
<tr>
<td>Embracing innovation and circularity through implementation of internal frameworks and measures that promote challenging current norms and practices in product design and operations to generate new solutions which enhance competitive advantage and brand reputation, add value to customers and create operational and cost efficiencies.</td>
<td>Innovation drives PETRONAS’ competitive advantage. We encourage continuous innovation to develop products, services and solutions that support growing market demand and drive sustainable product consumption.</td>
<td>• Poor development of technology solutions lowers our product/solutions pipeline and growth aspirations. • Failure to manage waste negatively impacts the environment, social safety and overall reputation. • Strong pipeline of innovative products using recycling technologies reinforces our role as a sustainable leader. • Continuous development of solutions improves operational efficiency.</td>
<td></td>
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</tbody>
</table>

Our Response

• Leveraging the full potential of technologies at our disposal, including partnering with industry players to unlock Malaysia’s potential as a regional carbon capture and storage (CCS) solutions hub.

Exploring methods to convert end-of-life plastic waste into reusable products, to recover 100 per cent of the plastic waste of our polymer production volume for the Malaysian market by 2030.

Sustainable Supply Chain

<table>
<thead>
<tr>
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<tr>
<td>Demonstrating long-term commitment to product stewardship, procurement and supply chain management which considers the environmental, social, and economic impacts of climate change and building business sustainability, while reducing potential asset damage.</td>
<td>Supplying customers with off-specification products could damage our reputation, lead to regulatory action and legal liability, and impact our financial performance. It is also essential to strengthen supply chain resilience by considering ESG risks across our value chain. We rely on a wide network of suppliers to deliver products and services crucial to our operations.</td>
<td>• Loss of trust in our products and potential legal implications. • Inability to manage the supply chain leads to unreliable products and solutions, and operational disruptions. • Poor ESG practices within the supply chain may lead to financial and non-financial implications. • Sustainable products are in demand and may improve brand perception. • Strong partnerships with local suppliers improve productivity and supply chain resilience. • Continuous supply of skilled suppliers ensures the quality of products and solutions.</td>
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Our Response

• Embedding product stewardship in PETRONAS’ research and development to ensure that product safety, compliance and sustainability aspects are considered for all new products, and adopting a Life Cycle Thinking approach during product development.

• Supporting local suppliers in boosting the development of regional supply chains where possible and applicable.

• Supporting a stable local economy and sharing global work practices with local companies.

Physical Climate Risk and Adaptation

<table>
<thead>
<tr>
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<th>Why It is Important</th>
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<th>Opportunities</th>
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</thead>
<tbody>
<tr>
<td>Strengthening PETRONAS’ resilience to the physical impacts of climate change and building business sustainability, while reducing potential asset damage.</td>
<td>The rise in extreme weather events exposes our assets and operations to significant damage and disruptions. We need to build our climate change resilience to continue meeting society’s long-term energy needs.</td>
<td>• Inability to protect assets may impact financial performance and reputation. • Failure to manage climate change impact could cause injuries and fatalities. • Regular asset monitoring improves asset reliability and reduces repair cost. • Increase in digitalisation of assets improves efficiency, safety and lowers carbon footprint.</td>
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</table>

Our Response

• Putting in place the necessary tools, processes and governance to assess, identify and adapt to physical climate risks, in order to effectively quantify the net risk value.

Lens 2: Safeguard the Environment

GHG Emissions

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<thead>
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<tbody>
<tr>
<td>Assessing and addressing climate-related risks and opportunities to guide PETRONAS’ strategic decisions. Measuring and monitoring greenhouse gas (GHG) emissions and intensity from our business operations, and reducing GHG emissions through reductions in flaring and venting, improvements in energy efficiency in operations, utilisation of renewable energy solutions, CCS and others. Additionally, improving measurements and mitigating methane emissions from operations to limit the impact of GHG emissions over a more immediate period, as well as participating in collaborative initiatives with industry peers. Demonstrating a clear understanding of energy consumption within the company and throughout our value chain to support our emission mitigation efforts.</td>
<td>Climate change poses a risk to our business growth, societal well-being and shared prosperity. Thus, it is important to minimise our global emissions to mitigate the worst impacts of climate change.</td>
<td>• Inability to achieve climate targets may lead to loss of stakeholder trust. • Failure to mitigate emissions from operations may result in financial and non-financial penalties. • Lower resource consumption leads to better cost management and financial performance. • Future proofs our business against new risks, such as regulatory changes.</td>
<td></td>
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</table>

Our Response

• Lowering GHG emissions through reductions in flaring and venting, improvements in energy efficiency in operations, and utilisation of renewable energy solutions.

• Improving measurements and mitigating methane emissions from operations.

• Participating in collaborative initiatives with industry peers.

Material Topics
Material Topics

### Environmental Management

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Identifying and assessing the environmental impact of our operational activities, and sustainably managing resources in our operations, including but not limited to reducing the impact of emissions and waste streams, developing water management strategies, preventing spills to the surrounding environment.</td>
<td>As an environmental steward, we have a responsibility to minimise the impacts of our operations on the surrounding environment. This means protecting environmental health, which is linked to long-term social and business health.</td>
<td>• Inadequate management of natural resources may lead to penalties or future resource availability issues. • Non-compliances to environmental regulations result in stop-work orders and business disruptions.</td>
<td>• Strong efforts in environmental management improve stakeholder trust and public perception. • Waste reduction and resource efficiency reduce operational costs.</td>
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</tbody>
</table>

**Our Response**
- Integrating our environmental stewardship practices into our business processes and operations by emphasising compliance with international standards and leveraging technologies.

| Renewable Energy | To achieve a lower carbon economy, society needs to transition to energy systems of lower carbon and renewable sources. As a national energy solutions provider, we need to progressively drive the energy transition. | Inability to increase renewable energy capacity impedes access to new markets. Failure to expand the energy mix may impact our ability to achieve a low carbon future and NZCE 2050 aspiration. | Aligning with future global energy demand increases visibility as a trusted renewable energy provider. Collaborating with industry and government to drive renewables helps accelerate the energy transition. |

**Our Response**
- Exploring the development of green hydrogen production and promoting a hydrogen value chain to key demand centres in Asia.
- Growing our solar capacity both locally and internationally to reinforce our position as one of the key clean energy providers in the region.

### Biodiversity and Ecosystem Services

<table>
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</thead>
<tbody>
<tr>
<td>Preventing and minimising impacts to biodiversity and the ecosystem, while restoring and rehabilitating the ecosystems around us through conservation efforts.</td>
<td>Biodiversity is a key indicator of planetary health. The human population, and by extension our business and activities, rely on a range of ecosystem services to generate economic and social value.</td>
<td>• Inability to prevent biodiversity loss may cause environmental disruptions and reputational damage. Severe biodiversity loss exacerbates climate-related risks.</td>
<td>• Conservation efforts improve public perception and stakeholder trust. Strong biodiversity management may result in more financing from investors.</td>
</tr>
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</table>

**Our Response**
- Conducting detailed Biodiversity and Ecosystem Services Risk Assessments and implementing Biodiversity Action Plans for operations that are categorised as High and Very High risks.
- Collaborating with the private sector on issues related to biodiversity conservation to support the implementation of Malaysia’s National Policy on Biological Diversity (NPBD).
- Supporting the development of a national Voluntary Carbon Market Framework.

### Lens 3: Positive Social Impact

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<th>Opportunities</th>
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<tbody>
<tr>
<td>Ensuring all employees, contractors and assets under our care are working under the safest possible conditions, through proactive risk management approach across the organisation in striving for operational excellence.</td>
<td>The safety of our people has always been our utmost priority. It protects not only our operations, but more importantly our stakeholders from possible harm and injuries.</td>
<td>• Injuries and fatalities result in regulatory actions and legal liabilities. • Health and safety incidents lead to operational disruptions.</td>
<td>• Enhanced safety management framework attracts and retains top industry talents. • Improved operational discipline safeguards workforce, assets, information and operations.</td>
</tr>
</tbody>
</table>

**Our Response**
- Ensuring all employees, contractors and assets are under the safest possible conditions.
- Implementing proactive safety risk management across the organisation through stringent HSE policies and management systems which are aligned with the International Organisation for Standardisation’s (ISO) 14001:2015 and ISO 45000:2018.
Human Rights

What It Means
Respecting human rights across our suppliers, contractors, partners, and communities where we operate through establishment and implementation of human rights policies and practices, to address issues of forced labour, human trafficking, modern slavery, fair working and living conditions, non-discrimination, and Diversity and Inclusion (D&I).

Why It Is Important
Human rights through fair and ethical treatment are fundamental to our business. It creates a safe and secure operating environment that meets the expectations of our stakeholders.

Risks
• Failure to adhere to human rights leads to regulatory penalties and damaged reputation.

Our Response
• Centering human rights in our operations by ensuring strict compliance with human rights principles and laws, and embedding industry practices throughout our Social Performance standards and guidelines in alignment with the United Nations Guiding Principles for Business and Human Rights.

Opportunities
• Enhanced integration of human rights practices improves position as a fair and ethical employer.

Stakeholders:
• Loss of trust from stakeholders and the public due to human rights breaches.

Employee Attraction, Retention and Development

What It Means
Attracting and retaining the best talents with emphasis on the well-being of everyone in our workforce, by providing flexible working arrangements, competitive remuneration, nurturing of individual’s potential and reward-based performance. Enabling a high-performing workforce by developing new types of capabilities, tools, and ways of working, building capabilities of our employees, and broadening their career prospects, while making meaningful investments into developing future talents for PETRONAS and the industry.

Why It Is Important
In today’s fast-paced and dynamic landscape, we require top talent with the right type of skills to drive our long-term strategies. It is important to make meaningful investments to develop future talents for our business and the energy sector.

Risks
• Underperforming and disengaged employees may lower productivity and impact reputation.

Opportunities
• Investment in a high-performing and professional talent pool ensures efficient business operations.

Our Response
• Investing in the cultivation of high-potential and high-performing talents by equipping them with future-ready skills through on-the-job training, leadership and core skill programmes, as well as a self-learning platform to promote self-driven culture.

Stakeholders:
• Managing grievances via an integrated platform to ensure sufficient oversight of all cases.

Health and Well-Being

What It Means
Protecting all employees and contractors from work-related hazards and promoting good health and well-being in our workforce and the wider community, through risk assessments and implementation of adequate controls, while providing a range of health and wellness programmes which address both physical and mental well-being.

Why It Is Important
As the backbone of our organisation, employees’ health and well-being directly impact our long-term performance. It is important to create a safe and conducive work culture that protects their overall well-being.

Risks
• Poor employee morale and health may impact overall productivity.

Opportunities
• Continuous risk assessments and adequate controls increase productivity levels.

Our Response
• Implementing risk assessments and adequate controls for employees’ good health and well-being.

Stakeholders:
• Providing a range of health and wellness programmes for both physical and mental health in the face of the COVID-19 pandemic, including remote working arrangement, paid leave for employees who obtained vaccination, provision of oximeter and COVID-19 self-test kits, financial assistance and reimbursements for vaccinations and others.

Material Topics
Lens 4: Responsible Governance

Anti-Bribery and Corruption

Why It Is Important
A strong foundation of ethics and integrity is important to create shared and equitable values for stakeholders. We have a moral and business obligation to protect our operations from any corrupt and unethical activity.

Risks
- Bribery and corruption within the supply chain lead to regulatory and reputational risks.
- Disputes and legal proceedings may cause operational disruptions, reputational damage, and value deterioration.

Opportunities
- Enhanced policies, procedures and risk practices improve reputation among stakeholders.
- Strong culture of integrity enhances our position as a top employer.

Our Response
- Ensuring consistent adherence to PETRONAS’ Anti-Bribery and Corruption Policy and Guidelines, Whistleblowing Policy and other applicable laws by practising zero tolerance for malpractices and non-compliance.
- Joining collective initiatives such as the World Economic Forum’s Partnership Against Corruption Initiative to increase public trust in business, deliver fair markets and level the playing field by fighting corruption.

Corporate Governance

Why It Is Important
Our ability to operate and create value relies on upholding the highest standards of corporate governance, which is crucial to business continuity and long-term growth.

Risks
- Failure to comply with standards leads to business disruptions, regulatory and reputational risks.
- Poor corporate governance impacts our strategic execution.

Opportunities
- A strong governance framework improves reputation with stakeholders.
- High level of transparency ensures efficient and effective execution of business strategies.

Our Response
- Incorporating sustainability discussions as part of the strategic review and planning cycle led by the PETRONAS Board of Directors.
- Engaging with external sustainability experts and undergoing various sustainability-related training as part of the Board of Directors and top management’s upskilling programmes.

Roles and Responsibilities

PETRONAS Board
Oversees and ensures sound system of risk management and internal control across the PETRONAS Group.

Risk Committee
Assists the Board in reviewing principal risks, oversees the adequacy and effectiveness of risk assessment and risk management system for the PETRONAS Group.

Audit Committee
Assists the Board in fulfilling its oversight functions in relation to the Company’s internal controls.

Executive Leadership Team
Reviews and assists RC and the Board on key risk management matters.

The above risk oversight structure shall be read together with the “Corporate Governance at PETRONAS” section.
How We Manage Risks

PETRONAS Risk Policy

The 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. The Policy also ensures a balanced and holistic view of exposures to achieve business objectives, thus strengthening our position as a risk resilient organisation.

This Policy is complemented by the PETRONAS Resiliency Model, which provides an integrated and holistic view of the overall strategy for more effective risk management. It focuses on three (3) areas of business resilience, namely Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM).

PETRONAS is committed to become 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 (ERM)

The ERM process is an integral part of managing the business as it acts as a guide to systematically identify, assess, treat, monitor and review risks. It aims to improve our ability to reduce the likelihood and/or impact of the identified risks that may affect the achievement of business objectives.

These risk profiles are established through the ERM process and monitored at the corporate level across the PETRONAS Group. It identifies principal risks with the corresponding risk mitigations and key risk indicators. This ensures that risks are being effectively managed by the respective units.

The PETRONAS Group’s Risk Appetite articulates the type of risks that 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 maintaining legal and regulatory compliance. It is defined by the respective area’s tolerance and threshold levels. At the corporate level, PETRONAS Group’s Risk Appetite is monitored and reported every quarter to the ELT, RC and the Board.

Risk assessments are conducted at key decision points to ensure decisions that have a significant impact on our business operations and strategies are made based on considerations of the risk-reward trade-off and to create risk-reward conversation at respective decision platforms and/or Approving Authority (AA).

Crisis Management

Comprehensive set of processes that aim to PREPARE the organisation to respond and manage crises that people, environment, assets 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.

Crisis Management (CM)

CM is an integrated process that aims to prepare an organisation’s domestic and international operations to respond to and manage crises in risk areas to protect the People, Environment, Assets and Reputation (PEAR). Under CM, there is a three-tiered response protocol that demarcates the roles and responsibilities of the emergency site management, operating unit management, corporate and internal/external response agencies, and/or authorities. Testing and Exercising (T&E) via simulation of test scenarios are conducted to ensure the effectiveness of response strategies and promote continuous improvement, as identified in the Emergency/Crisis Management Plan.

Business Continuity Management (BCM)

BCM is a management process that aims to build our capabilities to recover and continuously deliver products or services at acceptable, predefined levels following any prolonged disruption.

Key to the BCM Framework is the Business Continuity Plan (BCP), which aims to enhance the PETRONAS Group’s preparedness to recover and restore business-critical functions within a reasonable period, to sustain activities and minimise disruptions to stakeholders. T&E via simulation of test scenarios are also conducted to validate the effectiveness of recovery strategies as well as maintain a high level of competence and readiness as identified in the BCP.

Continuous Improvement

• System Monitoring and Review
• Risk Assurance
• CM Capability Building

PETRONAS Risk Policy and PETRONAS Resiliency Model

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
Holistic and coordinated management system that enables the organisation to respond and recover from critical and disruptive events, while maintaining ongoing business operations and strategies.

Business Continuity Management
Holistic management process that aims to build the capability of an organisation to RECOVER and continuously deliver products or services at acceptable predefined levels following a prolonged disruptive incident.

ERM Framework

Governance • Risk Policy • Organisation and Structure • Roles and Responsibilities Context Setting • External Context • Internal Context • Risk Appetite • Risk Criteria Risk Assessment • Risk Identification • Risk Analysis • Risk Evaluation Risk Treatment • Risk Treatment Strategy • Risk Treatment Plan Risk Monitoring and Review • Risk Reporting and Monitoring • Risk Information System Continuous Improvement • System Monitoring and Review • Risk Assurance • ERM Capability Building

CM Framework

Goverance • Risk Oversight Structure • Operationalisation of BCM • Roles and Responsibilities Business Continuity Assessment • Risk Identification • Risk Analysis • Risk Evaluation Business Impact Analysis (BIA) • Critical Business Functions • Minimum Resource Requirement Business Recovery Strategy (BRS) • Recovery Strategy • BCP Testing and Exercising (T&E) • T&E Planning, Execution and Review Continuous Improvement • System Monitoring and Review • Risk Assurance • ERM Capability Building

BCM Framework

Goverance • Risk Oversight Structure • Operationalisation of BCM • Roles and Responsibilities Business Continuity Assessment • Risk Identification • Risk Analysis • Risk Evaluation Business Impact Analysis (BIA) • Critical Business Functions • Minimum Resource Requirement Business Recovery Strategy (BRS) • Recovery Strategy • BCP Testing and Exercising (T&E) • T&E Planning, Execution and Review Continuous Improvement • System Monitoring and Review • Risk Assurance • ERM Capability Building

Petroliam Nasional Berhad (PETRONAS)
Risks Linked to Creating Value

Our comprehensive network of operations and businesses is subject to several factors, some of which are beyond our control. Whether known or unknown, these and other risks may have potential material adverse impacts on our operations. The risks set out below are linked to our targets of achieving the Group objectives. However, this is not an exhaustive list of challenges that we currently face or may develop in the future. The order in which these risks and uncertainties appear also does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse impact on our business.

In addition to the key risks highlighted below, we are strengthening our risk management efforts and corresponding disclosures for environmental, social and governance (ESG) risks, including a specific climate risk. To ensure consistency with global sustainability frameworks and standards, our efforts are positioned in due course, to align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the World Economic Forum’s Stakeholder Capitalism Metrics.

**Market Risk**

Our financial performance is impacted by the volatility of commodity prices, change in customer preferences, fluctuations in exchange rates and the general macroeconomic outlook.

**Impact on Value**

- Our core business is predominantly in oil and gas. Hence, our financial performance is highly influenced by commodity price volatility, which is generally determined by the supply and demand in the market. The prolonged COVID-19 pandemic and its adverse effects on the global economy have substantially influenced the fluctuation in commodity prices and customers’ demands.
- Other players within the industry also felt the effects of the prolonged pandemic, and indirectly, PETRONAS was impacted by the performance of key counterparties, among others, our vendors, contractors and partners. The impact may extend to contractual specifications, non-performance and counterparty obligations. On a bigger scale, this could lead to supply or operational disruptions.
- We have also witnessed a shift in customers’ preferences, namely increasing demand for lower-carbon energy sources. The change in customers’ preferences and the emergence of cleaner energy sources have intensified competition within the oil and gas industry, indirectly affecting PETRONAS value chain.
- The Group is exposed to exchange rate volatility as our reporting currency is in Ringgit Malaysia, while some transactions are dealt with in the US Dollar. Our global presence also exposes us to the changes in the value of other currencies and exchange controls imposed by our countries of operations.

**Mitigation Strategies**

- A review of our Holding Company Units (HCUs) strategies is continuously undertaken in response to the wide-ranging market risks and the corresponding challenges in generating value from our business. We focused on prioritising resources to areas of the highest importance to the organisation and business whilst meeting the expectations of our key stakeholders. We also proactively conduct rigorous efforts to secure new demands within the core business and growth areas.
- The PETRONAS Financial Policy (PFP) sets the overarching philosophy to become financially resilient over the long term. Supporting the PFP is the PETRONAS Financial Standard (PFS), which outlines high-level principles and requirements to promote efficient capital and liquidity management practices. Relevant supporting guidelines are also in place to guide and ensure the effective implementation of financial management and financial risk management practices. This also enables us to identify financial risk exposures for improved risk management through required reporting to relevant HCUs.
- As part of financial and business risk management, businesses undertake regular monitoring and review of counterparties’ performances to identify any critical issues with the key counterparties. Where relevant, specific actions to limit PETRONAS’ exposure are undertaken.
- To address the integrated demand and supply chain, digital and strategic initiatives have been outlined. This enables the creation of new demand and optimisation of value within the value chains. The PETRONAS Risk Appetite was also implemented across the Group. Key factors affecting PETRONAS’ financial performance and risk appetite, including market risk, are reviewed and monitored regularly to facilitate strategic decision-making, ensure business activities are undertaken within the approved thresholds, and trigger actions promptly.
Our business activities require significant capital investments, sufficient operating cash flows and/or sufficient external financing to support business activities and growth projects.

**Impact on Value**

- Financial performance deterioration and the inability to obtain the required financing during these challenging times may affect our capital investments and achievement across our growth projects. In addition, the global or regional financial crisis, unfavourable credit events and market conditions may negatively affect liquidity, customers, businesses and operational results.
- The year 2021 has seen an upward trend and strong emphasis on green funding and ESG-related investing. Key stakeholders such as investors and banks highly focus on organisations that contribute towards ESG. Failure to demonstrate our efforts in supporting these targets may affect our competitiveness and ability to tap into the capital market as and when needed.

**Mitigation Strategies**

- To ensure responsiveness and the Group’s financial sustainability is safeguarded in a crisis, we established the Liquidity Risk Contingency Plan (LRCP), which will act as a liquidity crisis management plan. The LRCP is carried out by the Liquidity Crisis Management Team (LCMT), which has the responsibility to deliberate on impact assessments as well as decide on the relevant mitigation strategies and financial levers.
- Engagements with key stakeholders, including current and potential investors, banks and other counterparties, are regularly performed to ensure clear narration and communication, in line with substantial efforts undertaken in the ESG space.

Changes in the regulatory landscape and rising climate change concerns could increase the cost of compliance, reduce demand for our products, affect provisions and limit access to new growth opportunities. Inherent uncertainties due to litigation proceedings could adversely impact our business operations, financial condition, and/or reputation.

**Impact on Value**

- As a multinational corporation, we comply with the wide-ranging legal and regulatory requirements unique to each country in which we operate. These include critical legal areas such as international sanctions, anti-trust, anti-bribery, anti-corruption, anti-money laundering and data protection laws with extra-territorial effects.
- We are also exposed to various claims, suits and legal proceedings that could involve shareholders, labour, intellectual property, tax and other matters. The disputes and legal proceedings are often subject to many uncertainties beyond our control and can be difficult to predict outcomes. Due to the inherent uncertainties in the litigation and dispute resolution process, the resolution of any particular legal proceeding or dispute may adversely impact our business operations, operational results and/or financial condition.
- With 46,884 employees in our workforce, limited awareness and misaligned incentives can lead to intentional or unintentional non-compliance with laws and regulations by personnel, which is beyond our control. These actions may go beyond personal liability, with the possibility of impacting the wider organisation.
- Rising concerns over climate change could lead to additional legal and regulatory measures, including higher compliance costs. The nature of oil and gas operations may expose us to potential claims and suits by environmental and legal authorities and communities on issues pertaining to carbon emissions, waste materials, as well as commissioning and decommissioning activities of our operations.

**Mitigation Strategies**

- The Asset Liability Committee (ALCO) oversees, deliberates, reviews and monitors asset and liability management strategies in managing foreign exchange, interest rate and liquidity risks. Our liquidity position is reviewed and monitored regularly, aligned to the risk appetite established for liquidity and indebtedness levels.
- Like managing Market Risks, we are also guided by the PFP and PFS to ensure that financial management and risk management practices are implemented.
- To ensure responsiveness and the Group’s financial sustainability is safeguarded in a crisis, we established the Liquidity Risk Contingency Plan (LRCP), which will act as a liquidity crisis management plan. The LRCP is carried out by the Liquidity Crisis Management Team (LCMT), which has the responsibility to deliberate on impact assessments as well as decide on the relevant mitigation strategies and financial levers.
- Engagements with key stakeholders, including current and potential investors, banks and other counterparties, are regularly performed to ensure clear narration and communication, in line with substantial efforts undertaken in the ESG space.
The the nature of our business operations exposes us to a wide range of health, safety, security and environmental risks which could cause harm to people, the environment, and our social assets. It may also result in regulatory action, legal liabilities, increased costs, damage to our reputation, and risk to our social licence to operate. Additionally, the ongoing COVID-19 pandemic has continued to affect the health of our people and operations.

**Impact on Value**

- Any incidents during business operations could result in injury or loss of life, environmental damage, resulting in rectification costs as well as damage to our equipment and facilities. A shutdown of the affected facilities could disrupt production and increase operational costs.
- The ongoing COVID-19 pandemic and movement restriction orders globally have resulted in interruptions and deterioration of financial performance within certain parts of our business. This has led to adverse market impacts and affected the health of our people.
- Security threats such as acts of terrorism, piracy/sea robbery, demonstration and kidnapping may adversely affect our business operations, the safety of our people, and assets, as well as causing environmental damage.

**Mitigation Strategies**

- The management’s clear requirements and commitment are stipulated in the Group’s Health, Safety, Environmental (HSE) and Security policies. These policies are supported by dedicated HSE and Security Management Systems, covering requirements for health, safety, and process safety, environment, security and social for consistent as well as effective Groupwide implementation. The HSE Mandatory Control Framework (MCF) and Minimum Mandatory Security Standards (MMSS) provide minimum HSE and Security standards to effectively manage HSE and social risks. Both frameworks and management systems strengthen HSE governance within the Group.
- PETRONAS is committed to respecting human rights in areas of our operations, compliance with the Code of Conduct and Business Ethics (COBRE) and relevant legal requirements.
- Operational discipline has been further heightened through intervention and oversight via HSE assurances, enhancements to contractor management and leveraging of the HSE digital system. The Generative Culture Leadership Programmes at all levels focused on psychological and emotional well-being.
- Process Safety Management was strengthened by establishing the Loss of Primary Containment (LOPC) Reduction Framework and the First Prevention and Mitigation Framework. The adoption of new businesses and asset acquisition was reinforced by accelerating due-diligence and post-acquisition integration processes, as well as firming up our first line of assurance to meet the requirements of an effective management system and compliance.
- Security risk assessments are carried out to identify potential threats, analyse the adequacy of current security measures and develop mitigation actions; gap closure and countermeasures to address the risk.
- Additionally, security exercises to strengthen security management and preparedness in the event of security crisis and respond to a wide array of risk drivers, including human factors, were put in place to ensure business continuity, protect our people, assets, and information and operations.
- Continuous protective security assessor and predictive analysis are control measures to enable timely security risk assessments taking into account direct and indirect factors which could impact wider security environment in our countries of operations. The tailored and bespoke insights developed by dedicated in-house security practitioners facilitated informed management decision making to safeguard PETRONAS’ interests in upholding our duty of care.
- Engagement with PETRONAS international businesses are supported by dedicated HSE and Security Management Systems, covering requirements for health, safety, and process safety, environment, security and social for consistent as well as effective Groupwide implementation. The HSE Mandatory Control Framework (MCF) and Minimum Mandatory Security Standards (MMSS) provide minimum HSE and Security standards to effectively manage HSE and social risks. Both frameworks and management systems strengthen HSE governance within the Group.
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- The ongoing COVID-19 pandemic has continued to affect the health of our people and operations.
**Geopolitical Risk**

Our domestic and global businesses are exposed to a wide range of political, legal and fiscal developments, which could affect our operations and financial condition.

**Impact on Value**

- We operate across numerous countries with differing degrees of political, legal and fiscal stability. This exposes us to a wide range of political developments that could change contractual terms, laws and regulations.
- Our global business activities are subjected to regulations and directives of national and host governments concerning limitations on production volumes and exports, pricing and trade policies, environmental protection controls, and possible nationalisation of assets, expropriation and cancellation rights. Governments may intervene directly or indirectly in our commercial and operational affairs, adversely impacting our business.
- The inability to mitigate the internal and external challenges within the domestic and international business landscapes may deteriorate our financial condition and constrain our growth capacity.

**Hydrocarbon Reserves and Resources Risk**

We recognise that our oil and gas reserves and resources may decline over time. Our reserves and resources depend on exploration success, project maturation, reservoir or field performance, asset acquisition or relinquishment and commercial factors.

**Impact on Value**

- Ineffective management of reserves and resources can severely threaten the viability of our business operations, cause financial performance deterioration, and adversely impact our growth ambitions.
- Oil and gas resources are provided in different scenarios and levels of estimations to capture the range of uncertainty. While the reliability of these estimates is done via a rigorous assurance process, the estimations still involve some degree of uncertainty and may differ from the actual levels. The reliability of discovered resource estimates depends on the quality and quantity of technical and economic data, and the production performance of the fields, all of which may also be subject to revision due to changes in published rules and guidance.

**Mitigation Strategies**

- The Country Risk Management Framework (CRMF) was established to govern oversight structure, roles and responsibilities, and assessment tools to ensure country risks are managed systematically across the Group. CRMF also prescribes pre-entry, in-country and exit management requirements to support decision-making concerning international investments and managing in-country risk holistically. This is then reported to the respective country’s Management and Board.
- Crisis and business continuity plans were established in each country we have a presence in to ensure management and recovery from any incidents and/or crises. Plans were regularly tested and exercised to ensure readiness for execution when required.
- The geopolitical landscape and investment concentration in the countries we are in is also regularly reviewed and monitored to ensure it aligns with the risk appetite established for our international investments. Frequent review of our investment portfolio is undertaken to optimise the value generated from the overall portfolio.
**Risks Linked to Creating Value**

**Technology Risk**

Deployment of innovative practices and new technology are essential to our long-term competitiveness. However, new technology is itself at risk of becoming obsolete. Particularly where technological advancements exceed the pace of investment and deployment.

Besides that, if we inadvertently develop technology that has unfavourable effects on safety and the environment, this could impact our financial condition and reputation.

The acceleration of digital efforts across the organisation has been intensified to ensure Information Technology (IT) and Cyber Security resiliency. Our inability to do so may impact the safety of our operations, people, environment, data and sensitive information. It may also lead to legal and regulatory breaches as well as reputational damage.

**Impact on Value**

- We remain dedicated to creating and delivering the best solutions to support the growing requirements of analytics, where trusted data is liberated for valuable insights. Implementing new technologies comes with an inherent set of risks covering adoption, legal and regulatory compliance, cyber security exposure and in-house capabilities.
- Investments in new technology also come with the risks of identified technology being rendered obsolete by newer offerings.
- While we strive to deliver excellence in business operations, there could still be an adverse material impact on the delivery of our strategy and our licence to operate, resulting from ineffective development and deployment of technology and innovation. Inability to develop the right technologies and products in a timely and cost-effective manner, or the development of technologies and products that adversely impact the environment or safety of the people, could damage our financial performance and reputation.
- Rising cyber security threats could lead to major business disruptions globally. A breach or failure of our digital infrastructure from cyber-attacks could result in the loss or misuse of data or sensitive information, injury to people, business disruptions, and cause harm to the environment or our assets. It could also lead to legal or regulatory breaches and legal liability.

**Mitigation Strategies**

- To strengthen competitive advantage, we drive dynamic in-house research and innovation solutions. We have the PETRONAS Technology Management System (PTMS), which is used to mitigate and manage risks. This ensures the development of technology solutions that meet business needs and are also aligned with the current challenges and agenda. It curates the value chain and focuses on the technology journey, beginning from ideation, development, management, deployment, and optimisation of technology programmes to the commercialisation aspects of each technology.
- We also maintain a strong position in mitigating risks on the Intellectual Property (IP) front. We hold over 4,000 IPs ranging from patents and trade secrets to copyrights and trademarks across different technology segmentations, including Bio-Chemical and Advanced Materials. A robust IP Policy has been developed at an enterprise level to protect our innovations. It also provides systematic structure, procedures and guidelines to manage our technology IPs effectively. IP Guidelines are also included as part of the key processes in the PTMS.
- We have established a strict recruitment policy for our research and development arm, hiring best-in-class experts to help develop and deploy technology and continuously upskill its current crop of researchers. Group Digital is responsible for shaping and driving a unified digital vision and strategy Groupwide, as well as accelerating concerted efforts to drive digital transformation. This is done via a strong pipeline of technical talents nurtured from the implementation of Digital Skill Group and Digital Academy, including continuous Upskilling and Reskilling programmes in Agile, DevOps, Cloud, Software Engineering, Data, and Cyber Security.
- Group Digital is also accountable for upholding Digital and Information and Communications Technology (ICT) governance across the Group in Cyber Security, Enterprise Architecture and Enterprise Data. We are guided by the PETRONAS ICT Principles and PETRONAS Records Management Principles, supported by the ICT Framework, Standards and Guidelines, which set out the purpose, commitment and governance of ICT and Records Management for the Group. Any incidents involving ICT and cyber-attacks are monitored and alerted regularly, aligned to the risk appetite established for ICT and cyber security.
- Group Digital established an IT Disaster Recovery Plan for identified critical business applications and Cyber Security Incident Response Procedure for cyber incident recovery strategies, covering all business units. The Business Continuity Plan (BCP) prescribes an overarching strategic response and recovery plan to oversee and steer prolonged ICT and cyber security crises that significantly impact business operations. Scheduled drills and exercises are conducted periodically to ensure readiness in the event of an IT and cyber security disaster.
- The Enterprise Cyber Security Governance Framework (ECSGF) was established to provide a single consolidated view of the frameworks, standards and guidelines required to govern and manage cyber security across PETRONAS. It is aligned to leading industry standards and best practices, namely the National Institute of Standards and Technology (NIST), ISO 37001, IAA/IEC 62443, Personal Data Protection Act (PDPA), General Data Protection Regulation (GDPR) and Payment Card Industry Data Security Standard (PCI DSS).
Risks Linked to Creating Value

**Execution Risk**

Our business, financial performance, and results of operations depend on the successful delivery of complex, long-term, capital-intensive projects and asset portfolio optimisation. Insufficient insurance coverage could have an adverse material impact on financial performance.

**Impact on Value**

- Our overall business and financial performance within the Upstream, Downstream, Gas + New Energy, Corporate and other divisions are highly dependent on the successful execution of projects. The complex nature of oil and gas projects relies on the high degree of technology applied, technical capabilities of our talent, capacity to undertake the required capital investments and market conditions at the point of the investment decision.

**Mitigation Strategies**

- The progress achieved for key projects is reviewed and monitored regularly, aligned to the risk appetite established for project delivery.
- Project risk management is implemented following the PETRONAS Project Management System (PPMS) to reduce the risk of unexpected technical and/or commercial factors significantly affecting the project’s viability. The PPMS Phase Gated Process aims to retain and maximise project value across a project’s life cycle, from identifying business opportunities until the operationalisation of the project. This is done to bring a measure of rational processes to decision-making associated with the transformation of business opportunities into operational assets.

**Human Capital Risk**

Our people are PETRONAS’ greatest asset in delivering our strategies and sustaining our business. As such, it is crucial to attract and retain the best talents with the right capability, mindset and behaviour to achieve our aspirations.

**Impact on Value**

- Our skilled talents are an important asset to the company and crucial for the achievement and delivery of our business objectives, strategies and performance. Talent acquisition and retention are key to our overall human capital strategy. We must ensure our talent pool is equipped with the right skill sets and competencies to ensure performance delivery.
- The inability to attract and retain the right skilled talents will adversely impact our talent pipeline and ability to remain competitive in the market. This, in turn, may affect the delivery of our strategies and objectives.

**Mitigation Strategies**

- Several efforts have been established to ensure we get the right, capable talent at the right place, at pace.
- Efforts are made to enhance our Employee Value Proposition to attract and retain the best talents to meet the changing needs of our traditional and non-traditional business activities. We have enhanced our Performance Management in linking to our business targets with a focus on performance and development including coaching to ensure talents achieve their full potential. Our on-going HR transformation aims to redefine our talent experience towards an empowered, agile, and enabled workforce through people, process and platform to enable better talent decision making through analytics and artificial intelligence.

- We intensified our upskilling and reskilling efforts to ensure our talents are equipped to win in the marketplace. We equipped senior leaders to lead and navigate the business and the workforce towards achieving organisational goals anchored on PETRONAS Cultural Beliefs and Shared Values through several key programmes. We also continued to build a pipeline of leaders by nurturing leadership at all levels to ensure sustainable organisational bench strength for succession. In 2021, we focused heavily on creating a pervasive innovation culture at all levels, from Board members right down to the masses to bring to life PETRONAS Cultural Beliefs (specifically Innovate Now, Customer Focused, Be Enterprising) through programmes like Innovation Masterclass (IM) and Agile Awareness, to immerse employees in the innovation and agile methodology designed to drive new innovative ideas towards achieving business objectives.
- We continuously strengthen our efforts to create and sustain the right environment for our people to thrive, through our PETRONAS Cultural Beliefs anchored on our Shared Values and fostering Diversity and Inclusion.

- Group Project Delivery (GPD) provides oversight on all capital, technical deployment and plant change projects, plus performs its role as Asset Owner Representative, where we are the major shareholder. Throughout execution, project performance, cost and scope are monitored regularly. Emerging risks and early warning signals are tracked and mitigated accordingly to protect the overall project value.
- The risk management of our plant and facilities are governed by PETRONAS Asset Management System (P-AMS), PETRONAS Technical Standard (PTS), PETRONAS Technical Guideline (PTG), PETRONAS Technical Authority Standard, and Plant and Facility Risk Management (PRFM) guidelines. P-AMS provides a comprehensive overview of managing physical assets to achieve the required safety, utilisation, availability, maintainability, integrity, and cost performance of the Group’s plants and facilities, over the design, operation and maintenance asset life cycle. It is supported by governing documents that prescribe the specific system and work processes.
- Meanwhile, PRFM prescribes the principles and structured processes for managing operational risks following the PETRONAS Resiliency Model. It guides plants and facilities to systematically identify, assess, control, monitor and review operational risks to reduce the likelihood and/or impact of identified risk.
- Capability development programmes are conducted to equip personnel with the technical knowledge required. Collaborative efforts with peers/partners within the oil and gas industry facilitated the transfer of technical knowledge.

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**Strategic Performance Review**

Our growth aspirations follow a thematic strategic approach that enables us to operate safely, reliably and cost effectively, seize growth opportunities, and create positive impacts that benefit all stakeholders. Throughout the year, we continue to make significant progress in each of these three themes, thus accelerating our growth momentum towards becoming a progressive global energy and solutions partner that meets the energy demands of current and future generations.

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### Theme 1: Operational Excellence – Strong Foundation for Growth

During the year, we were steadfast in operational excellence to maximise value creation, while prioritising safety aspects.

<table>
<thead>
<tr>
<th>Sub-theme</th>
<th>Strategic Focus Areas</th>
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| Health, Safety and Environment (HSE) | - Sustain a health and safety awareness culture across all businesses and operations, including consumer touch points.  
- Minimise impact of the COVID-19 pandemic and natural disasters on the communities in areas where we operate.  
- Leverage new technologies in high-risk environments to minimise HSE risk and environmental footprint.  
- Embark on initiatives that focus on managing our employees’ mental health and overall well-being. |
| Reliability and Value Creation | - Ensure safe, reliable, and cost-effective operations across all operating assets and units.  
- Implement agile measures to preserve the value and optimise production.  
- Leverage technology, digitalisation and intelligent facilities to reduce costs. We also increased productivity and efficiency to drive informed decision-making. |

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### Theme 2: Growth – Seizing New Opportunities

In 2018, we introduced our 3PGS to provide a sharper guard rail for all ongoing efforts to pursue non-traditional growth as we reshape our portfolio to future-proof the organisation. Given the changing industry landscape, this growth strategy was conceptualised alongside the accelerated energy transition brought on by the pandemic.

<table>
<thead>
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</tr>
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</table>
| Expanding Core Business | - Promote opportunities in Malaysia exploration and production (E&P) sector to increase investments via greater industrial engagements, opportunity matching and data sharing.  
- Secure new E&P acreages and assets as well as maximise value from existing assets via commercial excellence.  
- Create new monetisation route for East Malaysia gas resources.  
- Pursue new supply nodes for LNG.  
- Extend value chain into higher margin chemical products.  
- Achieve full Euro 5 compliance in Malaysia. |
| Stepping Out into Non-Traditional Business | - Pursue growth in non-traditional businesses to capture opportunities in the energy transition space:  
  - Specialty chemicals.  
  - Renewable energy and storage.  
  - Hydrogen.  
  - Green mobility.  
  - Carbon capture and storage.  
  - Non-fuel retail. |
| Fortifying Future Position with Stakeholders | - Fortify relationship with key stakeholders both within and beyond the oil and gas industry, technology partners and academic institutions to pave the way for new opportunities. |

Refer to the section on ‘Engaging with Stakeholders’ for more information.
### Path to NZCE 2050
- Develop a credible approach to net zero carbon emissions.
- Deliver interim commitment to GHG reduction.
- Collaborate with government agencies on national policies and regional green growth to build resilience and prepare the organisation for a sustainable future.

### Lower Carbon Solutions
- Expand our portfolio offerings to include lower carbon solutions:
  - Implement CCS in Upstream producing assets
  - Carbon Neutral LNG
  - LNG bunkering
  - Sustainable aviation fuel
  - Biodiesel.

### Diversity and Inclusion (D&I)
- Nurture an inclusive workplace that values equal opportunities, diversity, talent, and overall employee well-being, and operate with a strong foundation of merit and equality. Our remuneration structure is anchored on a pay-for-job principle, irrespective of gender, age, nationality, ethnicity, or religion.

Refer to the section on 'Employee Welfare and Fair Remunerations' for more information.

### Corporate Social Responsibility (CSR)
- Contribute and drive CSR programmes to deliver sustainable impact, improve the quality of life and socio-economic outcomes for communities in regions where we operate based on three key pillars – Education, Community Well-being and Development, and Environment.

### Governance
- Align business operations and decision with PETRONAS’ overall purpose, objectives and interests through effective governance document management and ensure good governance across PETRONAS Group through PETRONAS Group Management Framework (PGMF).
- Establish various governance documents such as policies, standards, guidelines, frameworks and procedures which are the foundation for carrying out internal controls such as PETRONAS Code of Conduct and Business Ethics, PETRONAS Anti-Bribery and Corruption Manual, Whistleblowing Policy, others.
- Deliver enterprise or customised training and awareness programmes for its employees and Directors to ensure firm understanding of internal controls through various digital and communication platforms.
- Manage third-party risks through PETRONAS Third Party Risk Management (TPRM), a robust due diligence process to safeguard PETRONAS Group from any exposure in the event of misconduct by third parties including partners, contractors, vendors, suppliers, distributors, agents.

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**THEME 3: Sustainability – Progress in a Responsible Manner**

Sustainability is deeply rooted in our Statement of Purpose, as "a progressive energy and solutions partner enriching lives for a sustainable future". As a purpose-driven organisation, sustainability considerations contribute directly to what we do as a business, how we operate and how we engage with employees, customers, suppliers, service providers, local communities, regulators, investors and other stakeholders.

#### 2022 Strategy Outlook

In 2022, PETRONAS will continue to focus on the strategic themes in 2021 with heightened intensity specifically in pursuing the 3PGS, in the following areas:

- High-grade portfolio with higher value return and lower carbon intensity.
- Establish an independent entity to deliver cleaner energy solutions in the spaces of Hydrogen, Renewable Energy and Green Mobility.
- Pursue growth in specialty chemicals which pivots towards technology driven customer-centric businesses.
- Undertake opportunity framing in new business areas such as Carbon Capture and Storage, Circular Economy and Advanced Materials.

and at the same time accelerate the momentum towards decarbonisation.
“The year 2021 saw the industry stabilise and start to recover from the shocks of 2020, albeit in a shroud of uncertainty as the world continued to grapple with multiple waves of COVID-19. Valuable lessons were learnt about our vulnerability as a business, driving us to step up our efforts to ensure that we continue to be resilient in providing the world with the energy security it needs. This resilience begins with ensuring the health, safety and security of our employees and those they work with; we are proud to maintain our solid HSE record, true to our goal that “everyone goes home safely”, every time.

Recognising that we have a large part to play supporting PETRONAS’ net zero carbon emissions by 2050 (NZCE 2050) aspiration, while balancing the obligation to deliver energy to the world, the Upstream business has stepped up its efforts in lowering our carbon footprint, with several projects underway to achieve zero continuous flaring and venting, an increased level of digitalisation towards energy-efficient operations, and a marked level of collaboration with leading industry players to advance carbon capture and storage (CCS) technologies and solutions.

We believe that Upstream will continue to be PETRONAS’ main cash generator that will provide crucial support for the Group’s sustainability aspirations. As the custodian of Malaysia’s hydrocarbon resources, we continue to increase Malaysia’s resource base through efforts such as the Malaysia Bid Round (MBR), bringing in responsible investors who share the same pragmatic approach in providing the world with affordable energy via a safe, resilient, low cost and lower carbon exploration and production.”

Adif Zulkifli
Executive Vice President and Chief Executive Officer, Upstream
Our Upstream business is involved in the exploration and development of hydrocarbon resources and the operations of oil and gas production assets, with a growing international presence in over 20 locations across the globe. In Malaysia, through Malaysia Petroleum Management (MPM), we regulate and manage the country’s petroleum resources. We spearhead the growth and development of the nation’s oil and gas industry.

The Upstream business continues to deliver results operationally through strategic and decisive measures. We adopted digitalisation and technology in the way we work to deliver business excellence. We reduced costs and maintained liquidity, strengthening our portfolio by encouraging more value-driven exploration and development of discovered resources to promote a vibrant oil and gas landscape.

Key Priorities

Sustainable Supply
• Ensured a sustainable supply of energy to stakeholders.

Portfolio Expansion
• Grew business portfolio as part of our global strategy.

Technology-Driven Operational Excellence
• Leveraged technology, digitalisation, and intelligent facilities to reduce costs and increase productivity and efficiency to drive informed decision making.
• Harnessed data to gain integrated, end-to-end visibility across key markets and data centres for better decision making on new discoveries and new block acquisitions.

Results
• Recorded a total daily production average of 2,275 thousand barrels of oil equivalent (boe) per day.
• Achieved first hydrocarbon for 21 projects – 14 in Malaysia (12 Brownfield, 2 Greenfield) and 7 abroad – 2 Greenfields (in Turkmenistan and Brazil), 5 Brownfields (2 in South Sudan, 1 in Chad, 1 in Myanmar and 1 in Indonesia).
• Achieved Final Investment Decision (FID) for 22 projects; in Malaysia (18), Indonesia (2), Brazil (1) and Turkmenistan (1).
• A total of 10 exploration discoveries were made in 2021 of which eight discoveries contributed to our resource addition, namely in Malaysia, Indonesia and Brunei.
• Signed seven Production Sharing Contracts (PSCs) in Malaysia, attracting four new investors.
• Awarded six of the 13 offshore exploration blocks offered in the Malaysia Bid Round (MBR) 2021. MBR is an annual Malaysia licensing round hosted by MPM which offers investors diverse upstream opportunities.
• Expanded footprint in Brazil with the acquisition of the Sépia field, located in the Santos Basin. This marks PETRONAS Petróleo Brasil Ltda’s entry into the prolific basin, strengthening its ventures in the country and presence in the Americas.
• Secured a 20-year extension for the Jabung Production Sharing Contract. With the extension, PETRONAS Cargill Jabung Ltd will continue to add value to Indonesia’s energy industry and grow its business portfolio in the region.
• Acquired 10 per cent participating interest from JAPEX Montery Ltd in the North Montney Joint Venture (NMMJ), bringing PETRONAS Energy Canada Ltd’s interest to 72 per cent, up from 62 per cent.
• Signed the Block 29 Production Sharing Contract in Angola, which expands our presence in West Africa.
• Signed a Multi-Well Participation Agreement with Chevron USA Inc for participation in exploration acreages in the US Gulf of Mexico, in line with PETRONAS’ continuous efforts to explore opportunities in the Americas.

Gained incremental production of 1,320 thousand barrels of oil equivalent per day (boe/d) from Brownfields via Digital Fields solutions that unlocked production enhancement opportunities leveraging on artificial intelligence and machine learning technologies.
• Achieved cost avoidance of RM17.5 million in production maintenance and drilling operations through execution of predictive maintenance and machine learning technologies across Malaysia Assets namely Baronia, Baram, D35 and Ansgi.
• Enabled 30 per cent process efficiency improvement at Dulong, Belud, PC4, Baronia, Tukau Timur and PM Gas fields via a cloud-based Software as a Service (SaaS) solution with LiveFDP that allows secured data accessibility to users.
• Implemented non-intrusive inspection of TharJath export pipeline using Magnetic Tomography Method (MTM) technology for Sudd Petroleum Operating Company (SPOC) which lowered the risk of pipeline failure and shortened the duration of inspection campaign compared to conventional methods. This resulted in a safe production resumption, six weeks earlier than scheduled.
• Replication of Physical Asset Management (PAM) digital solutions such as PROTEAN (real time alerts), VINCI (digital inspection reporting), SICS (digital risk ranking and prioritisation) in Turkmenistan and Iraq operations enabled for faster, accurate and transparent decision making, which improves overall process cycle efficiency.
### Performance Highlights and Achievements

<table>
<thead>
<tr>
<th></th>
<th>Total Daily production average (boe) thousand per day</th>
<th>Total Petroleum Reserves (2P) (Bboe)</th>
<th>Total Contingent Resources (2C) (Bboe)</th>
<th>3-year average Overall (2P + 2C) Resources Life Index (ORLI) (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,406</td>
<td>2,279</td>
<td>2,209</td>
<td>9.24</td>
</tr>
</tbody>
</table>

### Key Priorities and Results

**Health and Safety**
- Robust management of COVID-19 cases among employees and contractors to ensure business continuity at our areas of operations.
- Fostered Generative HSE Culture at all our areas of operations.

**Sustainability**
- Operational Excellence and Collaboration to lower overall carbon footprint.

**Business Review**

- Introduced the My Personnel e-Tracker (MyPeT) app, designed for more than 10,000 oil and gas personnel in Malaysia. The app allows for real-time check-in and tracking of COVID-19 vaccination and health status from embarkation to disembarkation points at various offshore locations in the country.
- Recorded the best HSE performance in terms of major HSE incidents in five years.
- PETRONAS Carigali Sdn Bhd received 15 Gold Merit Awards and six Gold Class 1 Awards at the 59th Malaysian Society for Occupational Safety & Health Award ceremony for its HSE performance.
- Completed eight GHG emissions reduction projects estimated to reduce GHG emissions by 3.83 million tonnes of carbon dioxide equivalent (tCO₂e) annually from Upstream operations in Malaysia with an estimated value creation of RM181 million per annum. This includes the integrated Bokor-Betty project, located on the coast of Sarawak, which achieved zero continuous flaring of hydrocarbon while monetising the recovered flared and vented gases.
- Signed three agreements with industry partners to explore carbon capture and storage technologies as well as carbon dioxide (CO₂) storage solutions to decarbonise Malaysia’s upstream sector and provide CO₂ storage solutions for the region. The partners are ExxonMobil Exploration and Production Malaysia Inc, Sarawak Shell Berhad and POSCO International Corporation and POSCO Engineering & Construction Co Ltd.

### Key Priorities

- **Health and Safety**: Robust management of COVID-19 cases among employees and contractors to ensure business continuity at our areas of operations.
- **Sustainability**: Operational Excellence and Collaboration to lower overall carbon footprint.

### Value Created for Stakeholders

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Expectations</th>
<th>Value Created</th>
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</table>
| Government  | Malaysia     | - Spearhead the growth and development of Malaysia’s exploration and production (E&P) industry towards maximising the value of the country’s hydrocarbon resources whilst ensuring sustainable energy security.  
- Promote Malaysia as an investment destination to grow energy portfolio with the right infrastructure and attractive opportunities via the annual Malaysia Bid Round.  
- Contribution to host countries through our commitment to deliver safe energy supply as well as socio-economic development by creating job opportunities and upskilling of the workforce via training programmes. |
| Petroleum Arrangement Contractors | Healthy return on investments. | Facilitate and champion industry-wide collaboration with the industry players including the government bodies to ensure business continuity post pandemic recovery and production sustained for year 2021 in a prudent and safe manner for people, facilities and the environment.  
- Significant enhancements in the Malaysia Bid Round 2021, both in fiscal and non-fiscal of the PSC terms, designed to match the risk and rewards of the investments with the type of assets available. |
| Communities | Corporate Social Responsibility initiatives to support community development. | We have invested in programmes designed to promote and support health, environment, education and social welfare initiatives in our areas of operations.  
- COVID-19 contribution in both our domestic and international operations amounted to RM1.2 million.  
  - PETRONAS Carigali Sdn Bhd (PCS) planted 500 saplings in Kerteh, Terengganu and 300 saplings in Miri, Sarawak, as part of PETRONAS Sentuhan Alam mangrove rehabilitation programme.  
  - PCS also contributed fire extinguishers, safety helmets, life jackets, floating rope and safety boats to the villagers in Sabah as part of the Community Emergency Response Team programme for safety awareness.  
  - PETRONAS Carigali Brunei Ltd sponsored and organised the PETRONAS School of Life Programme aimed at educating the youth in Brunei on essential life skills beyond the classroom.  
  - As part of PETRONAS Carigali Iraq Holding B.V (PCIHIV)’s commitment to the social well-being of the Republic of Iraq, PCIHIV together with its partner refurbished two schools at the Garaf Contract Area.  
  - PETRONAS Carigali Nile Ltd completed Water for Life project for Nyakuron West, Juba, South Sudan. The project aims to provide clean water to the community in the area. |
| Employees   | Opportunities to upskill themselves. | Upstream continuously upskills all of its employees with the right training to improve their capabilities according to their skill groups (Technical and Business). |
**Risks and Opportunities**

<table>
<thead>
<tr>
<th>Risks</th>
<th>Opportunities</th>
<th>Actions Taken</th>
<th>Results</th>
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<tbody>
<tr>
<td>Energy transition coupled with COVID-19 pandemic.</td>
<td>Leverage digitalisation and technological innovation.</td>
<td>Focused on cost optimisation for both CAPEX and OPEX to maintain our resilience and competitiveness through technical, commercial and operational excellence.</td>
<td>Paved the way for strict liquidity management and financial disciplines which contributed to cost containment and successful cash repatriations in 2021.</td>
</tr>
<tr>
<td>Collaborated with industry partners and solution providers.</td>
<td></td>
<td>Pursued strategic assessment on investment and acquisition globally to align with our growth agenda.</td>
<td>Completed eight GHG emissions reduction projects, which is estimated to reduce 3.83 million tCO₂e of GHG emissions from offshore operations.</td>
</tr>
<tr>
<td>Carried out phased initiatives to reduce emissions in keeping with our NZCE 2050 aspiration.</td>
<td></td>
<td>Carried out phased initiatives to reduce emissions in keeping with our NZCE 2050 aspiration.</td>
<td>Improved production output, increased operational efficiency and cost savings through digitalisation and technology such as machine learning, artificial intelligence, Open Subsurface Data Universe (OSDU), and the cloud-based Software as a Service (SaaS) solution.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Three agreements were signed to collaborate on CCS technologies as well as CO₂ storage solutions to decarbonise the country’s upstream sector and provide CO₂ storage solutions for the region, namely Memorandum of Understanding (MoU) with POSCO International Corporation and POSCO Engineering &amp; Construction Co Ltd, MoU with ExxonMobil Exploration and Production Malaysia Inc.</td>
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**Moving Forward**

Throughout 2021, the upstream business experienced volatility due to the pandemic and geopolitical tensions that disrupted output from key producers. In 2022, the adoption of cleaner alternatives is expected to accelerate, given growing calls to decarbonise the sector.

Production is expected to increase as governments worldwide focus on increasing the security of energy supply.

Upstream will continue to execute its plans anchored on making sure our business is safe, resilient, low cost and low carbon.

**Moving forward into 2022, our key focus areas include:**

- **Malaysia**
  - Our plan to revitalise Malaysia’s E&P landscape remains imperative in ensuring continued growth and to make Malaysia a home for dynamic and robust investors. In 2021, PETRONAS continued to focus on exploration and production (E&P) activities to deliver carbon capture and storage business to generate new revenue for Upstream and PETRONAS.
  - Carbon management
    - In delivering the aspiration towards a low carbon Upstream business, the establishment of a centralised Carbon Management Division (CMD) shall drive carbon capture and storage and physical decarbonisation at pace. This is in alignment with PETRONAS’ NZCE 2050 aspiration to maximise value while executing sustainable production through physical decarbonisation of Upstream activities, monetising resources from high carbon dioxide fields and delivering carbon dioxide storage facilities. Additionally, CMD is empowered to deliver carbon capture and storage business to generate new revenue for Upstream and PETRONAS.
  - Technology and digitalisation
    - There will be continued focus and investments being placed on key technologies to further compress cost while maintaining asset integrity and reliability. This includes the development and adoption of robotic inspection tools, online sensors, and advanced materials as part of the new way of working in Upstream.
    - The development of new competitive advantages is being supported through rigorous R&D efforts and digitisation of the Upstream ecosystem to help address the pain points and achieve higher operational efficiency. We are determined to create an agile, secure and trusted digital ecosystem that is fundamental to the new way of working in a data-driven organisation.

- **International**
  - **Canada**
    - PETRONAS has a unique integrated position in Canada that allows maximising our value from Upstream production to LNG markets. Moving forward, PETRONAS will continue focusing on monetising its competitive resources while leveraging on the growing gas demand markets in North America and globally.
  - **Mexico and Brazil**
    - We will pursue and realise material growth in Mexico and Brazil by focusing on exploration activities with a clear path to monetisation to build a value driven portfolio. Key efforts are being put in place to realise planned resource addition while we continue to be a safe operator and partner, leveraging on our synergy with partners and host authorities.
“To meet the growing demand as economies reopened in 2021, Gas + New Energy (G+NE) adapted to the changing landscape to deliver flexible and tailored solutions for our customers. This resulted in G+NE recording a solid financial and operational performance in 2021, backed by favourable Liquefied Natural Gas (LNG) and sales prices.

We achieved this by fulfilling our role as a one-stop centre for cleaner energy solutions, providing customers with a reliable supply of LNG, renewables, and hydrogen. Additionally, we are accelerating digitalisation to provide optimised and efficient solutions across our integrated gas value chain. G+NE plays a pivotal role in delivering low-to-zero carbon energy that enables sustainable business growth for our customers while progressing with the decarbonisation of our operations.”

Adnan Zainol Abidin
Executive Vice President and Chief Executive Officer, Gas + New Energy

Gross LNG sales of 32.7 MMT
Close to 1 GW of solar capacity in operation and under development
Overall Overall Equipment Effectiveness (OEE) of 98.1% for onshore gas and offshore floating LNG plants
Delivered 5 Carbon Neutral LNG cargoes to China and Japan
Completed 960 Virtual Pipeline System and LNG bunkering deliveries across Malaysia and 2,026 LNG in ISO tanks to China
6.69 MTPA of LNG sales concluded
697 MMscfd of natural gas deals secured
What We Do
G+NE’s portfolio underscores our commitment as a cleaner energy solutions partner. It reflects our support for the global energy transition that has accelerated the shift from fossil-based to lower carbon-based sources. As part of the Group’s aspirations to meet the growing demand for cleaner energy and realise a low carbon future, G+NE provides a wide range of low-to-zero carbon-based energy sources. In this regard, G+NE powers businesses while ensuring a sustainable future for customers and society at large by growing our position in the natural gas, renewables, and hydrogen businesses. This allows PETRONAS to be a partner in enabling our customers to undertake their energy transition plan.

With the increased momentum of the energy transition, G+NE aims to provide long-term value creation and profitable growth for PETRONAS and its partners by focusing on sustainability, customer-centricity, operational and commercial excellence, supported by the right talent, culture and digital innovations.

Our Businesses and Key Focus Areas
LNG
- Expand and create markets through customer-centric solutions.
- Maximise production from existing assets through East Malaysia gas development.
- Expand footprint by securing new markets for North America supply portfolio.

Gas and Power
- Maximise position in domestic market.
- Sustain operational excellence.
- Pursue growth in domestic and emerging markets.

Hydrogen
- Capture opportunities to generate revenue streams.
- Co-create the market for hydrogen as the future fuel of choice.

New Energy
- Expand business presence in Malaysia.
- Enter and expand the Asia Pacific portfolio in solar and wind.
- Enhance our business presence in India by developing new solutions and securing contracts for energy storage/hybrid solutions.

Key Priorities and Results
Key Priorities
Operational Excellence
- Provide reliable gas supply through top quartile operational performance.
- Strengthen position as a one-stop centre for cleaner energy solutions.

Customer-Centricity
- Provide innovative and customised solutions to meet customers’ energy demand.
- Collaborate with industry players to explore possibility in co-creating innovative and customer-centric solutions.
- Pursue integrated small-scale solutions in Southeast Asia to enhance accessibility of natural gas to various industries.

Results
- Achieved Gross LNG sales of 32.7 MMT.
- Achieved overall OEE of 98.1 per cent for onshore gas and offshore floating LNG plants in Malaysia.
- Gas processing business achieved OEE of 99.7 per cent for ethane, propylene and butane respectively.
- Emerged as the first global energy company to produce LNG from two floating facilities – first LNG production and cargo delivery by PFLNG Dua.
- PETRONAS’ first FLNG, PFLNG Satu, produced its 50th LNG cargo.
- Concluded five carbon-neutral LNG deals with China’s Shenergy Group Company Limited (Shenergy) and Japan’s Hiroshima Gas and Shikoku Electric.
- Completed 960 Virtual Pipeline System (VPS) and LNG bunkering deliveries across Malaysia and 2,026 cryogenic-fitted ISO tanks of LNG to off-grid customers in China and enabled access to clean energy.
- Performed the first LNG bunkering operation via LNG Bunker Vessel, MV Avenir Advantage, in Port Klang, Selangor. Conducted the first LNG bunkering operation in Sabah for HL Green, the world’s largest 180,000-tonne LNG-powered vessel.
- Introduced Canada Alberta Energy Company (AECO) Index to offer customers a competitive pricing structure.
Business Review

Key Priorities and Results

**Growth Delivery Excellence**
- Explore opportunities to increase LNG market share.
- Develop new LNG projects.
- Expand supply nodes to strengthen ability to serve market demands.
- Strengthen position as the nation’s leading gas infrastructure and centralised utility company.
- Strengthen New Energy’s business presence in renewable energy internationally and domestically.
- Offer flexible generation and delivery solutions to strengthen our position as an end-to-end renewable energy solutions provider.
- Capture opportunities to emerge as a hydrogen producer through infrastructure.
- Expand supply nodes to critical projects.

**Capitals Deployed**
- Capture opportunities to emerge
- Collaborate with industry players
- Offer flexible generation and delivery solutions to strengthen our position as an end-to-end renewable energy solutions provider.
- Strengthen New Energy’s business presence in renewable energy internationally and domestically.
- Offer flexible generation and delivery solutions to strengthen our position as an end-to-end renewable energy solutions provider.
- Pursue collaboration with the following partners to grow RE industry:
  - Successfully commissioned the following solar projects:
    - MMH in April 2021 with 8.3 MW capacity
    - Lotus’s Phase 1 in December 2021 with 10.8 MW capacity
    - Project Neo (India) in January 2022 with 75 MW capacity
    - Project Matalah (India) in July 2021 with 48 MW capacity
    - Expanded our footprint in the Middle East with successful and timely commissioning of the first Commercial and Industrial (C&I) project in Dubai
  - Pursued collaboration with the following partners to grow RE industry:
    - Signed Memorandum of Understanding (MoU) with Insitut Teknologi Petroleum PETRONAS (INSTEP) in March 2021
    - Expanded partnership in Asia Pacific via signing of MoU with Abu Dhabi National Oil Company (ADNOC) and Masdar in March 2021
    - Delivered PETRONAS’ first Battery Energy Storage System (BESS) with 1 MW standalone storage for Amazon (India)
    - Project Yelo, powered by Amplus, expanded its fleet of electric vehicles (EV) for cargo delivery to two more cities, Hyderabard and Pune. Currently, it has 14 hubs across India that provide EVs for clients such as Amazon, Flipkart, and Big Basket.
    - Embarked on a technical-commercial joint-study of a hydrogen supply chain to explore other hydrogen opportunities via a partnership with ENEOS Corporation.
    - Entered into an MoU with JERA Co., Inc. to collaborate on ammonia and hydrogen supply chains.
    - Participated in the Government’s initiative through collaboration with the Economic Planning Unit (EPU) to develop clear targets and policies for the National Energy Policy and the Natural Gas Roadmap, which aim to provide the optimal balance of energy equity, security and sustainability for Malaysia.

**Key Priorities**

1. **Participated in the Government’s initiative through collaboration with**
   - Strengthened position as the nation’s leading gas infrastructure and centralised utility company.
   - Strengthened New Energy’s business presence in renewable energy internationally and domestically.
   - Offered flexible generation and delivery solutions to strengthen our position as an end-to-end renewable energy solutions provider.
   - Captured opportunities to emerge as a hydrogen producer through infrastructure.
   - Expanded supply nodes to critical projects.

2. **Entered into a 10-year deal with CNOC to supply 2.2 MTPA of LNG.**
   - Concluded a 0.36 MTPA of LNG deal with Mersin.
   - Awarded Front End Engineering Design (FEED) contracts for the development of nearshore LNG project in Sabah.
   - Initiated the following growth projects:
     - 42 km lateral gas pipeline extension project to the new power plant in Putau Indah, Selangor.
     - Project to expand Southern Peninsula Gas Utilisation (PGU) delivery capacity through the installation of gas compressor station in Kluang, Johor.
     - Executed the Southern PGU debottlenecking exercise to meet higher pressure requirements in Segamat, Johor.
   - Successfully commissioned the following solar projects:
     - MMH in April 2021 with 8.3 MW capacity
     - Lotus’s Phase 1 in December 2021 with 10.8 MW capacity
     - Project Neo (India) in January 2022 with 75 MW capacity
     - Project Matalah (India) in July 2021 with 48 MW capacity
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3. **Pursued collaboration with the following partners to grow RE industry:**
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**Value Created for Stakeholders**

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<th>Value Created</th>
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<tbody>
<tr>
<td><strong>Customers</strong></td>
<td>• Reliable, affordable and customer-centric solutions that contribute to their green agenda.</td>
<td>• Delivered more than 12,000 LNG cargoes to customers around the world from PETRONAS LNG Complex (PLC).</td>
</tr>
<tr>
<td><strong>Government and Regulators</strong></td>
<td>• Security and reliability of gas supply to power the nation. • Safety and reliability of gas and power plant operations and impact on the surrounding communities. • Promote usage and provide greater access to renewables to support the country’s sustainability agenda.</td>
<td>• Continued to expand natural gas delivery network throughout Peninsular Malaysia. • Ensured safe, reliable and efficient operations across all facilities. • Collaborated with government agencies to build Malaysia’s Hydrogen and RE industry as well as reduce carbon dioxide (CO₂) emissions domestically.</td>
</tr>
<tr>
<td><strong>Communities</strong></td>
<td>• Corporate Social Responsibility (CSR) initiatives that will create positive impact to the environment and community at large.</td>
<td>• Implemented Rays of Hope, a GoNE Signature CSR project to power homes of Orang Asli (indigenous peoples of Malaysia) and community centres with clean energy. • Introduced CSR initiatives focusing on education, environment and community outreach: – Back-to-School programmes under PETRONAS Sentuhan Ilmu. – Sayangi Sungai Latoh mangrove planting in Johor under PETRONAS Sentuhan Alam. – Outreach programmes to foster good relationship with the community.</td>
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### Business Review

#### Risks and Opportunities

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<thead>
<tr>
<th>Risks</th>
<th>Opportunities</th>
<th>Actions Taken</th>
<th>Results</th>
</tr>
</thead>
</table>
| • Energy transition accelerated by COVID-19.  
• Highly volatile and competitive market. | • Collaborate with key stakeholders and customers to maintain our business competitiveness and ensure business goals are achieved.  
• Leverage digital and technology to enhance business operations and innovate to meet customers’ demands. | • Offered a suite of customer-centric offerings to meet customers’ differing needs.  
• Focused on cost optimisation for CAPEX and OPEX to maintain our business’ resilience and competitiveness.  
• Embarked on new projects to strengthen our position as a global LNG producer and natural gas supplier in Peninsular Malaysia.  
• Continued to expand our RE business to provide greater access to clean energy in support of energy transition.  
• Pursued collaboration with potential partners to offer hydrogen as an alternative form of clean energy. | • Concluded 6.69 MTPA of new LNG sales to customers in Japan, South Korea, China and Indonesia.  
• Deployed large-scale LNG ISO Tank deliveries to inland China by working with our partner, Tiger Clean Energy, to enable greater access to inland China.  
• Achieved Profit After Tax (PAT) of RM15 billion and maintained high level of OEE at 98.1 per cent.  
• Dual FEED contracts for Sabah nearshore LNG were awarded timely and received full support and commitment from Sabah State agencies for the project to further mature.  
• Development of 42 km gas pipeline project in Pulau Indah, Selangor.  
• Debottlenecking of Southern gas pipeline in Peninsular Malaysia to meet increasing demand.  
• Construction of a new gas compressor station in Johor.  
• Expanded utilities contract to supply electricity to KANEKA, renewed contact with PETRONAS Chemicals Group Berhad (PCG) and its subsidiaries for the next 20 years.  
• Strengthened NE portfolio with the commissioning of four new Amplus projects.  
• Diversified revenue to the Middle East with the first RE project.  
• Delivered PETRONAS’ first Battery Energy Storage System (BESS) with 1 MW standalone storage for Amazon (India).  
• Secured two new contracts in Malaysia and expanded into new cities in India (Hyderabad and Pune) via Yelo.  
• Initiated four Hydrogen projects in Malaysia (Kerteh, Terengganu and Bintulu, Sarawak) which are currently in FEL studies.  
• Signed MoUs with key partners in Japan (ENEOS and JERA) and domestically (Sarawak Energy Berhad). | • Pursued lower carbon customised solutions  
G+NE continues to expand in renewable energy spaces, focusing on solar, wind and energy storage further. In this regard, G+NE is also building its Hydrogen business with the aspiration to make Malaysia an important hydrogen energy hub within the region.  
• Advocate for the benefits of gas and renewable energy  
In supporting Malaysia’s energy transitions target, we worked closely with policymakers to create the right regulatory environment, backed by a proper fiscal regime. Given our long-standing experience in the industry, we will continue to support Government initiatives such as Malaysia’s Natural Gas Roadmap, and the Malaysia Gas Hub Study. | • Maximise value via LNG and domestic gas sales  
With the expected increase in global demand for LNG and domestic gas, G+NE seeks to maintain market leadership by leveraging its global LNG portfolio, world-class operations and customer-centric solutions. G+NE continues to build its LNG portfolio through LNG Canada and Sabah’s first nearshore LNG facility. For domestic gas, G+NE is engaging various government agencies and authorities to secure the approval of Regulatory Period 2 (RP2) tariffs for PGUI and regasification terminals (RGT) to ensure sustainable returns for our assets.  
• Expand market reach through customised solutions  
G+NE seeks to meet growing demand from new customer segments and smaller-scale natural gas customers. In this regard, G+NE is expanding its VPS, LNG bunkering and LNG in ISO tanks solutions to increase accessibility to natural gas. Plans are also in place to venture into the power generation business in emerging markets. | • Pursue lower carbon customised solutions  
G+NE continues to expand in renewable energy spaces, focusing on solar, wind and energy storage further. In this regard, G+NE is also building its Hydrogen business with the aspiration to make Malaysia an important hydrogen energy hub within the region.  
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In supporting Malaysia’s energy transitions target, we worked closely with policymakers to create the right regulatory environment, backed by a proper fiscal regime. Given our long-standing experience in the industry, we will continue to support Government initiatives such as Malaysia’s Natural Gas Roadmap, and the Malaysia Gas Hub Study. |
In 2021, Downstream business continued to be challenged by a rapidly evolving industry, shaped by the onset of digitalisation, disruption from new technologies and economic uncertainties. Against this backdrop, we took decisive and strategic measures to ensure the resilience of our business, guided by our strategic pillars: Operational Excellence, Commercial Excellence and Growth Delivery.

We executed our strategies in an agile manner, improving overall efficiency to further unlock value from our core business while innovating sustainable and customer-centric solutions to generate new revenue streams. We optimised on the interplay between various technologies to sharpen our competitive advantage, while closely monitoring changes within the volatile industry. Overall, I am grateful for our team’s resilience amid new challenges and their dedication in sharing their unique talents to support the growth of the business.

Datuk Sazali Hamzah
Executive Vice President and Chief Executive Officer, Downstream

Downstream Overall Equipment Effectiveness (OEE)
93.3%

Downstream Reliability
96.6%

Petrochemical Plant Utilisation (PU) (Nexant)
92.6%

Achieved petroleum product sales volume of
262.4 million barrels
**Key Priorities and Results**

**Operational Excellence**
- Achieved an Overall Equipment Effectiveness (OEE) rate of 93.3 per cent for Downstream business.
- Maintained petrochemicals Plant Utilisation (PU) (Nexant) rate at 92.6 per cent.
- Connected annual petrochemicals production volume of 10.4 million metric tonnes.

**Key Priorities**
- **Portfolio Expansion**
  - Identified and ventured into new businesses with high growth potential.
  - Expanded non-fuel business in domestic marketing.
  - Strengthened position in sustainable solutions for greener mobility and commercial aviation.

**Portfolio Expansion**
- Continued growth in specialty chemicals segment.

**Commercial Excellence**
- Increased efficiency and captured bigger margins by optimising delivery.
- Expanded core business to create long-term value and new revenue streams.

**Results**
- Explored opportunities in bio-based chemicals to increase the revenue stream.
- Captured bunkering solutions market and positioned Malaysia as an LNG bunkering Hub.
- Enhanced value creation for local paddy farming communities through the introduction of innovative agricultural solutions and methodologies.

**Capitals Deployed**
- Achieved petrochemicals product sales volume of 8.2 million metric tonnes, sustaining the achievement from the previous year.
- Achieved petroleum product sales volume of 262.4 million barrels, a 0.6 million barrel increase from 2020.
- Achieved overall marketing sales volume of 21.2 billion litres from PETRONAS Dagangan Berhad (PDB).
- Engen Petroleum and PETRONAS Lubricants International (PUL) a 200 million litre increase from 2020.
- Reshaped portfolio mix to ensure high value returns with focus on non-fuel business and specialty chemicals.

**Health and Safety**
- Sustained a culture of health and safety awareness at all businesses and operations, including consumer touchpoints.

**Capitals Deployed**
- Promoted the Setel® app to encourage safer transactions among consumers.
- Advocated a safety-first mindset to consumers via PDB’s Consumer Safety Campaign in collaboration with the Ministry of Domestic Trade and Consumer Affairs.
- Developed safer solutions to meet new consumer requirements.
- Promoted the Setel® app to encourage safer transactions among customers.

**Portfolio Expansion**
- Acquired D-Two Couriers Sdn Bhd in a move to accelerate PDB’s strategic expansion into e-commerce delivery service.
- Launched Segar@Mesra in collaboration with the Ministry of Domestic Trade and Consumer Affairs, and Ministry of Agriculture and Food Industries to bring locally farmed produce to rural Mesra at affordable prices.
- Signed an MoU with Mercedes-Benz Malaysia and EV Connection Sdn Bhd to deploy DC Fast electric vehicle (EV) chargers at five PETRONAS stations by 1H2022, providing faster EV charging coverage in strategic locations for long-distance travel.
- Achieved milestone with first Malaysia Airlines flight fuelled by sustainable aviation fuel (SAF), supplied by PDB in collaboration with PETCO Trading (UK) Ltd, Malaysia Aviation Group and Neste.
- Established the largest and most accessible network for Euro 5 compliant diesels in Malaysia with three biodiesel blends of PETRONAS Dynamic Diesel Euro 5 with Pro-Drive to provide drivers access to cleaner fuel options with a smaller carbon footprint.
- Commenced construction on new oxyalkylates plant at the Kerteh Integrated Petrochemical Complex, Terengganu via PETRONAS Chemicals Group Berhad (PCG’s) FCC Oxyalkylates Sdn Bhd to produce ethoxylates and polyether polyols, with commissioning scheduled for 2023.
- Commenced commercial operations at BRB International’s 8,000 tonnes per year silicone blending facility in Gebeng, Pahang, to manufacture cosmetic grade silicone gum blend, as well as technical and food grade silicone emulsion and silicone antifoam for the Asia-Pacific and Middle East–Africa regions.
- Invested in the world’s first direct conversion of high-purity Bio-Monomethyl Glycols (Bio-MEG), a by-product of palm biomass.
- Conducted PETRONAS Marine’s first LNG bunkering in Port Klang, Selangor and Port of Sandakan, Sabah to provide cleaner source of fuel in support of the International Maritime Organization’s sulphur limit for ships’ fuel oil (IMO 2020).
- Doubled the paddy yield and income of 68 farmers in Kedah through the Paddy Integrated Smart Farming Project in collaboration with National Farmers Organisation, Braintree Technologies Sdn Bhd and Social Enterprise Education Lab (SEEEd.Lab), an innovation hub powered by PETRONAS Downstream. The project introduced the new Enhanced Efficiency Fertiliser (EEF), drone technology and paddy planting standard operating procedures to deliver the improved results.
- Recorded zero major fire incidents and fatalities across Downstream’s operations.
- Promoted the Setel® app to encourage safer transactions among customers.
- Developed safer solutions to meet new consumer requirements.
Business Review

Key Priorities and Results

<table>
<thead>
<tr>
<th>Key Priorities</th>
<th>Results</th>
</tr>
</thead>
</table>
| **Digitalisation** | • Institutionalised a culture of innovation.  
• Promoted enterprise-wide technology-digital transformation.  
• Collaborated with Amazon Web Services (AWS) to customise Innovation Engine programmes to drive innovation.  
• Harnessed data, advanced artificial intelligence (AI), analytics and machine learning technologies to inspire innovation, experimentation and scaled solutions.  
• Enhanced end-to-end data visibility across the value chain via Enterprise Data Hub, with 70 Downstream operating units (OPUs) signing the Group Data Liberalisation Agreement. |

Revenue (RM Bili)

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>115.5</td>
<td>85.4</td>
<td>124.5</td>
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</table>

EBITDA (RM Bili)

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>3.4</td>
<td>15.1</td>
</tr>
</tbody>
</table>

PAT (RM Bili)

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.2</td>
<td>-3.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Performance Highlights and Achievements

**Value Created for Stakeholders**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Expectations</th>
<th>Value Created</th>
</tr>
</thead>
</table>
| **Customers** | • Products and solutions that are sustainable and innovative.  
• Introduced sustainable and innovative solutions via Setel®, the greater Setel® ecosystem, ROVR, Segar@Mesra, Makan@Mesra, EV chargers and e-fluids (PETRONAS iona) and sustainable aviation fuel (SAF).  
• Expanded into specialty chemicals.  
• Diversified product offerings with bio-based and circular economy portfolios, such as Bio-MEG.  
• Enhanced packaging design for marketing products to use 15 per cent less plastic. |

**Employees** | • Relevant training and capability development opportunities.  
• Enhanced Agile practices through new training modules, coaching enablement and Agile Enterprise team setup.  
• Developed PETRONAS Working Backwards in collaboration with AWS to enhance innovation capabilities. |

**Government and Regulators** | • Adhere to rules and regulations set by local and foreign authorities in countries we operate in.  
• Ensure zero non-compliances to laws and regulations.  
• Strengthened regulatory collaborations for better market growth.  
• Ensured good governance in the local oil and gas industry. |

**General Public** | • Social impact initiatives to support community operations.  
• Platforms and support for education and career enhancement.  
• Provided platform for social enterprises to address social pain points via SEEd.Lab to positively impact communities.  
• Amplified Food Bank Programme at over 400 PETRONAS stations to benefit Malaysians affected by the COVID-19 pandemic.  
• Championed the Love Local programme to create greater awareness of local brands in support of small and medium enterprises (SMEs) with Kedai Mesra as a platform.  
• Conducted nine webinar sessions nationwide through the Plastic, Sustainability & You Education (PSYE) programme, involving 130,000 teachers, students, government officers, industry players, the public and internal PETRONAS employees. The webinars aim to accelerate circular economy in Malaysia and educate the audience on sustainable and responsible plastic production and consumption.  
• Supported the Imbumba Foundation's Caring4Girls initiative which saw 11,402 sanitary towels distributed to female learners in 22 schools located close to Engen’s facilities in Mpumalanga, Limpopo, North West Province, Free State and KwaZulu-Natal. |
Business Review

Risks and Opportunities

- **Risks**
  - Energy transition accelerated by the COVID-19 pandemic.
  - Continued challenging outlook in the energy industry.
  - Need to future-proof business through diversification of portfolios in view of continued challenging outlooks in the energy industry.

- **Opportunities**
  - Growing middle income market segment in the Asia-Pacific region.
  - Increased demand for lower carbon solutions as international organisations and nations commit to net zero goals.
  - Increased demand for petrochemical products post-pandemic for economic recovery.
  - Increased demand for customer-centric and innovative products for a more seamless customer experience.

**Risks**

- Commenced commercial operations for BRB International (a wholly-owned subsidiary of PCG’s) silicone blending plant in the vicinity of PCG’s petrochemical complex in Gebeng, Pahang, to strengthen our foothold in specialty chemicals.
- Incorporated LG PETRONAS Chemicals Malaysia Sdn Bhd for nitrite butadiene latex (NBL) plant in Pengerang, Johor; began business and operation readiness activities, as well as ongoing recruitment.
- Invested in the world’s first direct conversion of high-purity Bio-MEG, a renewable by-product of palm biomass.
- Advanced sustainability impact in the aviation industry via a collaboration between PDG and the Malaysia Aviation Group.
- Provided access to the Virtual Pipeline System (VPS) for industries in Peninsular Malaysia.
- Expanded Setel® ecosphere and other non-fuel offerings by PDJ.

**Actions Taken**

- BRB became the first and only producer of silicone antifoam in Southeast Asia. Targeted to achieve 8,000 tonnes per year production capacity for cosmetic grade silicone gum blend, as well as technical and food grade silicone emulsion and silicone antifoam for the Asia-Pacific and Middle East-Africa regions.
- Expected annual NBL capacity to reach 200,000 tonnes upon plant completion in 2023 to capture increased demand for medical, critical appliances, and Personal Protective Equipment (PPE).
- Achieved first drop of Bio-MEG product from the pilot plant and continued to evaluate the technology for commercial scale.
- Paved the way to provide sustainable solutions for customers in packaging, textile, automotive and electronics industries.

**Results**

- **Continued challenging operations for BRB with it's a market share and sales volume above 8 million tonnes per annum.**

**Moving Forward**

The Downstream business will continue to sustain operational excellence as well as seize new opportunities in key growth markets in Malaysia and around the world. Given the increasing focus on decarbonising our operations, we have taken a holistic approach to drive operational excellence guided by economic, environmental, social and governance (EESG) standards.

Moving into 2022, we will continue to focus on growing our sales volume through competitive pricing strategies, revolutionising customer experience and delivering high-value products in a sustainable manner. Anchored on our net zero carbon emissions aspiration, we will improve energy efficiency for manufacturing and reduce emissions by shifting towards lower carbon sources. To this end, the Downstream business is well-positioned to capture new offerings in the non-fuel segment to maximise our growth potential, expand our portfolio, and optimise value across our entire value chain as we shape future growth.

- **Growth of Setel® ecosystem** to deliver more innovative and customised solutions in a single app, with features including e-Wallets, parcel delivery services, and vehicle insurance purchase.
- **Innovate solutions in sustainable mobility** through providing faster charging facilities for EVs in Malaysia via PDG’s strategic network of stations, innovating next-generation EV fluids via the iona range and harnessing the power of collaboration through EV symposiums and webinars.
- **Expand lubricants market share in the industrial segment** to capture opportunities from construction, agriculture, mining, power generation and other industries.
- **Strengthen foothold in the Asia-Pacific lubricants market** leveraging Fluid Technology Solutions™ to capture opportunities from the growing middle-class population in the region.
- **Strengthen PETRONAS Marine as a one-stop marine solutions provider and establish Malaysia as a regional LNG bunkering hub.**

**Continued expansion into 2022, our key focus areas include:**

- Continued expansion and diversification into derivatives, specialty chemicals and solutions to sustain our position as one of the largest integrated chemicals producers in Southeast Asia.
- Sustain operational and commercial excellence in petrochemicals to deliver value with P/E above 90 per cent, production volume above 10 million tonnes per annum and sales volume above 8 million tonnes per annum.
- **Startup of the Pengerang Integrated Complex** targeted for 2023.
- **Strengthen presence in the biofuels space** through a planned greenfield bio-refinery/co-processing plant targeted for 2025. The facility will be positioned to supply SAF with operational flexibility to also produce HVO, also known as renewable diesel.
- **Execute Refinery-to-Terminal Project** to convert Engen’s refinery in Durban into a world-class import and storage facility to capture new profit opportunities and safeguard against market threats in a challenging refining environment.
- **Continued expansion of non-fuel business in domestic marketing** to increase retail market share and future-proof business.

**Initiated discussions between PETRONAS Lubricants International (PLI) and industry players on e-mobility via an Electric Vehicle Fluids Webinar.**

**Developed safe, high-performing and dependable fluids specifically for electric powered trains via a collaboration between PLI and Imperial College London, FEV Group, IAV and other additive companies.**

**Offered a wide range of marine solutions via PETRONAS Marine including a selection of marine and LNG bunkering fuels.**

**Attendee at 150 participants comprising industry experts, Original Equipment Manufacturer (OEM) partners, academia and suppliers from around the world to discuss opportunities for collaboration to co-engineer EV solutions.**

**Introduced the latest range of iona EV fluids, designed for OEM first-fill applications in November 2021.**

**Strengthened Malaysia’s position as an LNG bunkering hub in the region with successful LNG bunkering operations in Pasir Gudang, Johor; Port Klang, Selangor and Port of Sandakan, Sabah.**

**Achieved aviation historic milestone with the first Malaysia Airlines flight using a blend of approximately 38 per cent sustainable aviation fuel (SAF) made from used cooking oil as well as conventional jet fuel, travelling successfully from Amsterdam to Kuala Lumpur International Airport.**

**Planned greenfield biorefinery/co-processing plant targeted for 2025 and positioned to supply SAF with operational flexibility to also produce Hydrogenated Vegetable Oil (HVO) or renewable diesel.**

**Commemorated PDG’s 1,000th VPS delivery.**

**Strengthen presence in the biofuels space** through a planned greenfield bio-refinery/co-processing plant targeting for 2025. The facility will be positioned to supply SAF with operational flexibility to also produce HVO, also known as renewable diesel.

**Execute Refinery-to-Terminal Project** to convert Engen’s refinery in Durban into a world-class import and storage facility to capture new profit opportunities and safeguard against market threats in a challenging refining environment.

**Continued expansion of non-fuel business in domestic marketing** to increase retail market share and future-proof business.

**Growth of Setel® ecosystem** to deliver more innovative and customised solutions in a single app, with features including e-Wallets, parcel delivery services, and vehicle insurance purchase.

**Innovate solutions in sustainable mobility** through providing faster charging facilities for EVs in Malaysia via PDG’s strategic network of stations, innovating next-generation EV fluids via the iona range and harnessing the power of collaboration through EV symposiums and webinars.

**Expand lubricants market share in the industrial segment** to capture opportunities from construction, agriculture, mining, power generation and other industries.

**Strengthen foothold in the Asia-Pacific lubricants market** leveraging Fluid Technology Solutions™ to capture opportunities from the growing middle-class population in the region.

**Strengthen PETRONAS Marine as a one-stop marine solutions provider and establish Malaysia as a regional LNG bunkering hub.**
The challenges brought forth by the COVID-19 pandemic have shed light on Project Delivery and Technology (PD&T)’s strengths in driving digital transformation across PETRONAS. Guided by PETRONAS’ Three-Pronged Growth Strategy to drive groupwide advancement and maximise value across the three business segments, we continue to take decisive, proactive actions to fortify differentiated portfolios and elevate low-carbon energy delivery with innovation. We harness the power of data, technology and digital solutions to drive operational excellence and create growth opportunities. We proffer and deploy technology and digital solutions that bring step changes to business operations, to enrich and bring betterment to the lives of PETRONAS’ customers and stakeholders within, and beyond the energy industry.”

Bacho Pilong
Senior Vice President, Project Delivery and Technology

<table>
<thead>
<tr>
<th>Technology Digital</th>
<th>Business Review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RM830 million</strong> total value creation through ARIES, our digital enabling engineering solutions</td>
<td><strong>587</strong> projects managed valued at more than RM9 billion</td>
</tr>
<tr>
<td><strong>RM818 million</strong> in cash generation achieved through Alpha Series, a digital transformation of our value chain</td>
<td><strong>RM25 million</strong> commercialisation revenue</td>
</tr>
<tr>
<td><strong>6.4%</strong> reduction of GHG emissions in support of NZCE 2050</td>
<td>Site readiness for <strong>25</strong> key technologies achieved</td>
</tr>
<tr>
<td><strong>17</strong> technology and digital solutions deployed</td>
<td><strong>98</strong> TechApps™ softwares available</td>
</tr>
<tr>
<td><strong>37 million</strong> man-hours with a Full Time Equivalent of <strong>12,600</strong> personnel at work site and achieved zero fatality</td>
<td><strong>6.4%</strong> reduction of GHG emissions in support of NZCE 2050</td>
</tr>
</tbody>
</table>

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Project Delivery and Technology
Business Review

PD&T provides technical, project, technology, and digital services while shaping and safeguarding PETRONAS’ growth and future positioning strategies through best-in-class project delivery, extensive research and development, leading-edge technical expertise, and novel digital solutions. PD&T serves as the engine that accelerates growth and ventures across PETRONAS, driving transformation by leveraging data as an asset, digital as an accelerator and technology as a differentiator. As PETRONAS’ Centre of Excellence (CoE) and a solutions partner, PD&T has a vital role in driving PETRONAS’ aspiration towards NZCE 2050 and all strategic goals through a well-established and expanding ecosystem of innovation.

Key Priorities

Delivering Projects Beyond OTOBOS

- Delivered projects ahead of schedule safely despite challenges caused by COVID-19 pandemic.
- Delivered more value to the group through cost reduction, operational efficiency, and cash generation.

Innovation Driven Operational Excellence

- Achieved progress on key technology projects.
- Pursued new revenue streams through technology and digital products to drive competitive advantage.
- Improved operational efficiency through technical solutions.

What We Do

PD&T managed projects had recorded over 37 million man-hours with a Full Time Equivalent of 12,600 personnel at work site and achieved zero fatality despite the increased HSE risk exposure mainly due to intensity and complexity of project related activities coupled with battling the COVID-19 situation.

Projects delivered ahead of schedule:
- Garagol Deniz West (GDW) first oil.
- NC3 condensate export pump modification Initial Acceptance.
- Garagol Deniz West (GDW) first oil.
- NC3 condensate export pump modification Initial Acceptance.
- GDW revival in Turkmenistan achieved RM139 million cash generation.

Results

- Achieved RM25 million in commercialisation revenue through the Alpha Series.
- Achieved site readiness and commercialisation of 25 key technology projects.
- Registered RM25 million in commercialisation revenue through the deployment of 17 technologies and 98 TechApps™ software.
- Enhanced commercial execution through market expansion, accelerated commercial readiness and implementation of bolder commercialisation methods.
- Deployed 52 technical and digital solutions to improve reliability and efficiency of plants and facilities.
- Established PETRONAS Drone Control Tower with the support of the Civil Aviation Authority of Malaysia (CAAM) to expedite approval for drone operations in line with increasing demand for drone services within the group.

Data-Driven Operational Excellence

- Enabled digital transformation to improve efficiency, enhance productivity and strengthen operational resilience.
- Increased the safety of offshore platforms via the Facilities of the Future programme utilising robotics and drone technologies.
- Improved workforce digital competency.
- Introduced new initiatives to accelerate innovation and transformation in technology and digitalisation.
- Increased resilience and automation through scalability.
- Leveraged Internet of Things (IoT) for remote monitoring of plants and facilities Groupwide.
- Established Project Delivery Digital Ecosystem (PDE) to ensure rigorous portfolio management and improved process efficiency.
- Established Construction-Based Engineering (CBE) to improve construction cost through Advanced Work Packaging (AWP) and Project Production Advanced Work Packaging (AWP) and Project Production Management (PPM) process improvements.

Growth Engine Acceleration

- Facilitated innovation of new solutions among industry players, focusing on long-term sustainability.
- Pursued new industry-wide collaborations to accelerate technology and digital transformation, and upskill talent.

Results

- Achieved RM818 million in cash generation, gained end-to-end value chain visibility and increased decision-making at the enterprise level via Alpha Series.
- Achieved the shortest pre-cooling time in 17 years, 10 hours faster, and 10 per cent reduction in carbon emissions via the STELLAR project.
- Increased operational efficiency by pushing digital-enabled efforts via NewCentre, gaining RM830 million via the ARIES project and RM28 million in cost savings via remote consulting to project teams.
- Achieved RM838 million in value creation, improved onshore pipeline monitoring and predictive analytics via Pipeline of the Future (PoF).
- IoT reduced HSE risks, improved efficiency and productivity as well as pandemic/future-proofed assets.
- Improved Cybersecurity awareness where average phishing rates trended downwards between 2 per cent and 5 per cent from 8.8 per cent in 2020.
- Achieved 62 per cent of applications migrated to Cloud (ahead of targets) and are on target to have at least 90 per cent applications on Cloud by 2022.
- Upskilled 10,366 participants under the Citizen Analytics programme.
- Launched 16 PDE digital solutions that will be the Digital Backbone for project delivery and enabling Artificial Intelligence to assist decision making.
- Rolled out CBE to nine on-going projects with process improvements towards cost optimisation.

Capitals Deployed

- RM139 million
- RM25 million
- RM818 million
- RM830 million
- RM28 million
- RM838 million
- RM838 million
Business Review

Key Priorities and Results

**Key Priorities**

- **Capability Accelerator**
  - Bench strength of the organisation recorded that our technical workforce met top quartile requirements.
  - RSCISCO received recognition by the Malaysia Productivity Corporation (MPC) bagging the regional Gold Award in Innovation and Productivity, and 2nd place at the national level. RSCISCO also enabled cost reduction while talents were better valued through systematic evaluation and recognition. Scale up implementation to other locations planned for the year.
  - CoC tracking ensured license to operate and sustainability compliance while establishing closer collaborations with stakeholders including governing authorities to optimise operations.
  - PETRONAS TTS, through the Technical Trade Specialist Symposium, encouraged replication of successful innovation, ideas, improvements to bring forth cost optimisation, cost avoidance and cost savings.
  - Digital Academy takes an all-round approach to digitally upskill and reskill the PETRONAS workforce, the initiative also goes beyond the Group to benefit communities through efforts such as PETRONAS Digital Bootcamp during which participants were offered employment by partner organisations, and collaborations with tertiary institutions.
  - On the Corporate Sustainability Responsibilities front, the Senior Vice President of PD&T was appointed by the Ministry of Higher Education and Research, an initiative to develop talent to deliver business results.

- **Sustainability**
  - Supported the nation to help those affected by natural disasters.
  - Accelerated decarbonisation of existing PETRONAS assets.
  - Produced sustainable fertiliser to increase energy efficiency and achieve carbon dioxide (CO₂) emission targets.
  - Leveraged new technologies in high-risk environments to minimise HSSE risks and environmental footprint.

- **Capitals Deployed**
  - 2021
  - 2020

- **Results**
  - Completed first integrated Multi-Site Optimisation Study across 14 sites under the Keret Side-wide Strategic Review (SSR).
  - PETRONAS New Leadership Campus obtained Certificate of Partial Completion in December 2021, with the aim to be the first Green Certified building in PETRONAS.
  - Completed plastic bitumen road paving under PETRONAS Research Sdn Bhd’s Greenification Initiatives.
  - Achieved a reduction of 6.4 per cent of GHG emissions in 2021 compared to 2020, in support of NZCE 2050.
  - Fast-tracked decomposing process using biochemical compost technology.
  - Helped clean up 35 homes of PETRONAS employees and families from local communities affected by floods.

Business Review

Value Created for Stakeholders

**Stakeholder** | **Expectations** | **Value Created**
--- | --- | ---
**Customers** | • Sustainable and innovative products and solutions. | • Collaborated with a spectrum of industry partners to deliver value-added digital innovations to support sustainability.
| | | • Developed the most competitive green hydrogen production technology in its class using our own patented Proton Exchange Membrane (PEM) Electrolyser, putting PETRONAS at par with other hydrogen market leaders.
| | | • Developed Bio-MEG technology to diversify our product offerings with bio-based and Circular Economy portfolios.
**Government and Regulators** | • Elevate industry capabilities and shape industry standards via multilateral knowledge sharing. | • Strengthened regulatory collaborations to enhance market growth with, among others, Immigration Department of Malaysia, Fire and Rescue Department, Malaysian Communications and Multimedia Commission (MCMC), Department of Safety and Health (DOSH) and Department of Environment (DOE).
| | • Create opportunities to collaborate on the latest technologies for application in other industries and wider purposes. | • Established Joint Industry Collaboration (JIC) for Advanced Work Packaging and Project Production Management with 27 companies.
| | • Pursue a strong partnership ecosystem to support growth in the hydrogen business. | • Established reputation as the leader in Decommissioning and Abandonment capability in the Southeast Asian region.
**Employees** | • Training and capability development opportunities. | • Collaborated with SIRIM Berhad to develop a solution providing data transparency to simplify approval and validation process of custody metering.
| | | • Contributed to myDigital aspirations to build a strong pipeline of digital-ready workforce for the nation through Digital Academy.
| | | • Enhanced cybersecurity awareness among talent base.

Performance Highlights and Achievements

<table>
<thead>
<tr>
<th>Investment in Technology (RM Million)</th>
<th>Portfolio size (including CAPEX and OPEX) (RM Bil)</th>
<th>Number of Projects</th>
<th>Value Creation (RM Bil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>369.2</td>
<td>335.7</td>
<td>361.8</td>
<td>&gt;10</td>
</tr>
<tr>
<td>531</td>
<td>566</td>
<td>587</td>
<td>2019</td>
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Petroliam Nasional Berhad (PETRONAS)
**Business Review**

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**Risks and Opportunities**

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<tr>
<th>Risks</th>
<th>Opportunities</th>
<th>Actions Taken</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prolonged COVID-19 pandemic may impact PD&amp;T projects and service delivery.</td>
<td>Leverage digitisation and enhance technological innovation to achieve project and service delivery with pace.</td>
<td>Implemented COVID-19 precautionary measures such as HSE checklist and Pandemic Preparedness and Response Team (PPRT) Guideline for PETRONAS groupwide.</td>
<td>Successfully rolled out Green Bubble, Green Net and Strengthening Current Control Measures (SCCM) concept and enhanced Standard Operating Procedure (SOP) in Q1 2021 including vaccination requirements as per PPRT directive.</td>
</tr>
<tr>
<td>Untimely delivery of proven, competitive, and differentiated technology to deliver value via development and deployment may affect competitiveness for future investment.</td>
<td>Realise opportunities to capture renewable and green technology via strategic partnerships with Global Technology Centres.</td>
<td>Identified technology projects achieving major milestone towards Strategic Technology Objective (STO), to unlock the technology readiness.</td>
<td>A Suite of carbon capture, utilisation and storage (CCUS) technologies achieved commercial readiness, opening opportunities to monetise recoverable reserves in Malaysian waters and Southeast Asia.</td>
</tr>
<tr>
<td>Cyber threats could lead to breach of information and security resulting in business disruption.</td>
<td>Leverage strategic collaboration in developing cyber awareness, cyber hygiene, and independent assurance to shape cyber security practices and behaviours in PETRONAS.</td>
<td>Continuous improvement of enterprise cyber security resilience by enhancing cyber security preparedness in Information Technology (IT) and Operational Technology (OT) to proactively mitigate any prolonged effect of high impact incidents to business and operations. These include proactive efforts to secure Identity, Assets and Data that are monitored by the Cyber Security Operations Centre.</td>
<td>Completed the implementation and deployment as well as change management of the Cyber Security Enterprise Governance Framework for Malaysia and International Assets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Established a dedicated plan for Cyber Security Programme and Incident Response Procedure to all IT systems and OT sites.</td>
<td>Completed Cyber Security Programme. Incident Response Procedure has been rolled out to PETRONAS sites groupwide, and to all Malaysia OT Sites.</td>
</tr>
</tbody>
</table>

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**Moving Forward**

As PETRONAS’ CoE, PD&T will continue its efforts to identify innovative solutions to maintain a competitive edge, leveraging its expertise in project delivery, technology, technical and digital solutions, and ensuring safe and efficient operations throughout the value chain.

In this regard, PD&T has charted a Five-Year Strategic Plan (2022-2026), which is aligned with the Group’s Three-Pronged Growth Strategy, focusing on three key thrusts:

- Continuous safety, reliability, and efficiency improvements through distinctive digital and technology solutions.
- Pursue commercialisation opportunities for PD&T solutions to generate new revenue for the Group.
- Explore new focus areas to future-proof the business, and realise PETRONAS Sustainability Agenda via:
  - Circular Economy, which aims to repurpose waste into new products
  - Advanced Materials to strengthen asset integrity, extend service life and reduce overall carbon footprint
  - Improved decarbonisation efforts by managing and reducing GHG emissions of assets
  - Driving renewables and supporting growth of hydrogen to fast-track the energy transition
  - Progress in production and utilisation of specialty chemicals beyond oil and gas, into everyday consumer products.

Moving forward, we will continue to pursue technology and digital advances throughout our value chain to ensure we meet the Group’s business goals and achieve our NZCCE 2050 aspiration.
Recharge for A Better Tomorrow

Our Sustainability Journey

Our progress to date on the sustainability front

170 Sustainability Governance
174 Safeguard the Environment
186 Positive Social Impact
218 Five-Year Sustainability Key Performance Data
A robust governance system drives the successful execution of our sustainability ambitions. Spearheaded by the Board and Executive Leadership Team, we adopt a top-down approach to sustainability, clearly delineating roles and responsibilities for improved accountability and integrity. The Board plays an active role in the governance and oversight of sustainability matters, with ongoing efforts to embed sustainability into the Board’s scopes. This is part of our continuous effort in strengthening sustainability governance for efficient decision-making and execution of sustainability-related matters.

This year, we appointed our first Vice President and Chief Sustainability Officer (CSO), who reports directly to the President and Group Chief Executive Officer (GCEO), to provide a dedicated focus on managing sustainability strategically in the company. We have also established a dedicated Sustainability Council, in line with the recent reorganisation of the Group. Chaired by the CSO, the Sustainability Council cascades decisions from the Board and Executive Leadership Team into implementation and deliberates bottom-up recommendations to the Executive Leadership Team and Board.

At the same time, the Executive Leadership Team receives periodic performance updates on key sustainability performance and progress across the Group either directly from the respective businesses or via the Sustainability Council. This enables sustainability issues to move up across all levels of the Group and allows the management team to maintain accountability for our sustainability targets.

A Future-Ready Board
Board members undergo various sustainability-related training and engagements to keep abreast of emerging matters:
- Sustainability discussions as part of the annual strategic review and planning cycle.
- Imperatives of Human Rights and Just Transition.
- Engagements with external experts. In 2021 topics included net zero carbon emission strategies and carbon markets.

Key discussions deliberated at Sustainability Council in 2021 include:
- Endorsement of material topics.
- Monitored progress toward PETRONAS 2024 Sustainability targets.
- Apprised on the plan in charting a credible approach to our net zero carbon emissions by 2050 (NZCE 2050) aspiration.
- Apprised on CCS project progress.
- Apprised on commitment towards World Economic Forum’s Stakeholder Capitalism Metrics.
- Apprised on strategy in creating positive social impact through diversity and inclusion.
- Apprised on reputational issue analysis and Reputational Strength Index (RSI).

The implementation of our sustainability decisions is supported by other councils and committees:
- Security Risk and Oversight Committee.
- Health, Safety and Environment (HSE) Council.
- Diversity & Inclusion (D&I) Council.
- Whistleblowing/Central Complaint Management Committee.

Note:
* Corporate-level committees/councils include the Sustainability Council.
Memberships and Associations

We actively participate in professional associations, events and memberships with the aim to strengthen our sustainability efforts. Through these various platforms, we are able to exchange knowledge on best practices to drive the sustainability agenda within and outside of our operations. This is part of our commitment to nation-building of Malaysia and creating positive impact across industries and society.

CEO Action Network (CAN)

CAN is a peer-to-peer network of CEOs and Board members focused on sustainability advocacy, capacity building, action and performance. CAN represents 56 leading businesses and more than 20 business sectors in Malaysia.

Our Contribution:
President and Group CEO of PETRONAS, Datuk Tengku Muhammad Taufik chairs the CAN. In 2021, CAN hosted a series of 14 roundtable discussions, bringing together corporate leaders from different industry sectors, public sectors and civil society to discuss the national agenda of net zero emissions for Malaysia. The roundtables foster collaboration and partnership among private-public sectors, and support policy advocacy through strategic discussions amongst the public sector, regulators, civil society, industry associations and businesses.

World Business Council for Sustainable Development (WBCSD)

A CEO-led community of over 200 of the world’s leading businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

Our Contribution:
We play an active role in WBCSD’s work programme to shape business narratives and performance on sustainability. Our top management is actively engaged in WBCSD’s workstreams and projects. Through WBCSD, we leverage thought leadership and collaboration with other global leaders to foster effective peer learning, enabling us to accelerate and scale up group-wide delivery of PETRONAS’ sustainability agenda.

APEC Business Advisory Council (ABAC)

The private-sector arm of the Asia-Pacific Economic Cooperation (APEC) comprising high level officials from 21 member countries, dedicated to advising leaders and other APEC officials on issues of business interest.

Our Contribution:
Our President and Group CEO, Datuk Tengku Muhammad Taufik is a member of ABAC. He co-chaired the Climate Change priority with Malcolm Johns from ABAC New Zealand, under the ABAC Sustainability Working Group (SWG) led by ABAC China in the first ABAC meeting in 2022. The co-chairs presented recommendations to APEC Leaders and advised APEC officials on business sector priorities and concerns.

Methane Guiding Principles (MGP)

An international multi-stakeholder partnership developed collaboratively by a coalition of industry and civil society organisations. It focuses on reducing methane emissions across the natural gas supply chain, from production to final consumption.

Our Contribution:
As a member, we work together with other signatories and supporting organisations to foster effective methane management, and create transparency in emissions reporting aligned with internationally recognised frameworks and standards.

Ipica

Ipica was founded in 1974 at the request of the United Nations (UN) Environment Programme and remains the industry’s principal engagement channel with the UN particularly in the development or update of environment related international conventions.

Our Contribution:
As a member, PETRONAS is part of the collective energy industry to provide insights on key HSE and sustainability issues to global stakeholders. Additional participation in taskforces enables knowledge transfers including hands-on experience for subject matter experts and foresight to anticipate future regulations as many peers operate in highly regulated regimes such as on EU climate regulations. Beyond compliance, PETRONAS also benefits from the horizon scanning, knowledge sharing and guidance on the energy transition and other emerging trends.

World Bank’s Zero Routine Flaring by 2030 (ZRF) Initiative

An initiative that commits governments and oil companies to end routine flaring no later than 2030, aiming to support cooperation between all relevant stakeholders so that solutions to gas flaring can be found through appropriate regulation, application of technologies, and financial arrangements.

Our Contribution:
We endorsed the global pledge on 4 November 2021 as part of our broader effort to strengthen transparency around our actions on climate change. This aligns with our aspiration to achieve NZCE 2050.

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

A framework for the type of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks, specifically risks related to climate change.

Our Contribution:
We acknowledge the importance of transparency on climate-related disclosures and expressed our public support for TCFD on 4 November 2021. We aim to commence our disclosure practice towards TCFD in 2023.

World Economic Forum’s Partnering Against Corruption Initiative (PACI)

A principal CEO-led platform in the global anti-corruption arena, building on the pillars of public-private cooperation, responsible leadership and technological advances, serving as the leading business voice on anti-corruption and transparency.

Our Contribution:
PETRONAS became a signatory of PACI on 21 July 2021, joining 90 other signatories across different sectors worldwide. In doing so, we strengthen our zero tolerance on corruption in all its forms and join collective action initiatives to increase public trust in business, deliver fair markets and level the playing field by fighting corruption.

World Economic Forum’s Stakeholder Capitalism Metrics

The Stakeholder Capitalism Metrics (the Metrics) was launched in September 2020 by the International Business Council of the World Economic Forum. The Metrics is a disclosure framework that aims to strengthen the ability of companies and investors in benchmarking progress on sustainability matters, and to enhance transparency of sustainability disclosures.

Our Contribution:
Commenced our reporting practice towards the Metrics in 2021. A cross reference table on the Metrics is available on page 276.

ASEAN Energy Sector Methane Roundtable

A series of regional roundtables held to intensify collaboration on methane emissions management by leveraging collective capacities, global best practices and insights.

Our Contribution:
PETRONAS initiated and hosted the inaugural ASEAN Energy Sector Methane Roundtable in October 2021. We extended invitations to participants from key ASEAN energy players such as PTI, PETAKINA and Shell, as well as international organisations, including Offshore Energies United Kingdom (OUEK), International Energy Agency (IEA), World Bank Group, United Nations Environment Programme (UNEP) and Methane Guiding Principles (MGP).
We recognise the scientific consensus on climate change. As a responsible global energy company, we understand our crucial role in lowering carbon emissions towards limiting the rise in global temperatures to 1.5°C above pre-industrial levels, as per the Paris Agreement. We remain committed to achieving our net zero carbon emissions by 2050 (NZCE 2050) aspiration, strive to reduce our impact on climate change, minimise our environmental footprint and protect the natural environment.

What is our position?
PETRONAS Carbon Commitments (PCC) were established in 2012 focusing on reducing flaring and venting, and improving energy efficiency. Subsequently the PCC have been enhanced with elements of carbon capture and storage (CCS), renewable energy, carbon offsets and carbon pricing.

PETRONAS Carbon Commitments consist of three key areas:

Planning and Projects

- Zero continuous flaring and venting of hydrocarbons shall be incorporated into the design philosophy of all new facilities and projects.
- Malaysia Petroleum Management (MPM) to apply for country-level carbon dioxide (CO₂) emissions allowance in the planning process of high CO₂ field development.
- Upstream high CO₂ field development shall incorporate carbon capture and storage (CCS) technologies at the design stage.
- Carbon pricing shall be considered in project decision-making with the option of carbon offsets where economically feasible.

Operations

- Zero continuous venting of hydrocarbons for all existing facilities.
- Reduce continuous flaring of hydrocarbons for all existing facilities where operationally and economically feasible.
- Downstream and Gas + New Energy (G+NE) operating assets to meet and sustain top quartile energy performance.

Renewable Energy

- Renewable energy technologies are to be considered in all facilities and projects where operationally and economically feasible.

Climate Change and Greenhouse Gas (GHG) Emissions

Why is it important?
Our ability to reduce GHG emissions that contribute to climate change today will strengthen our future shared prosperity, societal well-being and business growth. Stakeholders are increasingly demanding scaled-up action on climate change, with the energy sector facing rising pressure to deliver. Given the complex nature of climate change, concerted efforts by governments, business and individuals are necessary to foster a transition to a sustainable future.

An inability to effectively minimise carbon emissions may lead to a loss of stakeholder trust in the energy sector. We also need to manage and prevent as far as possible the impact of extreme weather events on physical assets. Despite the challenges, business opportunities arise with the transition towards a low-carbon economy and bring possibilities to improve livelihoods and revitalise economies.

Our business development has increased focus on renewable energy, gas, LNG and hydrogen as these forms of energy will drive the energy transition towards a lower carbon economy and ensure the security of energy supply.

To increase our resilience in the energy transition, we work closely with our partners, suppliers and contractors throughout the supply chain. As part of our efforts to reduce methane emissions, we have joined other industry and non-industry members under the Methane Guiding Principles (MGP) initiative as a signatory member. The rising demand for clean energy has also prompted the move towards CCS development and hydrogen, as part of our strategy to reduce carbon from our assets and develop a carbon capture business.

We continue to leverage technology and digital solutions, namely the PETRONAS Environment and Social Performance Integrated and Centralised System (EPSICS), to gain end-to-end visibility of our efforts to improve environmental performance throughout our value chain.
**Safeguard the Environment**

### What did we do in 2021?

#### Climate Change Mitigation

- **Operational Emissions**
  - Recorded total GHG emissions of 45.2 million tonnes of carbon dioxide equivalent (tCO₂e), further details can be found on page 218.
  - GHG emissions reduction of 4.1 million tCO₂e per year.
  - Upstream operations achieved a 27.3 per cent reduction in GHG intensity, mainly contributed by flaring and venting reduction.
  - GHG emissions reduction in PETRONAS can be clustered into three main areas as below:
    - **Flare Reduction**: Achieved mainly in Upstream operations in Malaysia through flare gas recovery projects and improvements in compressor capacity.
    - **Vent Reduction**: Occurred in Upstream operations in Malaysia, mainly from vent-to-flare conversion and vent recovery projects.
    - **Energy Efficiency**: Achieved through operational excellence efforts such as optimisation of gas turbine operations and process optimisation initiatives, mainly from Downstream and G+NE businesses.
  - Endorsed the World Bank’s Zero Routine Flaring by 2030 initiative, where we commit to end routine flaring of associated gas from our oil production.

- **Methane Emissions Management**
  - Initiatives to reduce methane emissions were driven by the establishment of PETRONAS Carbon Commitments in 2012. Through flaring and venting reduction initiatives, we have reduced 0.38 million tonnes of methane since 2013.
  - Established PETRONAS methane emissions quantification and reporting standard as well as a handbook for improving the completeness and transparency of methane emissions.
  - Set up a dedicated task force to implement effective quantification and reduction of methane.
  - Completed methane emissions baseline study in selected Upstream Malaysia offshore and onshore assets, using insights to improve methane emissions inventory.
  - Engaged with internal and external stakeholders, including upstream service providers, to improve awareness, understanding and capabilities in methane emissions management. We also shared the latest developments in methane measurement and technologies to improve current practices.

- **Improved Solutions**
  - Generated 2,321.2 MWh from our solar Photovoltaic (PV) systems at 11 sites, avoiding 1,352.8 tCO₂e.
  - Upgraded PETRONAS Dynamic Diesel to meet Euro 5 standards at petrol stations nationwide, making it the widest and most accessible network of Euro 5 compliant diesel in Malaysia.
  - Fully leveraged renewable energy at PETRONAS Lubricant International’s Arexons car care and multipurpose lubricant plant in Cervinuso, Italy, classified as a Zero Scope 2 GHG emissions operation.

- **Low-Carbon Partnerships**
  - Collaborated with Abu Dhabi National Oil Company (ADNOC) and Masdar to pursue clean energy solutions by exploring joint participation in large scale solar and wind opportunities for utilities and commercial/industrial customers in Asia.
  - Partnered with ENEOS Corporation to jointly develop, a competitive, clean hydrogen supply chain in Malaysia and Japan, as well as explore other hydrogen opportunities.

- **Carbon Storage**
  - The identified CCS field for Kasawari Gas Field’s CO₂ has completed subsurface maturation suited for CCS site, and Conceptual Engineering Design was approved in Q4 2021.
  - In our efforts to build storage volume potential, we have identified 19 potential storage sites (6 saline aquifers and 13 depleted fields) to offer CCS as an option for carbon management solutions in Malaysia and regional industries. Given such intent, PETRONAS has adopted a collaborative approach with both oil and gas (O&G) and non-O&G players to progress the CCS work further.

- **E-mobility**
  - PETRONAS Dagangan Berhad (PDDB) entered into a partnership with Mercedes-Benz to deploy EV chargers at PETRONAS stations along the North-South Expressway and part of the East Coast Expressway to enable end-to-end coverage of fast charging.
  - Introduced a new range of 40-watt high power high voltage high current (HPHC) EV fluids, designed for Original Equipment Manufacturer (OEM) first-fill applications in November 2021.

### Climate Adaptation

- Embarked on addressing the need for PETRONAS business and facilities to adapt to climate change by conducting a global high-level screening on the most vulnerable regions and countries in the world.
  - Established the PETRONAS ADAPT team with people from various disciplines, including Health, Safety and Environment (HSE); operations and maintenance; design and engineering; and crisis management teams.
  - Organised training programmes to close the knowledge gap in Climate Change Adaptation among PETRONAS staff. Carried out in the first half of 2021, the ultimate goal is to address the concerns about the physical impacts of climate change at a groupwide level. These programmes were conducted at eight PETRONAS operation sites – Bintulu and Miri in Sarawak, Johor, Kedah, Labuan, Melaka, Pahang and Terengganu.

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**Partnerships and Collaborations**

- Participated as speakers and panelists in several international conferences such as Sabah Climate Change International Conference (SCCIC) and Expo 2020 Dubai where we reaffirmed our pledge to reduce our carbon footprint.
- Organised the second Electric Vehicle Fluids Webinar, themed Accelerating Efficiency, Revolutionising e-mobility, which was attended by 150 participants comprising industry experts, OEM partners, academia, and suppliers worldwide.
- Commenced a series of stakeholder roundtable discussions in the Southeast Asia region to advocate for the importance of managing methane to deliver lower carbon energy.

### What did we achieve?

- **GHG Emissions Reduction**
  - **6.4 per cent** reduction in GHG emissions to 45.2 million tCO₂e in 2021 from 48.3 million tCO₂e in 2020.
  - **32.4 per cent** reduction in methane emissions to 0.23 million tonnes of methane in 2021 from 0.34 million tonnes of methane in 2020.
  - **0.3 million tCO₂e** (8.8 MScf/d) reduction in flaring in 2021.
  - **3.6 million tCO₂e** (26.8 MScf/d) reduction in venting in 2021.
  - **0.2 million tCO₂e** reduction through energy efficiency initiatives.
  - **1,352.8 tCO₂e** avoided in Scope 2 GHG emissions due to renewable energy power generation of 2,312.1 MWh.

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Safeguard the Environment

Responsible Waste Management

Why is it important?

Waste generation presents a broader challenge that affects human health, livelihoods, the environment, and economic growth. Poor waste management can reap a variety of negative consequences to our stakeholders and business environment, such as air and water contamination, hygiene and health concerns. Limiting our waste and increasing circularity will reduce environmental footprints and operational costs.

A major component of the global waste problem is plastic. The throwaway culture has resulted in the rapid disposal of single-use plastic, which may persist in the environment for hundreds of years. This presents significant environmental and health issues, as plastics can end up in oceans and food systems, affecting the entire ecosystem. To combat this problem while still providing the social benefits of plastic, we need to apply circular economy principles to transform plastic waste into pyrolysis oil, creating an economic platform.

Meanwhile, through PETRONAS Chemicals Group Berhad (PCG), we aim to spearhead the nation’s transition into NPE. This involves collaborating with the Malaysian authorities and relevant stakeholders through the Malaysia Sustainable Plastic Alliance (MaSPA), which complements the actions set out in the Malaysia Roadmap towards zero single-use plastics (2018-2030). Additionally, PCG explores ways to convert end-of-life plastic waste into pyrolysis oil, creating an end product of certified circular or biodegradable plastic resins. Based on this roadmap, we are targeting to recover 100 per cent of the plastic waste of our polymer production volume for the Malaysian market by 2030.

PETRONAS’ four key workstreams of NPE:

- **Innovation**: Establishing a viable collaboration in technology solutions to address plastic pollution
- **Infrastructure**: Developing strategic partnerships and collaborations for an effective, sustainable waste recovery system
- **Education**: Imparting knowledge and education on plastic to address misconceptions and promote change in behaviour and culture
- **Clean-Up**: Enhancing awareness of caring for the environment through innovative 3R education, CSR activities and green campaigns

What did we do in 2021?

- 124,884 metric tonnes of waste generated, a 36 per cent increase from 92,019 metric tonnes in 2020.
- Hazardous waste generated in 2021 increased to 59,228 metric tonnes, mainly from PETRONAS Energy Canada Ltd (PECL) drill cuttings (PECL contributed 43 per cent of total hazardous waste generated) that require disposal at secure landfills. As with other assets under PETRONAS, PECL is exploring waste minimisation options to reduce hazardous waste disposal.
- Conducted periodic assurance at our waste contractors’ facilities to verify that all aspects of waste management conformed to established waste management procedures and regulatory frameworks. The findings of the assurance at waste contractors’ facilities were tracked to closure and documented for our reference.
- Waste performance data are monitored by all PETRONAS Operating Units (OPUs) on a monthly basis.

**New Plastics Economy**

- **Innovation**
  - Collaborated with Plastic Energy Ltd to develop a solution that turns non-recyclable plastic waste into crude naphtha and further processes it into polymers, which acts as feedstock for plastic production. The technology to Malaysia by turning low quality, mixed plastic waste from landfills into naphtha quality pyrolysis oil. The end product will be used as feedstock for polymer production, enabling PCG to offer certified circular polymers.
  - Explored other innovative solutions based on the three focus areas:
    - **REDESIGN**: Enhance the recyclability of plastic materials
    - **REGENERATE**: Regenerate end-of-life plastics into valuable materials
    - **RENEWABLE**: Develop renewable-based plastic materials
  - Conducted a process trial of converting plastic waste into crude naphtha at a PETRONAS refinery in Melaka.

- **Infrastructure**
  - Secured feedback supply for projects currently ongoing in collaboration with local recyclers.
  - Initiated internal and external collaborations to improve the recovery of recyclable materials through our internal 3R programme involving PCG OPUs and other PETRONAS Business Units, such as PETRONAS Gas Berhad.

- **Education**
  - Developed and distributed Plastics, Sustainability and You Education (PSYE) modules to schools in Malaysia, in collaboration with the Ministry of Education (MOE), Solid Waste Management and Public Cleansing Corporation (SWCcorp) and Malaysian Plastics Manufacturer’s Association (MPMA).
  - Held live webinar sessions on Pusat STEM Negara’s social media channels to provide guidance on proper waste and plastics management.

**Clean-Up**

- Conducted clean-up initiatives through our Be Green Programme, which encourages surrounding communities in our areas of operation to learn about the importance of preserving the environment through proper waste and plastics management.

What is our position?

As a commitment to contributing towards United Nations’ 12th Sustainable Development Goal – Responsible Consumption and Production, we have set the path towards waste reduction via the 3R (reuse, recycle and recover) method. We implement plans and procedures on waste management at all PETRONAS operating sites. Activities producing waste are identified along with the type, quantity, frequency of generation, handling requirements as well as treatment and disposal methods. We also conduct periodic assurance on our waste management efforts while looking for ways to minimise waste generation. Furthermore, waste performance indicators are reported every month to a centralised reporting platform.

Meanwhile, through PETRONAS Chemicals Group Berhad (PCG), we aim to spearhead the nation’s transition into NPE. This involves collaborating with the Malaysian authorities and relevant stakeholders through the Malaysia Sustainable Plastic Alliance (MaSPA), which complements the actions set out in the Malaysia Roadmap towards zero single-use plastics (2018-2030). Additionally, PCG explores ways to convert end-of-life plastic waste into pyrolysis oil, creating an end product of certified circular or biodegradable plastic resins. Based on this roadmap, we are targeting to recover 100 per cent of the plastic waste of our polymer production volume for the Malaysian market by 2030.

**PETRONAS’ four key workstreams of NPE:**

- **Innovation**: Establishing a viable collaboration in technology solutions to address plastic pollution
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Safeguard the Environment

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  - Held live webinar sessions on Pusat STEM Negara’s social media channels to provide guidance on proper waste and plastics management.

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- **Clean-Up**: Enhancing awareness of caring for the environment through innovative 3R education, CSR activities and green campaigns
Safeguard the Environment

What did we achieve?

**Waste Management**
- 49,561 metric tonnes of waste recycled/recovered, which is equivalent to 40 per cent of the total waste generated by the Group.
- A decrease of oil in water content to 452 metric tonnes in 2021 was due to operational improvement.

**New Plastics Economy**
- Education
  - Conducted nine webinar sessions nationwide, on Plastics, Sustainability and You involving 130,000 teachers, students, government officers, industry players, the public and internal PETRONAS employees. The webinars aim to support NPE and educate the audience on sustainability and responsible plastics management.

Environmental Quality

Why is it important?

Our business is deeply connected to our planet’s natural resources. As a responsible operator, we aim to minimise the impact of our operations on the surrounding environment. This means managing our freshwater withdrawal, air quality, potential spills and biodiversity conservation efforts to protect the environment.

What is our position?

We integrate progressive environmental stewardship practices into our business practices and operations. We do this by placing a high priority on ensuring compliance with international standards, namely the International Finance Corporation (IFC) Performance Standards on Environment and Social Sustainability, and the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) as well as leveraging tools and databases such as the World Resource Institute’s (WRI) Aqueduct Water Stress Atlas and the Integrated Biodiversity Assessment Tool (IBAT).

PETRONAS’ Environmental Focus Areas

- **Air Emissions**: Air emissions from our facilities are monitored, and risks are evaluated and addressed accordingly as part of our integrated air emissions management approach. To enhance data visibility, we developed an online monitoring platform that allows us to accelerate our response rate.
  - Our sulphur oxide (SOx) and nitrogen oxide (NOx) emissions are measured directly from continuous monitoring systems or periodic samplings. Measurement systems comply with host country requirements or in their absence, reference is made to international accepted standards.

- **Oil Spills Prevention**: We safeguard our facilities by incorporating industry best practices on spill prevention in the design of our facility, implementing scheduled inspection and maintenance programmes, and applying lessons learnt from spill incidents.

- **Decommissioning**: We ensure that the disposal of petroleum facilities adheres to the structured Decommissioning Option Assessment (DOA). We also work closely with the Department of Fisheries (DOF) to evaluate the feasibility of converting decommissioned oil and gas platforms into artificial reefs to maximise the lifetime of decommissioned structures and to contribute to marine biodiversity.

- **Water Management**: We implement internal standards, policies and initiatives to optimise our freshwater withdrawal. Our water management focuses on three main pillars — conducting water accounting, understanding water availability, and increasing water use efficiency. Freshwater withdrawal in areas at risk of water stress is regularly tracked, with the water system operating at best-achieved levels. Wastewater discharge from our facilities is monitored, and risks are evaluated and addressed.

What did we achieve?

- **Waste Management**
  - 49,561 metric tonnes of waste recycled/recovered, which is equivalent to 40 per cent of the total waste generated by the Group.
  - A decrease of oil in water content to 452 metric tonnes in 2021 was due to operational improvement.

- **Education**
  - Conducted nine webinar sessions nationwide, on Plastics, Sustainability and You involving 130,000 teachers, students, government officers, industry players, the public and internal PETRONAS employees. The webinars aim to support NPE and educate the audience on sustainability and responsible plastics management.

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New Plastics Economy

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Why did we achieve?

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- A decrease of oil in water content to 452 metric tonnes in 2021 was due to operational improvement.
What did we do in 2021?

Water
- Freshwater Withdrawal
  - Continued to track the best-achieved freshwater use intensity for the top 13 freshwater users that were first identified in 2020.
  - In 2021, PETRONAS freshwater withdrawal increased by 11.1 million cubic meters, due to the inclusion of PETRONAS Refinery and Petrochemical Corporation Sdn Bhd (PRPC's) Utilities and Facilities (UF) which is currently undergoing start-up. PRPC UF's freshwater withdrawal is 14 per cent of PETRONAS' total withdrawal volume.
  - To ensure freshwater use is within design efficiency, water balance and internal procedures on water systems for PRPC UF have been established.

- Wastewater Discharge
  - Continued to monitor discharges from onshore and offshore installations.
  - Continued to conduct water risk-based assessment updates for all our onshore and offshore platforms.

- Air Emissions
  - Continued to monitor emissions from all stationary emission sources.
  - The decrease in sulphur oxide (SOx) emissions value by 47 per cent was attributable to the decommissioning of Engin Petroleum's refinery in Durban and operational improvement in PETRONAS Floating LNG (PFLNG).

Environmental Health
- Embarked on a voluntary, evidence-based management system for improved environmental health. This ensured safety and control measures were well integrated into our operations without impacting the environment and human health.
- Since 2018, we have been conducting baseline Human Health Risk Assessments (HHRA) at selected domestic operations to evaluate community exposure to health risks. This ensured safety and control measures were well integrated into our operations without impacting the environment and human health.
- In 2021, we established new baseline HHRAs for identified PETRONAS facilities at domestic and international locations.

Oil Spill Prevention
- Co-hosted with Malaysia's Department of Environment (DOE) a regional oil spill response exercise involving 17 agencies and three countries namely Malaysia, Indonesia, and Singapore.
- Conducted an Oil Spill Response Capability Assessment (OSRCA) for employees from various PETRONAS OPUs. The exercise aimed at helping participants:
  - Understand the core of oil spill management.
  - Conduct semi-quantitative oil spill risk assessments.
  - Identify appropriate response options to mitigate credible scenarios.
  - Compare the requirements against the available preparedness procedures and provide recommendations.

Decommissioning
- Promoted Malaysia's decommissioning achievements and aspirations via the presentation, among others:
  - Decommissioning in Malaysia: Learning and Moving Forward from 2020 to around 300 global operations and service providers during Decom Week 2021, organised by Decom North Sea, United Kingdom.
  - Malaysia's Sustainable Decommissioning Framework at the Oil & Gas UK (OGUK) Decommissioning Conference, attended by over 400 participants from across the globe.
- Signed the Decommissioning Side Agreement, a supplementary agreement to the Gumsui/Kakap - Geronggong/Jagus East Fields Utilisation Agreement, with the National Utilisation Secretariat (NUS) representing the Government of His Majesty The Sultan and Yang Di-Pertuan of Negara Brunei Darussalam.

What did we achieve?

Water
- Co-hosted with Malaysia’s Department of Environment (DOE) a regional oil spill response exercise.
- Conducted an Oil Spill Response Capability Assessment (OSRCA) for employees from various PETRONAS OPUs.
- Developed an analytical software, PETRONAS Reefing Viability Index (RII), to be able to assess the viability of offshore sites as reefing locations.
- Conducted reefing study in collaboration with academia led by Universiti Teknologi PETRONAS (UTP), focusing on site-specific reefing engineering, development of a strategic plan for sustainable Rigs-to-Reef programme, as well as socio-economic impact assessment to local communities, industries and stakeholders.

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Environmental Health
- 14 existing baseline and 7 new baseline HHRAs for air emissions.
- 2 existing baseline and 6 new baseline HHRAs for groundwater.
- From the new baseline HHRAs, we have identified areas of improvement to reduce chemical exposures in air emissions and groundwater, going beyond regulatory compliance.

Oil Spill Prevention
- Continued efforts towards sustainable decommissioning of Malaysia’s disused Upstream facilities.
- Finalised the 10-year Master Reefing Plan (MRP) with Department of Fisheries (DoF), covering 11 offshore structures and identified locations for Rigs-to-Reef offshore the coast of Peninsular Malaysia.
- Successfully decommissioned two pipelines and repurposed one major trunk line with an aggregated cost saving of 17 per cent, amounting to RM12.9 million.
- Completed three pipeline decommissioning projects and 13 wells plugged and abandoned, complying with local regulations and internal guidelines, which are aligned with established international guidelines and standards.

New Solutions
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Biodiversity

Why is it important?

Biodiversity is an intricate web that encompasses all species, habitats, ecosystems and ecological processes that help sustain life and the natural environment. It is closely tied to the growth of our natural resources, source of food and medicine; critical elements which contribute to our health, well-being and the overall economy.

The Post-2020 Global Biodiversity Framework, Taskforce on Nature-related Financial Disclosures (TNFD) and national policies such as the Malaysia National Policy on Biological Diversity (NPBD) are developments that aim to reverse biodiversity loss. At PETRONAS, we recognise the significance of nature and biodiversity to our business and communities in areas where we operate.

What is our position?

We will continue to take holistic actions to minimise our impact on biodiversity, at the policy level and on the ground, to reverse biodiversity loss. Thus, we are shifting our approach from compliance-based to strategic positioning on nature and biodiversity.

At PETRONAS, we adhere to stringent impact assessment and reporting standards on Biodiversity and Ecosystem Services (BES) set by the Global Reporting Initiative (GRI) and World Economic Forum (WEF). To protect biodiversity and ecosystem services in the areas where we operate, we identify BES risks, leveraging on Environmental Impact Assessments (EIAs) and BES Risk Assessments (BESRA), using tools such as Integrated Biodiversity Assessment Tool (IBAT) and be guided by our internal guidelines, such as the PETRONAS Technical Guidelines (PTG) on BES Management and industry best practices from organisations such as Ipieca, International Union for Conservation of Nature (IUCN), International Association of Oil & Gas Producers (IOGP) and World Business Council for Sustainable Development (WBCSD).

In line with our NZCE 2050 aspiration, PETRONAS strives to demonstrate visible leadership on Malaysia’s nature and biodiversity agenda and the countries in which we have a presence. We aim to restore, maintain and enhance biodiversity as we recognise that climate and biodiversity are intertwined issues that need to be addressed in tandem.

What did we do in 2021?

- In 2020 the BES Risk Profiling for PETRONAS domestic operations was completed, utilising the Integrated Biodiversity Assessment Tool (IBAT), information from Environmental Impact Assessment (EIA) and other published information. As a result of the risk profiling, 9 per cent of PETRONAS’ domestic operations were categorised as “very high” to “high” risk for BES. For these operations, a more detailed risk assessment - BESRA will be conducted and a Biodiversity Action Plan (BAP) will be implemented. In 2021, BESRA will be conducted for PDB’s terminals in Pasir Gudang, Johor and Langkawi, Kedah.

- PETRONAS recognises the need to work with other members of the wider business community towards BES management. To this end, PETRONAS is actively involved as a member of the Interim Working Group (IWG) to establish the Malaysia platform for Business and Biodiversity (MPBB). The MPBB is envisaged as a space for the private sector to discuss, share and collaborate on issues related to biodiversity conservation and its mainstreaming, in particular to support the implementation of the Malaysia National Policy on Biological Diversity (NPBD).

- Obtained endorsement for new biodiversity metrics by the PETRONAS HSE Council in November 2021 and reporting to commence in 2023 in line with the WEF’s Stakeholder Capitalism Metrics and the Global Reporting Initiative (GRI) standards.

- Planted close to 40,000 trees from 14 community nurseries established to supply seedlings for the programme, generate income and develop capabilities in nursery management and tree planting monitoring for the identified local communities.

- Organised the Biodiversity Tech Talk which was attended by 550 employees and KeTSA representatives.

- Conducted the Biodiversity Tech Talk as part of the awareness building process for employees. KeTSA Minister delivered the keynote address in a virtual event while we presented a paper on Malaysia’s experience in Rips-to-Reef, together with two other papers by KeTSA and Tenaga Nasional Berhad (TNB).

- Embarked on a tree-planting programme involving local communities in 14 sites across 11 states, a collaboration between Group HSE (GHSB), Yayasan PETRONAS and Global Environment Centre (GEC). The target is to plant 50,000 trees by the first quarter of 2022. This is also in conjunction with our Walk4Trees programme and KeTSA Minister’s 100 million Tree-Planting Campaign.

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Negative Social Impact

Health and Safety

Our approach to sustainability begins with our employees, suppliers, and the communities in which we have a presence. To deliver sustainable and responsible growth, we stepped up efforts to respond in ways that would make a meaningful difference.

What is our focus area?

Given the challenging environment caused by the COVID-19 pandemic, we continued to safeguard our employees and partners by focusing our efforts on mental health and wellness through programmes such as MIND-A-CARE, i-CARE online, and myFriends. We intensified our effort by closely engaging with our partners, including suppliers and contractors, to strengthen grievance management and heighten HSE compliance in reducing incidents.

Efforts to sustain HSE performance were made through specific interventions focusing on culture, capability and competency, and compliance. Additionally, we continued to collaborate with relevant stakeholders to strengthen relations and nurture trust, including accelerating our readiness towards self-regulation, which has received endorsement from the Malaysian national authorities.

Why is it important?

The health, safety and overall well-being of our employees and contractors is a key priority given the complex nature of our work. We are constantly looking for ways to improve our processes to create a safer working environment because this ensures our employees and contractors achieve their full potential, and our assets remain productive. In addition to protecting our employees, communities, and other stakeholders throughout our value chain, health and safety excellence also gives us the license to operate over the long term. Our ability to drive a safety culture builds our brand reputation and strengthens our position as a caring employer and partner in the industry. It also helps us attract and retain high-performing talents.

Despite our best efforts, we are deeply saddened by the news of casualties suffered in 2021, where two out of three casualty incidents were related to land transport. We held the Safety Stand Down day to pay our respects, honour their lives, foster involvement and reiterate the importance of safety. Efforts on land transport enhancement have been intensified by implementing the Fatigue Remedy and Sleep Hygiene programme at targeted entities, upskilling heavy vehicle drivers on land transport.

Positive Social Impact

Digital HSE at PETRONAS

The myHSSE digital platform serves as our one-stop knowledge centre for all PETRONAS Health, Safety, Security and Environment (HSSE) matters.

By adopting a single information platform that houses all 18 systems of our HSSE digital solutions, each of which addresses different business pain points for users’ easier access and fit-for-purpose usage. We are also enabling users to harness the power of HSSE data to derive insights on HSSE performance, trends, emerging risks and other essential elements so that we can make proactive interventions. As we move towards our goal of realising predictive and even prescriptive HSSE analytics, we aspire for the Group HSSE endeavours to rise several notches higher.

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Positive Social Impact

What did we do in 2021?

Culture

• Conducted risk assessments and implemented adequate controls and investigations on health-related incidents to protect our employees and communities from workplace health hazards.

Change and Communication

• Increased the number of virtual trainings on Generative HSE Culture Leadership Programme (GCLP) targeting the Top Leaders, management of PETRONAS, Partners, Middle Managers, and frontliners.
• Connected leaders to Behaviour Series training programmes to help understand human factors through Process Safety Essentials, Human Performance Improvement as well as HSE Accountability and Behaviour Reinforcement.
• Assessed PETRONAS Culture Maturity Survey (CMS) for domestic and international operations in 49 locations, which garnered more than 38,000 responses globally.
• Conducted eight Leaders Reach Out (LRO) sessions, led by PETRONAS President and Group CEO and the Executive Leadership Team (ELT), which provided a platform for open sharing and dialogues about mental health and wellness with the leaders. This was done to improve psychological safety and strengthen work culture through an empathetical approach by the leaders.

Crisis and Incident Management

• Encouraged the learning culture across PETRONAS through six groupwide Failed Stories and Experience Sharing sessions.

Health

• Established a holistic mental health and well-being signature programme under the THINK RIGHT element of the MESTRIfitHealth initiative to: – address mental health issues and their risk factors at an early stage – promote mental resilience and psychological safety – manage mental health problems among employees and contractors.
• Strengthened Industrial Hygiene capabilities for non-HSE employees in specific focus areas, namely chemical management, hearing conservation, ergonomics, and COVID-19 controls via upskilling and communication programmes.
• Implemented an improved Food Poisoning Intervention plan across business units, OPLUs and assets in collaboration with the Ministry of Health (MOH).
• Enhanced Fatigue Management System (FMS) at OPLUs to prevent incidents, improve compliance based on PETRONAS requirements on fatigue management, and increase investment return.
• Strengthened Health Risk Management, focusing on engineering and digitalisation to improve compliance and prevent adverse health effects across the workforce (noise, engineering in design, chemical management system and ergonomics management system).

Compliance

We carry out various initiatives to improve our processes and address potential risks.

Crisis and Incident Management

• Collaborated with the Fire and Rescue Department of Malaysia (FRDM) to strengthen the regulatory compliance and governance as well as ensure business continuity.

Health

• Implemented an improved Food Poisoning Intervention plan across business units, OPLUs and assets in collaboration with the Ministry of Health (MOH).

Safety Management

• Conducted 12 site assessments on Unsafe Act and Unsafe Condition (UAUC), implemented by Operating Plant Units (OPUs) and Project sites, along with quarterly UAUC Implementation Working Group (IWG) engagements to enhance user experience.
• Implemented PETRONAS Contractor HSE Mentorship Programme, with commitment from the Senior Management of major contractors that subscribed to the programme, to improve the HSE system and culture with contractors.
• Introduced HSE Accountability and Behaviour Reinforcement (HSE ABR) to ensure a consistent approach and fairness across PETRONAS when recognising and rewarding Desired HSE Behaviour, including addressing Undesired HSE Behaviour.
• Improved Process Safety competencies and governance by benchmarking against industry standards and practices.
Positive Social Impact

Capabilities and Competencies

A continuous effort to enhance employees’ HSE capability development and growth, drive sustainable HSE capability programmes, and embed overall HSE values and appreciation amongst our stakeholders and the larger community.

- Build HSE Leaders of Tomorrow:
  - Conducted continuous talent competency development via certification training such as Tripod Beta Investigation Tool, Oil Spill Response, Marine Safety, Fire and Emergency Response, Industrial Hygiene, Approved Medical Examiners, and more.
  - Conducted HSE Talent Outlook exercise to anticipate and build the required green capabilities to support our green ventures and NZCE 2050 aspiration.
- Design sustainable capabilities building programmes.
  - Structured the HSE Engineer programme to sustainably provide a pipeline of technically equipped and operationally experienced HSE engineers to line operations.
  - Enhanced Fire Hazards Management proficiency by sharing 33 technical papers and conducting five TechTalk webinar series.
- Optimised the execution of emergency exercises through utilisation of digital tools and systems through Hybrid Emergency Response Exercise (HERE).
  - Established a sustainable HSE e-Learning and Blended Learning approach (virtual webinar and group workshops) to promote HSE upskilling anytime, anywhere, while providing just-in-time HSE knowledge to our stakeholders.
- Enhanced collaboration with government bodies via an MoU with Fire and Rescue Department of Malaysia (FDRM) to elevate technical competency and sharing of emerging technology in Fire Safety Systems and Firefighting.
  - Collaborated with external stakeholders to improve quality and knowledge:
    - Contractors: Engaged with partners that assured the presence of competent contractors at the worksite, and provided learning opportunities such as focused mentorship and technical guidelines.
    - Institutions of Higher Education: Collaborated with higher education institutions to encourage knowledge exchange between academia and industry; enhanced Universiti Teknologi PETRONAS (UTP) HSE Introductory module; and instill HSE values as we develop an HSE-conscious workforce.
    - Professional Bodies: Partnered with the Centre for Chemical Process Safety (CCPS) and Institution of Chemical Engineers (IChemE) Safety Centre (ISC) to encourage knowledge sharing on Process Safety for PETRONAS and the industry.
- Adopt Digitalised HSE Learning:
  - Established a sustainable HSE e-Learning and Blended Learning approach (virtual webinar and group workshops) to promote HSE upskilling anytime, anywhere, while providing just-in-time HSE knowledge to our stakeholders.
  - Enhanced and digitalised HSE Test assessments, with new modules included, such as Sustainable Development, to embed HSE and sustainability values across our frontliners (PETRONAS non-Executive Technicians).

Positive Social Impact

What did we achieve?

Change and Communication

- PETRONAS Culture Maturity Survey results ascended the culture ladder to Proactive (4.03) from Calculative (3.98) level, with visible leadership and HSE ownership driven within line functions.
- Accomplished participation of more than 2,300 leaders/supervisors/frontliners and programme Coaches/Facilitators through Generative HSE Culture (GC) programmes for Top Leaders, Middle Managers, Rakan HSE and Partners in accelerating GC HSE journey.
  - 387 leaders trained under Generative HSE Culture Leadership Programme (GCLP), including top leaders and middle managers across all business units.
  - Over 2,000 frontline supervisors were upskilled with the relevant capabilities to accelerate our HSE journey.
- Transformed challenges into opportunities by creating more avenues in sharing behaviour series, demonstrating efforts for care and keeping people for business continuity.

Culture

Safety Management

- Reported 32,378 unique users under the Unsafe Act and Unsafe Condition (UAUC) initiative, a 14 per cent increase from the previous year, demonstrating higher safety culture awareness levels among employees and contractors.
- 10 Senior Management of major contractors expressed commitment and subscribed to the PETRONAS Contractor HSE Mentorship Programme.
- Obtained commendable Process Safety Culture Maturity Score amongst PETRONAS employees based on HSE Culture Maturity Survey (4 out of 5).
- Established and rolled out the HSE Accountability and Behaviour Reinforcement (HSE ABR) Guideline. This Guideline was communicated through two e-learning modules and a series of groupwide communications, supported by the HSE ABR System.

Health

- 200 per cent increase in the utilisation of PETRONAS Employee Assistance Programme (MyFriends) in 2021 compared to the previous three-year average (2018 – 2020), showing increased openness among employees to reach out to professionals to manage their problems.
- 74 per cent improvement in resilience score among 840 participants involved in Individualised Coaching for Resilience Enhancement (i-CARE).
- 15,023 employees from PETRONAS global operations attended the eight Leaders Reach Out (LRO) sessions on mental health and well-being.
  - Received 4,045 comments and feedback around four major areas – Wellness, Leadership, Working Arrangement and Employees Performance, leading to some immediate interventions such as subsidies for work from home expenses, individualised coaching programmes, and strict vaccination requirements for entry into work premises to manage COVID-19 risk.
Positive Social Impact

Compliance

- **50 per cent** reduction in food poisoning cases in 2021 compared to a rolling five-year average (2016-2020).
- **Zero food poisoning** incidents involving in-house caterers.
- High Ministry of Health (MOH) Hygiene Standards among PETRONAS in-house caterers where **97 per cent** achieved MOH’s Clean, Safe and Healthy (ReSi5) certification and the remaining achieved Grade A Standard.
- **Zero** fatigue-related fatalities and incident among OPUs applying Fatigue Management System:
  - Prevented 16,900 potential fatigued employees from entering 32 PETRONAS OPUs.
  - Achieved high compliance (99.85 per cent) for PETRONAS Technical Standard requirements on fatigue management among employees and contractors.
  - Reduction of 12.5 per cent in fatigue management non-compliance frequency from 14.224 from 16.266 in 2020.
  - Saved RM213,000 manhours and RM11.6 million through the digitalisation of fatigue management, including automated checks on fatigue compliance at site, reduce administrative costs, and blocked entries of fatigue employees.
- Targeted noise reduction projects in several OPUs show significant noise reduction. Routine surveillance programme and close monitoring detected a few Occupationally-acquired Noise-Induced Hearing Loss (ONIHL) cases; investigations were carried out to determine root causes and mitigate actions.
- **Zero** cases of over exposure to chemicals in 2021 and 2020.

Safety Management

- Improved compliance in managing organisational change as seen through increased Integrated Process Safety Solution (IPSS) utilisation rate.
- Through Safety Intervention Plans, we achieved:
  - Aviation: Sustained zero incidents.
  - Maritime: **20 per cent** reduction in Maritime Loss Time Injury incidents, with zero fatal Accident Rate (FAR).
  - Land Transport: **17 per cent** reduction in Total Vehicle Accident Rate (TVAR) and **33 per cent** reduction in Vehicle Loss of Primary Containment (LOPC) incidents.

Self-Regulation

- Facilitated Self-Regulation readiness for four endorsed OPUs through Structured Assurance and Culture Baseline Assessment.

Capabilities and Competencies

A progressive step towards Generative HSE capability building among our talents while impacting the larger community and society through our HSE capability efforts.

- Build HSE Leaders of Tomorrow:
  - Developed capability tools and framework for the development of Green and Clean Energy skillsets.
  - Identified over 30 new and emerging HSE skillsets to be developed for HSE professionals and established GHG Management as a new discipline.
- Designed sustainable capability building programmes:
  - Industrial Hygiene training resulted in:
    - 16 trained professionals
    - 23 Initial Ergo Trained Persons (ETPs)
    - 21 Advanced ETPs.
  - Developed a sustainable pipeline of new HSE engineers for business and economic growth:
    - 48 HSE engineers mobilised to line operations, with an accelerated HSE talent time-to-autonomy.
  - Introduction of innovative learning infrastructure via digital and blended HSE learning resulting in:
    - 7 HSE e-Learning modules shared to all PETRONAS contractor personnel.
    - 12 in-house HSE e-learning modules developed in 2021.
    - Improved overall HSE competency level with a stronger HSE Technical Professional and competent person with Certificate of Competency (CoC) pool.
  - Achieved **71 per cent** Process Cycle Efficiency through the digitalisation of the HSE Test process.
- Collaboration with external stakeholders to improve quality and knowledge:
  - Enhanced quality of HSE course module by rolling out enhanced HSE introductory module for all Universiti Teknologi PETRONAS (UTP) first-year students.

COVID-19 Response

Throughout 2021, PETRONAS moved swiftly to provide our employees, customers, clients, communities and those across our supply chain with relevant support during this challenging period of the COVID-19 pandemic. With a strong focus on maintaining their health and safety, we reached out to assist those in need and create a lasting positive impact in the communities where we are present.

PETRONAS Pandemic Preparedness and Response Team (PPRT), the Directives, Standard Operating Procedures (SOPs) and Mitigation Measures

- Established the COVID-19 PPRT at Holding Company, Business and Operating Units both at Malaysia and International operations to manage the transmission and impact of COVID-19.
- Set up a COVID-19 One-Stop Centre on the PETRONAS Intranet which acts as the main platform of the latest information including all the directives, technical guidelines and general information to guide employees on COVID-19 management.
- Developed Incident Action Plans and SOPs across all levels of the Group.
- Launched the COVID-19 Digital Platform (e-Health Vaccination Tracking) for employees to update their vaccination status and other mitigation measures, backed by 85 technical guidelines and directives to improve business continuity and safeguard the health and safety of the workforce.
- Provided medical emergency support to employees and contractors during the peak period of COVID-19, enabling them to obtain necessary treatment including admission into PETRONAS’ panel hospitals.

PETRONAS Vaccination Centres

- Established six onshore Industry Vaccination Centres or Pusat Pemberian Vaksin Industri (PPVIN) in Pengang Integrated Complex (PIC), Johor; Malaysia Refining Company Sdn Bhd (MR/CUB), Melaka; Bintulu and Miri, Sarawak; and Kerteh and Pulau Duyong Jetty Terminal (PDJT), Terengganu, to help reduce the nationwide daily infection rates.
- Distributed hygiene kits to all employees.
- Conducted the first-of-its-kind outreach programme by setting up five offshore vaccination centres.

Activity

- No major interruptions recorded due to timely and effective SOPs as well as direction/guidance given by PPRT and management.
- Achieved RM700,000 in cost savings from these internally-developed digital platforms, with no data breaches.
- Achieved 100 per cent utilisation for COVID-19 Digital Platform as all employees updated their vaccination status.

- RM4.0 million contributed by the six PPVINs to support the National Immunisation Programme.
- A total of 99.6 per cent of PETRONAS employees have been fully vaccinated.
- Over 1,000 employees’ dependents, community members and school-going children vaccinated at the PPVINs.
- RM750,000 contributed to Pasar Pemberian Vaksin (PPV) in Perlis, Kedah, Perak and Selangor.
Positive Social Impact

Green Bubble Strategy and Green Net
- Grouped different work areas as Green Bubbles to sustain business continuity throughout our operations, where personnel who entered these 'bubbles' are required to conduct COVID-19 testing.
- Established quarantine centres for employees from the Upstream and Gas operations at local hotel establishments to allow a smooth transition and changes in shifts.
- 33 assets worldwide implemented the Green Bubble Strategy and Green Net.
- Close to 100 per cent vaccination rates for the offshore ecosystem – Upstream, PFLNG, Malaysian Petroleum Management (MPM), Petroleum Arrangement Contractors (PACs), crew, with no major business disruptions.

My Personnel e-Tracker (MyPeT)
- Introduced a tracker for personnel to ensure minimal industry-wide disruptions across all operations and the value chain. MyPeT was designed to fill in the gaps for Upstream operations as the Malaysia’s official MySejahtera app was only applicable for onshore locations.
- Monitored personnel movements, including contractors and subcontractors, from the embarkation point to their respective quarantine exit points.
- Ensured the safety of 10,000 offshore employees.
- Facilitated the process of contact tracing.

COVID-19 Disaster Relief
- Extended financial support to vaccinated employees, and International Assignees and their families who were returning to Malaysia.
- Provided financial reimbursements to employees and families based in PETRONAS operations across 30 countries for vaccinations done at private hospitals and remote working options for those obtaining vaccinations in their home countries over two months.
- Provided 200 emergency/non-emergency assistance to COVID-19 infected employees via partnerships with the private medical sector.

Supply Chain
- Continued to support and ease Oil and Gas, Services and Equipment (OGSE) vendors by facilitating access to financing under the Vendor Financing Programme.

Emergency Assistance and Financial Support
- Collaborated with internal and external stakeholders, including the Ministry of Health (MOH), Ministry of International Trade and Industries (MITI), National Security Council (MKN), National Disaster Management Agency (NADMA), Department of Occupational Safety and Health (DOSH), PETRONAS contractors and joint-venture partners to further enhance our COVID-19 response.
- Pursued strong collaborations with the government, government agencies and state governments.

Split Work Arrangements
- Introduced PETRONAS Split Work Arrangement to encourage employees to be productive and thrive in any working environment. Flexible work options such as Compressed Work Week, Flexible Work Hour, Work from Home (WFH) arrangements, and also assistance allowance to set up a home office and connectivity fees were made available.
- Strengthened remote working arrangements by introducing New Ways of Working Assistance, Connectivity Assistance and shared Remote Working Best Practices.

Government Relations
- Collaborated with internal and external stakeholders, including the Ministry of Health (MOH), Ministry of International Trade and Industries (MITI), National Security Council (MKN), National Disaster Management Agency (NADMA), Department of Occupational Safety and Health (DOSH), PETRONAS contractors and joint-venture partners to further enhance our COVID-19 response.
What did we do in 2021?

- Completed the Safeguarding Operations, Assets and Resilience (SOAR) Project across 214 assets, elevating compliance levels in line with PETRONAS M2S2 standards.
- Deployed creative solutions to optimise manpower, as well as accelerated schedules and processes to maximise value creation.
- Identified seven technology-driven initiatives to drive security operational excellence.
- Nurtured dedicated subject matter experts through relevant skills and competency development programmes in identified areas to shape a strong talent pool.
- Collaborated with PETRONAS Technical Training Sdn Bhd (PTTSB) to develop targeted security capabilities modules for the energy sector.
- Progressed on establishing a Security Academy to provide learning opportunities in areas vital to physical security.
- Completed Phase 1 of digital security systems integration for Malaysian operations. Phase 2 covering our international operations is planned for execution in 2022.

What is our position?

Safeguarding our people, information, property and operations wherever we operate remains our fundamental priority as a vital business enabler. Backed by our goal of positioning Group Security as a Centre of Excellence, we focus on widening and improving our security ecosystem, pushing boundaries to close security gaps by deploying a suite of physical and technological security solutions. At the same time, enhancing our protective monitoring and data analytics efforts to propel proactive readiness amidst fluid geopolitical environments.

To this end, we continuously fortify our physical security controls, supported by the right tools, practices and people. We are guided by laws and regulations of the countries in which we operate, including internal governance mechanisms such as the PETRONAS Security Policy, Security Management Systems (SeMS) and Mandatory Minimum Security Standards (M2S2). To continuously enhance our robustness throughout our energy value chain, we also implement targeted initiatives such as elevating compliance levels with the M2S2 and uptake of security considerations, generating predictive security insights and pursuing remote crisis management measures, enhancing maritime security as well as paving the way for accelerated skills and capability development in the niche domain of physical security management. In addition to these, expanding the roles and coverage of our PETRONAS Auxiliary Police – our pool of skilled security frontliners.

Integrated Report 2021
Our Sustainability Journey
• Deployed creative solutions to optimise security wherever we operate, remains our fundamental priority as a vital business enabler.
• Backed by our goal of positioning Group Security as a Centre of Excellence, we focus on widening and improving our security ecosystem, pushing boundaries to close security gaps by deploying a suite of physical and technological security solutions. At the same time, enhancing our protective monitoring and data analytics efforts to propel proactive readiness amidst fluid geopolitical environments.
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• Enhanced Capability, competency and knowledge through targeted initiatives and awareness programmes.

Value Creation of Hybrid Emergency Response Exercise (HERE):

- Contribute to, and time savings by conducting virtual drills.
- Optimise overall response management by having virtual security engagements.
- Strengthen security readiness through predictive inputs.
- Enhance capability, competency and knowledge through targeted initiatives and awareness programmes.

What is it important?

Given the dynamic, volatile and asset-heavy nature of the energy industry, we remain susceptible to security exposures which could impact our interests. Our extensive value chain is exposed to a range of security externalities, from protest and terrorism to crime, among others. Unpredictability and adversities, affecting our Manufactured Capital, such as onshore and offshore assets, including oil rigs, platforms and refineries, may result in loss or operational disruption, thus affecting our ability to deliver optimum business and stakeholder value. A strong and secured physical security landscape enables us to operate in a safe environment. It enables smooth operations and uninterrupted productivity of our infrastructure. More importantly, allowing our people to achieve their truest potential wherever we operate.

Why is it important?

Security

Safeguarding our people, information, property and operations wherever we operate remains our fundamental priority as a vital business enabler. Backed by our goal of positioning Group Security as a Centre of Excellence, we focus on widening and improving our security ecosystem, pushing boundaries to close security gaps by deploying a suite of physical and technological security solutions. At the same time, enhancing our protective monitoring and data analytics efforts to propel proactive readiness amidst fluid geopolitical environments.

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• Institutionalised real time monitoring for swifter security analysis and business decision making.
• Extended information on timely travel security insights to heighten employees’ preparedness levels and shared security acumen via onboard sessions to improve PETRONAS sponsored scholars’ security mindfulness.
• Ensured uninterrupted business operations and provided 24/7 support to employees and contractors during the COVID-19 lockdown.

PETRONAS Security Frontliners

• Reviewed the roles of security frontliners and explored the potential of in-house capabilities via the usage of drones and enhanced maritime security skills.
• Intensified patrolling of our assets in Malaysia, including offshore and unmanned platforms.
• Stepped up our ability to better address emerging security risks, among others deployed body worn cameras for a pilot project at the PETRONAS Twin Towers.
• Enhanced security during the various containment measures to protect PETRONAS’ interests, locally and abroad.

Proactive Security Risk Management

- Enhanced Security Compliance culture groupwide, premised on the “Security is Everyone’s Responsibility” philosophy, where collectively more than 25 security awareness programmes via webinars, engagements, articles, videos and infographics were conducted.
- Held the PETRONAS Security Month 2021 in July to increase awareness on the importance of robust security practices in delivering a reliable, uninterrupted energy supply. Organised forums, centered on topics such as security behaviours, scams, substance misuse and international security.
- Conducted multidisciplinary engagements with non-security practitioners to understand and address direct and indirect security exposures, including security governance stipulations from other parts of the business.
- Embarked on the Group Security’s three-pronged strategy covering activities namely, an internal survey, targeted stakeholder engagements and a comparative benchmarking exercise where improvement findings were incorporated into the Five-year Group Security Blueprint.

Stakeholder Engagement

- Intensified stakeholder engagement, both locally and abroad. This included internal and external constituents for example enforcement and government agencies in Malaysia. The engagements largely focused on areas such as potential operational engagements to sharing on good security best practices and security and human rights, as well as security incident management to uphold uninterrupted security operations.
- Collaborated with the PETRONAS Pandemic Preparedness and Response Team (PPRT) to conduct special awareness and sensitisation programmes including the Group Security’s three-pronged strategy covering activities namely, an internal survey, targeted stakeholder engagements and a comparative benchmarking exercise where improvement findings were incorporated into the Five-year Group Security Blueprint.

Security Compliance Culture

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- Embarked on the Group Security’s three-pronged strategy covering activities namely, an internal survey, targeted stakeholder engagements and a comparative benchmarking exercise where improvement findings were incorporated into the Five-year Group Security Blueprint.

Security Protective Monitoring

- Awarded Honourable Mention under the (Remote Resilience category) at the 2021 Duty of Care Awards.
- RM1 million cost savings achieved through various negotiations of Price Agreement and fit-for-purpose security solutions.
- 30 PETRONAS Auxiliary Police personnel and executives from Group Security were honed as part of a Team Theme to realise the Fit and Responsive aspiration.
- Successfully piloted an in-house real-time security monitoring to evaluate situational development in the countries where we operate.
- Four Quarterly Security International Operations Conclaves conducted, involving security personnel and decision-makers from PETRONAS’ global operations.
- Inaugural mass virtual engagement also held within the Group Security fraternity with holistic participation by all levels of staff, for example Group Security Townhall as well as virtual health and wellness programmes.

What did we achieve in 2021?

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Our Sustainability Journey

We apply integrated controls throughout PETRONAS’ systems and processes including areas of risk management, with human rights principles and laws, embedding industry best practices throughout PETRONAS’ Social Performance Business Ethics (CoBE) and all relevant legal requirements. Our responsibility is to uphold CoBE and ensure we comply with human rights issues material to PETRONAS in these areas of our business where we operate:

- Respecting human rights is a vital component of our Social Performance Framework and we have identified salient human rights issues material to PETRONAS in these areas of our business where we operate:
  - Workers’ health and safety.
  - Freedom of association and contractual terms.
  - Discrimination in hiring and work.
  - Child/minor labour.
  - Indigenous peoples.
  - Land acquisition and involuntary resettlement.
  - Access to natural resources for livelihood.
  - Human rights training for staff and third-party security.
  - Use of force and conduct of third-party security.
  - Forced or trafficked labour in contractors’ and subcontractors’ workforce.
  - Child/forced labour.
  - Condition of employment and work.
  - Discrimination in hiring and contractual terms.
  - Freedom of association and collective bargaining.
  - Workers’ health and safety.
  - Workers’ camp conditions.
  - Health, safety, socio-economic and culture.
  - Indigenous peoples.
  - In-migration.

Labour and Working Conditions
- Forced or trafficked labour in contractors’ and subcontractors’ workforce.
- Child/minor labour.
- Condition of employment and work.
- Discrimination in hiring and contractual terms.
- Freedom of association and collective bargaining.
- Workers’ health and safety.
- Workers’ camp conditions.

Community Well-being
- Community health and safety.
- Access to natural resources for health, cultural needs and livelihood.
- Land acquisition and involuntary resettlement with/without economic displacement.
- Indigenous peoples.
- In-migration.

Supply Chain
- Contractor/supplier performance related to labour and working conditions, community well-being and security.

Human Rights

What is our position?

Our Commitment

PETRONAS is committed to respecting human rights in areas of our operations, complying with its Code of Conduct and Business Ethics (CoBE) and all relevant legal requirements. Our responsibility is to uphold CoBE and ensure we comply with human rights principles and laws, embedding industry best practices throughout PETRONAS’ Social Performance Business Ethics (CoBE) and all other applicable requirements where we operate. More information on our efforts in building a sustainable energy future in South Sudan is available in the Sustainability section of the PETRONAS FLOW magazine, in the September and December 2021 issues. The information is also featured on our corporate website.

As part of our ongoing efforts to reshape our portfolio and redeploy capital to our identified areas of growth, we have finalised our divestment in Myanmar. This was achieved after we conducted a social risk assessment and human rights due diligence for our operations there and also other sites. We have addressed matters identified from the assessment and due diligence by strengthening our engagements with key stakeholders as well as formalising a grievance management process. Good practices from other operations in Malaysia and Canada on engagements with communities with regards to human rights and consistent monitoring of gap closure plans, have been shared with other operations for mutual benefit.

Access to Remedy

PETRONAS provides access to remedy through its grievance mechanism (GM). It plays a critical role in opening channels for dialogue, problem-solving, investigation and providing a remedy where required. GM enables workers and other rights-holders to raise complaints freely, obtain effective and transparent solutions, and the pre-emptive action needed to prevent future grievances. PETRONAS contractors must establish their own GM to address their own operations and performance in downstream and supply chain. Contractors can report complaints to PETRONAS’ Human Rights Team. The GM system allows us to monitor the number and type of formal individual or collective appeals received periodically.

We are guided by the following standards, policies and guidelines:

- United Nations Guiding Principles on Business and Human Rights (UNGPs)
- PETRONAS Code of Conduct and Business Ethics (CoBE)
- PETRONAS Human Rights Commitment
- PETRONAS Contractors’ Code of Conduct on Human Rights (CoCHR)
- Health, Safety and Environment Policy
- Anti-Bribery and Corruption Policy and Guidelines (ABC Manual)

Our human rights commitment applies to all employees of the Group of Companies, contractors, sub-contractors and any third parties within PETRONAS’ premises or performing work and/or business for and on behalf of PETRONAS, in line with the PETRONAS Contractors’ Code of Conduct on Human Rights (CoCHR).

Our Due Diligence

In ensuring we minimise risks to the communities where we operate, we are governed by our due diligence technical standards and guidelines pertaining to human rights: social risk assessment, human rights due diligence, indigenous peoples assessment, cultural heritage assessment, land acquisitions and involuntary resettlement, as well as grievance mechanism. These due diligence programmes are led by our Social Performance technical practitioners where potential human rights are identified, mitigated, tracked and monitored. Social Risk assessments are conducted periodically in accordance to project phases, during operational, decommissioning, as well as when there are significant changes in activities which may result in impact to community well-being, supply chain, security and labour and working conditions. Human Rights Due Diligence is also conducted for potential mergers and acquisitions.

Human rights is also fundamental to a just energy transition. The concept of Just Transition is to ensure that as we decarbonise, we also create social value and secure the rights of workers and communities. As part of our Just Transition commitment, PETRONAS is working towards an NZC 2050 aspiration, the year 2021 saw PETRONAS strengthening our governance on our internal processes to establish Labour and Working Conditions (LWC) baseline by evaluating our compliance with labour and working conditions laws as an integral part of fulfilling our sustainability objectives.

Our work in advocating human rights in supply chain continues as per our reporting on page 203.

With our operations located in many countries around the world, we face a wide array of political challenges being created in managing human rights risks. Despite some challenges, PETRONAS strives to uphold our commitment to respect human rights and the UNGPs in compliance with CoBE and all other applicable requirements where we operate. More information on our efforts in building a sustainable energy
What did we do in 2021?

Strengthened Engagements

• Continued to engage with officials from the Legal Affairs Division of the Prime Minister’s Department and the Human Rights Commission of Malaysia (SUHAKAM).
• Shaped PETRONAS’ leadership in business and human rights by participating in the National Business and Human Rights Forum as a speaker.
• Continued to engage with the Business Council for Sustainable Development (BCSD) Malaysia, participating in forums and discussions related to human rights.

Capability Enhancements

• Expanded pool of Social Performance practitioners to address human rights risks at Group, Business, and operational levels.
• Enhanced capability development on human rights management in LWC by conducting Technical Exchange sessions on Forced Labour and Masterclass sessions on Living Wage.
• Conducted a Technical Exchange on the National Action Plan on Forced Labour and Masterclass session on Living Wage.

Assessments

• Assessments of internal processes were conducted to establish a Labour and Working baseline based on the nine LWC Principles: freedom of labour, child labour, wages and benefits, working hours, grievance mechanism, non-discrimination, freedom of association, humane trademark as well as foreign and migrant workers.
• The assessments of internal processes were conducted to our operations based on Labour and Working Condition Principles which has been mapped with legal requirements.

The assessment results show that PETRONAS’ internal processes comply with the Labour and Working Conditions (LWC) legal requirements where we operate Canada, Mexico, Suriname, United Kingdom, Mauritius, Gabon, Botswana, Namibia, South Africa, Turkmenistan, Iraq, Dubai, India, Myanmar, Malaysia, Brunei, Indonesia, Bangladesh, Botswana, Lesotho, Namibia. A total of 70 participants have been involved in the assessments.

What did we achieve?

Strengthened Engagements

• Over 9,000 PETRONAS non-executive employees were covered by collective bargaining agreements. PETRONAS’ collective bargaining agreements typically are for three years, with the latest renewed in 2021.
• More than 500 employees attended the Technical Exchange session on Forced Labour and Masterclass session on Living Wage.

Capability Enhancements

• 68 per cent of permanent employees completed the Human Rights Management e-learning module resulting in growing awareness on human rights management.
• 10 human rights training sessions were conducted for 1,415 (82 per cent) Auxiliary Police in 2021 resulting in upskilled security personnel in human rights legislation.

Grievance Management

• Received 49 grievances in 2021:
  – 21 grievances related to supply chain
  – 14 grievances on LWC
  – 14 grievances on community well-being.
• 98 per cent of all grievances received were addressed accordingly, while lessons learnt from the issues raised have been identified to prevent future recurrence.

Positive Social Impact

Our Sustainability Journey

Integrated Report 2021
Petroliam Nasional Berhad (PETRONAS)
Supply Chain Management

Why is it important?

As a large organisation that relies on various products and services from external parties, it is essential to build supply chain resiliency. We ensure business continuity by managing our supply chain effectively, efficiently, and sustainably. This includes looking into the lifecycle of our products, protecting workers’ rights throughout the supply chain, and ensuring the safety of our products and solutions to stakeholders. We do this because potential disruptions could impede operational efficiency, business continuity, financial performance, and overall growth. To this end, our procurement practices are responsible, fair, ethical, and transparent.

What is our position?

Our approach to contractor management is taken from the Labour and Working Conditions (LWC) lens, and is part of the company’s overall effort to address adherence to health, safety and environment (HSE) standards. Under the PETRONAS Contractors Code of Conduct on Human Rights (CoCHR), we require our contractors to respect internationally-recognised human rights and comply with PETRONAS Code of Conduct and Business Ethics (CoBE). PETRONAS expects our contractors and suppliers to adhere to LWC principles which are freedom of labour, prevention of child labour, wages and benefits, working hours, establish grievance mechanism, non-discrimination, freedom of association, humane treatment and foreign and migrant workers.

Our procurement system is supported by digital and analytic insights to deliver value to our stakeholders, thus shaping a resilient and ethical supply chain ecosystem. It is guided by the PETRONAS Procurement Standard, PETRONAS Anti-Bribery and Corruption Manual, and the PETRONAS Code of Conduct and Business Ethics (CoBE). PETRONAS expects our contractors and suppliers to adhere to LWC principles which are freedom of labour, prevention of child labour, wages and benefits, working hours, establish grievance mechanism, non-discrimination, freedom of association, humane treatment and foreign and migrant workers.

Given our long-standing experience in the oil and gas industry, we continuously collaborate with relevant industry players to drive socio-economic growth through our supply chain. Through our Vendor Development Programme (VDP), we promote the development of the Oil & Gas Services and Equipment (OGSE) industry, as well as Small and Medium Enterprises (SMEs), to build strong relationships and create more local entrepreneurs. Over the longer term, this creates a ripple effect in the communities around us as this maximises economic growth, creates more employment opportunities, and improves their livelihoods.

What did we do in 2021?

• Implemented a cloud-based procurement integrated platform, covering Procure-to-Pay processes across PETRONAS’ businesses.
• Established the Procurement Marketplace for low-value, high-volume material purchases.
• Infused analytics across our inventory management processes through Equipment Reliability-Based Stocking, leveraging on materials management and plant maintenance data.
• Improved surplus visibility across Petroleum Arrangement Contractors (PACS) through Surplus Marketplace.
• Conducted further improvements to the PETRONAS Licensing Management System (PLMS) to continuously enhance user experience.

Sustainable Supply Chain

• Addressed gaps in human rights risk management within the supply chain, which include a lack of understanding of human rights and formalised grievance management to address grievances of their contractors and suppliers.
• From 2018 to 2021, PETRONAS conducted the PETRONAS Contractors Code of Conduct on Human Rights (CoCHR) Self-Assessments with more than 6,000 registered contractors, out of which 4,600 are active contractors. 83 companies with more than 20,000 employees underwent the CoCHR Compliance Assessment.
• In 2021, 156 out of 298 contractors responded to the CoCHR Online Self-Assessment. We conducted dialogues with 22 identified contractors with elevated human rights risks.

About the Compliance Assessment

CoCHR Online Self-Assessment (active contracts)

• Online surveys were disseminated via collaboration with Licensing and Registration.
• Participation is voluntary, 97% out of 1,657 contractors responded.
• Based on the response received, some contractors were contacted for compliance assessment.


• 83 companies with more than 20,000 total workforce assessed.
• Assessments included:
  – Site walkabout (before the pandemic)
  – Interview with key personnel
  – Documents review

Ensuring Product Safety

• Improved raw material compliance management.
  Successfully expanded the Raw Material Information Request (RAWMIR) programme due diligence on conflict minerals group-wide in ensuring comprehensive raw materials HSE information being obtained from suppliers.

Positive Social Impact

Positive Social Impact

What did we do in 2021?

• Successfully expanded the Raw Material Information Request (RAWMIR) programme due diligence on conflict minerals group-wide in ensuring comprehensive raw materials HSE information being obtained from suppliers.
What did we achieve?

Future-proof Digital Ecosystem

- Enabled three times shorter material ordering time through implementation of Procurement Marketplace.
- Optimised inventory level to less than one per cent leading to reduced working capital and non-moving stocks.
- Doubled the surplus utilisation rate across Petroleum Arrangement Contracts (PACs), generating more than RM500 million in value.

Sustainable Supply Chain

- Identified improvements in supply chain grievance management over the past two years (2019–2021) by guiding the contractors to comply with the nine Human Rights Principles outlined in the CoCHR, including freedom of labour and prevention of child labour.
- RM1.37 billion funds/loans approved to 243 applications under the Vendor Financing Programme since its inception in 2018.

What is our position?

Comprehensive product stewardship assessments, namely, Raw Material Management, Life Cycle Assessment (LCA) and Product Safety Assessment are carried out to ensure that future product risks are adequately managed. We also constantly monitor our impact on the environment, ensure our packaging remains within regulatory boundaries, and communicate information on product hazards and risk management measures to stakeholders via our Product Safety Data Sheets (SDSs). We also leverage emerging technologies and innovation as this allows us to penetrate new markets, build customer loyalty and strengthen our position as a reputable solutions partner.

Our product safety assessments are carried out in line with the requirements of the PETRONAS Technology Management System (PTMS) and Strategic Approach to International Chemicals Management (SAICM), and Responsible Care Initiative. We are also guided by the Raw Material Information Request (RAWMIR) standards. This helps us identify the Substances of Very High Concern (SVHC) in our products and alleviate the use of Conflict Minerals. Additionally, data and information are also proactively shared with relevant stakeholders, as required by the Globally Harmonised System of Classification and Labelling of Chemicals. Meanwhile, LCAs are conducted according to international standards and best practices.
**Positive Social Impact**

**What did we do in 2021?**

- Completed product stewardship assessments, including the application-specific product safety tests, for all applicable product R&D projects.
- Appointed and trained product stewardship focal points for each research cluster.
- Obtained approval to establish an in-house toxicology laboratory to facilitate in-vitro ecotoxicity testing to support R&D activities.
- Conducted Raw Material Information Request (RAWMIR) assessments on selected PETRONAS Chemicals Group Berhad’s (PCG) OPUs and oil field and production chemicals for domestic upstream assets.
- Introduction of new process to determine post consumer recyclable in packaging, Substances of Very High Concern (SVHC) material supply chain identified.
- Life Cycle Assessment (LCA) is a prominent method used for determining the environmental impacts occurring across the entire value chain of a product. In PETRONAS, LCAs are conducted adopting all the necessary standards (ISO 14040/44) and international best practices to support businesses address customer requests, augment marketability of products and enhance brand value. A total of 37 product LCAs were conducted this year supporting Upstream, Gas & New Energy and Downstream businesses.

**What did we achieve?**

- **Product Safety**
  - 6 PETRONAS ETRO base oils series were successfully registered with NSF, under the H1 and HX-1 categories, which are lubricants and lubricant components respectively certified for incidental food contact.
  - Assessed MG3DF and MG3DF75 which are synthetic base oils, for acute dermal irritation/corrosion hazard classification, through the Organisation for Economic Co-operation and Development (OECD) Test Guideline No 404 for Testing of Chemicals, improving the product’s hazard classification. The results were used for the read-across assessment of MG3DF90.
  - Conducted a Life Cycle Assessment to help position Hydrogen from PC Ethylene as a low-carbon product and improve marketability. This was also externally verified by DNV.
  - 5 Carbon Neutral LNG cargoes successfully delivered to customers.

**Employee Welfare and Fair Remuneration**

**Why is it important?**

We are committed to ensure fair employment, fair remuneration, and diversity best practices are carried out throughout our company and supply chain. We also provide our workforce with a competitive remuneration to attract and retain a quality talent pool. At the same time, we also look after their overall health and overall well-being as this helps ensure a healthy and productive workforce.

We also take pride in promoting a diverse and inclusive workforce, as this allows us to harness various skills and valuable experiences that promote an innovative culture and positively impact business growth. That is why it is important that we cultivate the right environment that allows them to thrive and at the same time, achieve their true potential.

**What is our position?**

At PETRONAS, we strive to nurture an inclusive workplace that values equal opportunities, diversity, talent, and overall employee well-being, and operate with a strong foundation of merit and equality, and our remuneration structure is anchored on a pay-for-job principle, irrespective of gender, age, nationality, ethnicity, or religion. We adopt differentiation in our total rewards strategy in creating the right environment that drives our diverse and changing workforce towards a high-performance culture.

We have established the PETRONAS Diversity and Inclusion (D&I) Council that oversees our efforts in four identified key areas, namely culture, multinationals, gender, and age; and a Wellness Steering Committee that oversees our efforts in safeguarding employees’ mental well-being.

**PETRONAS’ D&I Focus Areas of Culture, Multinationals, Gender and Age**

- **Differences in perspectives are respected and valued**
  - Creating an environment where people feel safe and confident to speak up and put differing views across, to foster creativity and innovation.

- **Representation by diverse nationalities in leadership roles**
  - Building and having qualified local nationals to fill the majority of decision-making positions in every country we operate in and having readily available local talents to take up leadership roles globally.

- **Women in senior leadership roles**
  - Providing opportunities for representation by women in senior leadership positions. PETRONAS aims to establish a pensive culture where women can thrive and progress with the Group, as we build a strong talent pool of qualified women.

- **Space for idea generation from young talent is enabled**
  - Creating an innovative organisation where young talents feel involved, respected and connected, as well as inspired to contribute new ideas while encouraged to constantly explore new ways of doing things.
What did we do in 2021?

Employee Benefits

- Introduced i-CARE (Individualised Coaching for Resilience Enhancement), an interactive online programme that offers individualised coaching to enhance mental health resilience of employees. The e-learning course is designed to equip participants with mindsets and skills to:
  - Cope and thrive when faced with challenges or adversities.
  - Recover from failures and setbacks.
  - Manage their resilience and health.

- Enhanced existing benefits covering Health and Well-Being, Time-Off and Special Paid Leave, Life Insurance coverage, and others in 2021, we provided:
  - Enhanced mental health treatment provision that allow mental illness related treatment beyond two years.
  - FlexWear implementation that allows smart casual attire at office or work location.
  - COVID-19 immunisation benefits that provide special paid leave for vaccination, booster shot, and accompanying dependent children obtaining vaccination, as well as travel reimbursement.
  - Support employees’ well-being with a Digital Employee Assistance Programme (EAP 2.0) for preventive mental health management, and i-CARE for mental resilience development.
  - Provide financial and connectivity assistance for mental resilience development.
  - Offer benefits to employees with special needs, including those for employees with special needs children.

Employee Welfare

- MIND-A-CARE training programme was established by PETRONAS, in collaboration with INSTEP, and Malaysian Psychiatric Association (MPA).
  - This mental health training programme aims to train PETRONAS employees to be certified MIND-A-CARE Ambassadors and equip them with the skills necessary to assist or refer affected colleagues for professional assistance through the company’s Employee Assistance Programme (my-friends).
  - PETRONAS targets to train 1,000 MIND-A-CARE Ambassadors in the next three years.
  - Established the first comprehensive Psychosocial Risk Assessment (PsyRA) tools to assess Psychological Safety at Work.
  - Continued to create a wholesome employee relations experience for different talent segments via active participations in existing internal bodies within PETRONAS, such as PETRONAS Young Professionals Club, Association of Wives and Women Employees of PETRONAS (PETRONITA) and PETRONAS Sports & Recreation Club (KSRP).

Diversity and inclusion

- A signatory to World Economic Forum’s Stakeholder Capitalism Metrics.
  - Participated in 30 per cent Club talk during the International Women’s Day Men-Who-Pause.
  - Participated in 30 per cent Club talk during the International Women’s Day Men-Who-Pause.
  - Incorporated DiH as part of the long-term incentive plan (LTIP) for Top Management for 2022.
  - Improved talent composition, with more employees consisting of different nationalities.
  - Improved Senior Management composition in terms of gender and nationality.
  - DiH Council 2021 met five times throughout the year to solidify the approach and improve DiH immersion.
  - Conducted Brown Bag internal communications series on DiH to improve awareness and importance of DiH.
  - Conducted various activities through PETRONAS Leading Women Network (PLWN), including:
    - Championed unconscious bias awareness, launched the Bias Disruptors Communication Campaign, and hosted quarterly inclusive talks with senior leaders and DiH advocates (male and female role models).
    - Commissioned PLWN DiH survey to address gender diversity.
    - Advocated industry-wide partnerships on gender diversity and inclusion.
    - Led and supported Malaysia’s Women in Energy (MyWE).
    - Collaborated with other oil and gas companies to support the industry (Baker Hughes Sustainability Session, Malaysian Gas Association Women in Energy Transition).

What did we achieve?

Employee Benefits

- Female employees 28 per cent and male employees 72 per cent who meet the stipulated eligibility criteria are entitled to parental leave.
  - In 2021 a total of 2,179 employees took parental leave:
    - Maternity leave: 90 consecutive days
    - Paternity leave: 5 working days
  - 96 per cent of those who took parental leave, both male and female, returned to work.

Diversity and inclusion

- Improved talent composition:
  - 28 per cent female
  - More than 100 different nationalities.
  - 41 per cent aged 35 and below.
  - Improved Senior Management (VP and above) composition which currently consists of 26 per cent female and 74 per cent male.
  - Won the LinkedIn Talent Award – Diversity Champion (1,000 employee category).
  - Elevated PETRONAS’ reputation as a DiH advocate in the global energy arena through participation in various global forums.

Employee Welfare

- 900 employees reached out to myFriends, which includes 811 digital coaching, 533 careerline calls, and 246 counselling sessions for both work and non-work related issues.
  - 1,856 employees were briefed virtually on MIND-A-CARE to create awareness on mental health first aid.
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  - 960 participants demonstrated higher resilience scores.
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  - 2,179 employees took parental leave:
    - Maternity leave: 90 consecutive days
    - Paternity leave: 5 working days
  - 96 per cent of those who took parental leave, both male and female, returned to work.

- 840 participants have enrolled in the i-CARE programme (Individualised Coaching for Resilience Enhancement) through seven cohorts in 2021.
  - Overall, 74 per cent of participants who completed the training modules showed improved resilience scores, and 25 per cent of all participants demonstrated higher resilience scores.
  - The holistic mental health and well-being signature programmes by PETRONAS have contributed to:
    - 70 per cent improvement in Depression, Anxiety and Stress Scores.
    - 50 per cent improvement in body mass index (BMI) scores.
    - 1,409 employees participated in the Digital Healthy Lifestyle Coaching (DHL-C), which exceeded our initial target of 1,000 participants.
Positive Social Impact

Talent and Education

Why is it important?
People are our greatest assets and investing in human capital development at all levels will enable a continuous and sustainable pipeline of a high-performing and skilled workforce. With the energy industry constantly evolving against a backdrop of ongoing uncertainty, our long-term growth and sustainability depend on our ability to innovate, be agile, and adapt to the changing business environment.

This is why it is important that we constantly retool our human capital by providing the right environment, opportunities, and experiences to encourage new skills, knowledge, and driven employees. Our aim is to enable our people with the right capabilities and tools to always thrive on the job and are future-ready to achieve their potential over the long term.

What is our position?
We focus our efforts on attracting, developing, deploying and retaining the best talents to deliver on the job and prepare them to steer future progress that meet stakeholders’ expectations in an ever-changing business landscape. Our efforts are focused on five key areas that are also designed to contribute to a just energy transition:

Upskilling and Reskilling Existing Talents
We focus on upskilling and reskilling our people to deliver on our business strategies in the new energy landscape. This means, heavily investing in our people to become a highly-skilled, innovative and agile workforce. We have been making progress over the years to enhance our capability development programmes in upskilling and reskilling our talents in critical areas, such as leadership, innovation and core skills.

Agile Leadership
We continue to evolve our leadership styles to better respond to the ever-evolving environment and industry volatility. Key efforts include upskilling the leadership teams and employees with Agile methodology, promoting Agile practice in the right way and increasing Agile awareness across the organisation.

Innovation Engine
We are building a culture of innovation to drive new growth opportunities and generate new revenue potential by using agile, big data and automation technologies. This method will enable our people to think big, test small, and drive innovation through the customer lens, solutions, and business validation allowing them to explore non-traditional business areas and de-risk premature investments.

Creating and Maintaining the Right Environment for Our People to Thrive
Part of creating and maintaining the right environment is by embracing Diversity and Inclusion (D&I), which is vital for us to unlock or leverage the diverse strength of our talents. We continue to offer a wholesome employee relations experience for different segments of talents through various internal associations and bodies. The right environment would not be complete without the right organisational culture; hence continuous efforts were made to ensure the internalisation of the refreshed PETRONAS Cultural Beliefs (PCB) and its alignment to our organisation’s objectives.

What did we do in 2021?

Invested in learning and development to build capabilities in leadership, innovation, and core skills to become a highly skilled, high-performing, innovative, and agile workforce.

Enhanced our Employee Value Proposition to attract new and retain the best talents by strengthening our performance management in linking to business objectives with a focus on performance and development including coaching to ensure talents achieve their full potential.

Reviewed and simplified our processes to be principle-based.

Launched a new digital learning platform, myLearningX – A more prominent agenda on Diversity & Inclusion.

Continued to promote awareness and interest in STEM education.

Sponsored deserving students to study at Universiti Teknologi PETRONAS (UTP) under the Tabung Amanah Zakat UTP (TAZU) amounting to RM3.9 million.

Continued to provide both industrial and technical trainings such as Graduate Employability Enhancement Scheme (GEES), Vocational Institution Sponsorship & Training Assistance (VISTA) and internship placements.

Continued to promote awareness and interest in Science, Technology, Engineering, and Mathematics (STEM) via Petrosains outlets and the Discover PETRONAS@School (DPS) programme.

Contributed to the construction of two MARA Junior Science Colleges (MRSM) in Sabah and Sarawak, in collaboration with state governments.

Continued to offer learning opportunities to young talents in technical areas such as Nautical Studies.

Committed to the pilot journey for Innovation Engine with the aim of building a sustainable innovation culture that enables the creation of new opportunities and revenue streams at pace across the organisation.
Community Engagement

Why is it important?
We are firm advocates for community empowerment, as we believe that the long-term success of our business is contingent on the support of the communities we serve. As a nation-building organisation, community development is essential to driving the nation forward and ensuring shared prosperity. Strong community engagement allows us to better understand and address issues faced by our communities. Therefore, we continue to drive and advance our community engagement programmes as it does not only make a difference in the lives of the people, but also deepens the trust levels. We focus on enriching lives and improving their quality and socio-economic outcomes as it allows us to unlock their potential and enable them to earn and help stimulate economic recovery. Our employees are also encouraged to take part in these initiatives as it gives them a sense of purpose and fulfilment.

What did we achieve?

**Talent**

- More than 150 Top Leaders were equipped to lead and navigate the business and the workforce towards achieving organisational goals anchored on PCB and Shared Values through several key programmes such as Board Excellence, Ascend, and CEO 100 Days.
- Top Leaders were also consistently engaged via Top Leaders Dialogue sessions, a platform to converse key enterprise topics while shaping the organisational culture.
- More than 300 Managers, Senior Managers, and General Managers attended key in-role leadership programmes to ensure sustainable bench strength for succession.
- A pool of talents has been upskilled to become catalysts for continuous improvement (CI), innovation, and Agile methodology in the organisation to maximise operational cashflow and improve efficiency as well as to ideate, incubate, and scale new ideas and deliver customer-focused solutions at pace.
- myLearningX platform:
  - More than 40,000 learners
  - nearly 1 million accumulated interactions
  - nearly 400,000 learning hours completed
  - 4.2/5 average rating of learning platform by learners.
- Digital Academy was launched to upskill digital capabilities that includes Citizen Analytics and Digital Mastery. To date, 7,700 talents have been upskilled.
- The Agile Coaching Enablement Programme was launched to build a pipeline of Agile practitioners to support Agile teams across PETRONAS.
- Commenced activities to codify Agile practices to ease and streamline Agile adoption.
- Agile Leadership topics were discussed at both internal and external thought leadership programmes, for example Top Leaders Dialogue, Brownbag series, PETRONAS FutureTalks 2021, IFTDO India etc.
- Innovation Masterclass programme commenced to upskill talents selected for the Innovation Engine pilot. The programme facilitated the ideation process which resulted in several bold ideas being selected for incubation to unlock the potential value of each idea. The programme will continue as a permanent fixture to rally more innovative ideas that could bring potential value to the organisation.
- Established the foundation to uplift innovation capabilities and create an ecosystem of innovators. Talents with various backgrounds and skills across PETRONAS, including 65 per cent of PETRONAS’ top leaders have been immersed with innovation methodologies through hands-on exposure.
- Successfully matured 3 growth opportunities into new business ventures namely Circular Economy, Advanced Material, and Carbon Capture and Storage.

**Education**

- 302 individuals were sponsored under PESP.
- 1,462 deserving UTP students benefitted from the sponsorship by TAZU.
- 3,111 individuals benefitted from various programmes such as GEES, VISTA, and internship.
- Received 128,000 visitors at Petrosains outlets nationwide and 4,161 participants at Discover PETRONAS @ School (DPS).
- 325 students enrolled in Diploma in Nautical Studies and Diploma in Marine Engineering at ALAM, MISC and 35 enrolments in Technical Energy Enrichment Programme (TEP) at INSTEP.
Yayasan PETRONAS continues supporting B40 communities through its flagship Memampankan Ekonomi Asas Rakyat (MEKAR) programme, together with its strategic and implementation partners, with the aim to increase the income level of more than 2,000 B40 communities across 12 districts in five states.

MEKAR Phase 2 programmes in NCER and ECER focus on skills and entrepreneurship development benefiting more than 1,900 participants, while MEKAR Phase 3 (Go-to-Market) in Kuala Nerus, Terengganu and Kapar, Selangor, focus in business acceleration to enhance the skills of its 105 participants and help them gain market access. Yayasan PETRONAS is also committed to continue its support for seven districts in Kedah and Perak, benefiting 1,400 beneficiaries through partnership with NCIA.

What did we do in 2021?

• Yayasan PETRONAS, in collaboration with the Ministry of Education, ramped up the implementation of Program Duta Guru (PDG), a nine-year programme to sustainably raise students’ Higher Order Thinking Skills (HOTS) and interest and competency in Science, Technology, Engineering and Mathematics (STEM), by empowering 4,500 STEM teachers across Malaysia. Through PDG, Yayasan PETRONAS aims to develop 4,500 highly competent STEM teachers by 2028, impacting approximately 3.96 million students.

• In response to COVID-related school closures, Yayasan PETRONAS contributed 12,000 iPads equipped with one-year of data connectivity worth over RM30 million to marginalised students in 82 schools across Malaysia, as part of the nation’s CERDIK initiative. The contribution aims to enable students to access online learning during school closures and future digital learning experiences when schools reopen.

• Continued to support efforts to raise student enrollment and participation in schools through the Back To School Programme that provided 21,000 underprivileged students with essential school supplies, thereby lessening the financial burden of B40 parents.

• Continued to support underperforming B40 SPM (the Malaysian Certificate of Education, a national examination taken by all fifth-form secondary school students in Malaysia) students in Kedah to improve their academic performance and assist in tertiary education progression through the empowerNCER Academic programme, in partnership with the Northern Corridor Implementation Authority (NCIA). In 2021, 750 participants sat for SPM 2020 while an additional 1,000 participants were onboarded to the programme in preparation for SPM 2021.
Apart from Skills and Entrepreneurship Development Programme, MEKAR Phase 1 focuses on the provision of basic needs such as water and electricity, that reflects in the two initiatives in Pitas, Sabah, and Kluang, Johor to ensure sustainable supply of clean water and electricity respectively benefiting about 1,000 members of the community in six villages.

Yayasan PETRONAS also continues its support for cancer research for the Asian population and paediatric patients, by funding Cancer Research of Malaysia (CRM) and Hospital Canselor Tuanku Muhriz (HTCM). These grants will drive new research to address cancer more effectively, from prevention to detection and treatment.

Yayasan PETRONAS has committed to improve the health and livelihood of the vulnerable members of 840 communities with health issues, including AIDS, Thalassemia and Paediatric complications through the support of MyLady and SHAPE Programme with Malaysia AIDS Foundation (MAF).

Supported environmental conservation via the PETRONAS Walk4Trees Challenge by planting trees at 14 sites across 11 states nationwide.

We also supported biodiversity conservation and carbon-neutral programmes, such as rainforest conservation in Imbak Canyon, Sabah; marine biodiversity restoration in the Biodiversity, Environment and Conservation (BEACON) project in Sarawak; mangrove conservation and rehabilitation under PETRONAS Chemicals Group Berhad (PCG)’s ecoCare which has planted more than 20,000 mangrove trees across 14,000 square metres.

Environmental Awareness

Festive cheers were brought to more than 50,000 beneficiaries from underprivileged 840 families during festive seasons under the Sentuhan Kasih Festive programme.

Under the Memupampkan Ekonomi Asas Rakyat (MEKAR) Programme, more than 2,000 families gained access to sustainable economic growth opportunities in both urban and rural areas, with strong progress seen in empowerNCER (Phase 2) and MEKAR Kuala Nerus, Terengganu (Phase 3).

Festive cheers were brought to more than 50,000 beneficiaries from underprivileged 840 families during festive seasons under the Sentuhan Kasih Festive programme.

Key outcomes achieved:
- **empowerNCER Skills and Entrepreneurship Programme**:
  - 78 per cent of participants achieved the target set on increase in income.
  - 89 per cent of participants obtained job placements.
  - 222 new jobs created.

- **MEKAR Kuala Nerus, Terengganu Programme (Go-To-Market)**:
  - 77 per cent have achieved their sales projection with 100 per cent turnover from their start-up phase.
  - 89 per cent collaborated with the MEKAR alumni community in their business operations.
  - 89 per cent incorporated their business as a legal enterprise.
  - 51 per cent developed high-quality products and services that is ready for the market; and
  - 13 per cent secured contracts to market and supply their products.

**Education**

750 SPM 2020 students supported through the empowerNCER Academic Programme.

- 99.5 per cent passed SPM 2020 with 7.9 per cent achieving 5As or more.
- 100 per cent of 5A students and 67.8 per cent of students that obtained 4As and below, secured placement in tertiary institutions.

21,000 primary schools from low-income households were provided with personal hygiene kits and schools supplies under the Back To School Programme.

130,000 teachers, students, government officials reached through the Plastics, Sustainability & You Module education webinar series to realign societal perceptions on plastics and effective waste management.

292 active participants and 160 School Improvement Specialist Coaches (SISC+) from 142 districts as Pembimbing Program Duta Guru (PPDG) reached through PDDG.

* 92 per cent programme retention rate for Cohort 1, with Cohort 2 achieving over 96 per cent.
* 9/10 average participant satisfaction scores across 2021.
* 98 per cent of Pembimbing Duta Guru recognised positive developments highlighted among PDDG participants.
* 88 per cent of school principals recognised that PDDG teachers have brought positive impact through pedagogical approaches.

**Community Well-Being and Development**

Community Well-Being and Development

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  - 13 per cent secured contracts to market and supply their products.

**Contributed 12,000 devices worth a total of RM30 million** to enable students gain access to home-based teaching and learning (PdPR).
Greenhouse Gas Emissions

Total Greenhouse Gas (GHG) Emissions (million tonnes of carbon dioxide equivalent (tCO₂e))

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysia¹</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>43.8</td>
<td>1.4</td>
</tr>
<tr>
<td>2020</td>
<td>46.6</td>
<td>2.0</td>
</tr>
<tr>
<td>2019</td>
<td>46.1</td>
<td>2.0</td>
</tr>
<tr>
<td>2018</td>
<td>53.6</td>
<td>2.9</td>
</tr>
<tr>
<td>2017</td>
<td>56.5</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Note:
1. GHG emissions data from PETRONAS Refinery and Petrochemical Corporation (PRPC) Utilities and Facilities (UF) is included since 2019, hence GHG emissions from Malaysia Operations has been restated for subsequent years.

GHG Emissions Breakdown by Scope and Gas

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GHG Emissions (million tCO₂e)</td>
<td>56.5</td>
<td>50.1</td>
<td>53.8</td>
<td>48.3</td>
<td>45.2</td>
</tr>
<tr>
<td>Scope 1 GHG Emissions (%)</td>
<td>98.9</td>
<td>98.7</td>
<td>98.9</td>
<td>99.1</td>
<td>99.7</td>
</tr>
<tr>
<td>Scope 2 GHG Emissions (%)</td>
<td>11.1</td>
<td>11.3</td>
<td>11.1</td>
<td>0.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Carbon Dioxide (%)</td>
<td>73.0</td>
<td>80.2</td>
<td>80.6</td>
<td>82.0</td>
<td>86.9</td>
</tr>
<tr>
<td>Methane (%)</td>
<td>26.8</td>
<td>19.5</td>
<td>19.1</td>
<td>17.6</td>
<td>12.7</td>
</tr>
<tr>
<td>Other GHGs (%)</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Hydrocarbon Gas Flared (million standard cubic feet per day (MMscfd))¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysia¹</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>70.9</td>
<td>103.1</td>
</tr>
</tbody>
</table>

Note:
1. From Malaysia and international upstream operations only.

GHG Intensity¹

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG Intensity for Upstream (tCO₂e/kboe)</td>
<td>88.7</td>
<td>74.2</td>
<td>64.6</td>
<td>65.9</td>
<td>47.9</td>
</tr>
<tr>
<td>GHG Intensity for Refineries (tCO₂e/bbl)</td>
<td>0.017</td>
<td>0.018</td>
<td>0.018</td>
<td>0.019</td>
<td>0.018</td>
</tr>
<tr>
<td>GHG Intensity for Petrochemicals (tCO₂e/tonnes)²</td>
<td>0.77</td>
<td>0.68</td>
<td>0.68</td>
<td>0.66</td>
<td>0.67</td>
</tr>
</tbody>
</table>

Note:
1. All GHG intensity figures cover Malaysia operations only.
2. Figures have been restated in alignment with the new internal emissions management guideline.

Cumulative Renewable Energy Installed Capacity

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cumulative Renewable Energy Installed Capacity (megawatt)</td>
<td>844</td>
<td>664</td>
<td>29</td>
<td>625</td>
<td>822</td>
</tr>
<tr>
<td>Malaysia (megawatt)</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>19</td>
<td>29</td>
</tr>
<tr>
<td>International (megawatt)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Cumulative Renewable Energy Installed Capacity

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual GHG Emissions Reduction (million tCO₂e)</td>
<td>2.9</td>
<td>1.5</td>
<td>1.2</td>
<td>0.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Cumulative GHG Emissions Reduction (million tCO₂e per annum)²</td>
<td>10.1</td>
<td>11.6</td>
<td>12.8</td>
<td>13.4</td>
<td>17.5</td>
</tr>
</tbody>
</table>

Note:
2. Since the establishment of PETRONAS Carbon Commitments in 2012, GHG emissions reduction has been recorded starting from 2013.
# Five-Year Sustainability Key Performance Data

## Environment

### Total Freshwater Withdrawal (million cubic metres per year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Upstream</th>
<th>Downstream</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>56.0</td>
<td>5.1</td>
<td>50.9</td>
</tr>
<tr>
<td>2020</td>
<td>60.3</td>
<td>5.1</td>
<td>55.2</td>
</tr>
<tr>
<td>2019</td>
<td>60.1</td>
<td>5.1</td>
<td>55.0</td>
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</tr>
<tr>
<td>2017</td>
<td>56.0</td>
<td>5.1</td>
<td>50.9</td>
</tr>
</tbody>
</table>

### Key Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Freshwater Withdrawal (million cubic metres per year)</td>
<td>56.0</td>
<td>59.3</td>
<td>60.3</td>
<td>60.1</td>
<td>71.2</td>
</tr>
<tr>
<td>Malaysia (million cubic metres per year)</td>
<td>52.6</td>
<td>56.4</td>
<td>56.8</td>
<td>56.8</td>
<td>70.2</td>
</tr>
<tr>
<td>International (million cubic metres per year)</td>
<td>3.4</td>
<td>2.9</td>
<td>3.6</td>
<td>3.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Discharges to Water (metric tonnes of hydrocarbons)</td>
<td>591</td>
<td>715</td>
<td>648</td>
<td>552</td>
<td>452</td>
</tr>
<tr>
<td>Number of Hydrocarbons Spills into the Environment over One Barrel¹</td>
<td>18</td>
<td>7</td>
<td>11</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Total Sulphur Dioxide Emissions (metric tonnes)</td>
<td>87,917</td>
<td>113,256</td>
<td>110,214</td>
<td>84,225</td>
<td>47,954</td>
</tr>
<tr>
<td>Total Nitrogen Dioxide Emissions (metric tonnes)</td>
<td>159,498</td>
<td>151,519</td>
<td>148,446</td>
<td>138,035²</td>
<td>133,962</td>
</tr>
<tr>
<td>Total Hazardous Waste Disposed (metric tonnes)</td>
<td>19,755</td>
<td>34,688</td>
<td>42,121</td>
<td>33,349</td>
<td>59,228</td>
</tr>
</tbody>
</table>

### Notes:

¹ One barrel is equivalent to 159 litres.
² Figure has been restated due to internal verification.

## Safety

### Number of Fatalities (Number of cases)

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

### Number of Tier 1 Process Safety Events (Number of cases)

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
<td>9</td>
<td>9</td>
<td>12</td>
<td>16</td>
</tr>
</tbody>
</table>

### Notes:

¹ Tier 1 Process Safety Event is a Loss of Primary Containment (LOPC) with the greatest consequence as defined by API 754, Process Safety Performance Indicators for the Refining and Petrochemical Industries. It is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable materials, from a process that results in one or more of the consequences as listed in the API 754. There is a restatement of figures following review of incidents of 2017-2020, in accordance with API 754.
## Five-Year Sustainability Key Performance Data

### Employees

#### Total Number of Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46,884</td>
<td>46,879</td>
<td>47,669</td>
<td>48,001</td>
<td>49,911</td>
</tr>
</tbody>
</table>

#### Breakdown of Employees by Nationality (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysian</th>
<th>Other Nationalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>2020</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>2019</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>2018</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>2017</td>
<td>80%</td>
<td>20%</td>
</tr>
</tbody>
</table>

#### Breakdown of Employees by Region (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>0.6%</td>
<td>0.4%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Asia</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Commonwealth of Independent States</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Europe</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Middle East</td>
<td>1.4%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>North and South America</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

### Gender Diversity

#### Key Performance Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>28%</td>
<td>27%</td>
<td>27%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Male</td>
<td>72%</td>
<td>73%</td>
<td>73%</td>
<td>72%</td>
<td>72%</td>
</tr>
</tbody>
</table>

#### Breakdown of Employees by Gender (%)

<table>
<thead>
<tr>
<th>Gender</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>11%</td>
<td>11%</td>
<td>15%</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Male</td>
<td>89%</td>
<td>89%</td>
<td>85%</td>
<td>81%</td>
<td>74%</td>
</tr>
</tbody>
</table>

### Management Committee

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Male</td>
<td>88%</td>
<td>88%</td>
<td>89%</td>
<td>78%</td>
<td>78%</td>
</tr>
</tbody>
</table>

### Board of Directors

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>21%</td>
<td>20%</td>
<td>14%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Male</td>
<td>79%</td>
<td>80%</td>
<td>86%</td>
<td>75%</td>
<td>70%</td>
</tr>
</tbody>
</table>

### Female in Technical Position

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
</tbody>
</table>

### New Hires

#### Key Performance Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of New Hires (Core businesses in Malaysia)</td>
<td>2,409</td>
<td>2,512</td>
<td>3,498</td>
<td>2,160</td>
<td>2,172</td>
</tr>
<tr>
<td>Malaysian</td>
<td>1,982</td>
<td>2,098</td>
<td>2,989</td>
<td>2,003</td>
<td>1,982</td>
</tr>
<tr>
<td>Non-Malaysian</td>
<td>427</td>
<td>414</td>
<td>509</td>
<td>157</td>
<td>190</td>
</tr>
</tbody>
</table>

#### Note:

Decrease in 2021 due to higher attrition from contract expiry and voluntary employee separation exercise, and reduction of recruitment activities in line with business requirements.

---

**Note:** Scope/coverage represents 93 per cent of PETRONAS Group of Companies.
## Talent and Education

### Key Performance Indicators 2017 2018 2019 2020 2021

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training days per employee</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>5.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Training investment per employee (RM)</td>
<td>3,353</td>
<td>6,649</td>
<td>6,543</td>
<td>3,588</td>
<td>2,386</td>
</tr>
<tr>
<td>Average total hours of training per employee (person hours)</td>
<td>56.0</td>
<td>52.8</td>
<td>53.6</td>
<td>36.0</td>
<td>30.0</td>
</tr>
</tbody>
</table>

### Notes:
- Higher percentage in 2021 resulted from contract expires and voluntary employee separation exercise.

#### Attrition Rate in 2021 by Nationality

<table>
<thead>
<tr>
<th>Nationality</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysian</td>
<td>14%</td>
<td>18%</td>
<td>15%</td>
<td>4%</td>
<td>41%</td>
</tr>
<tr>
<td>Non-Malaysian</td>
<td>86%</td>
<td>82%</td>
<td>85%</td>
<td>96%</td>
<td>59%</td>
</tr>
</tbody>
</table>

#### Attrition Rate in 2021 by Age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>35 years old and below</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>Above 35 years old</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

#### Attrition Rate in 2021 by Job Level

<table>
<thead>
<tr>
<th>Job Level</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Executive</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Middle Manager</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
</tr>
</tbody>
</table>

### Notes:
- Scope/coverage represents 83 per cent of PETRONAS Group of Companies.

### Attrition Rate in 2021 by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>5.9</td>
<td>6.4</td>
<td>6.3</td>
<td>6.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Female</td>
<td>6.1</td>
<td>6.9</td>
<td>5.9</td>
<td>5.4</td>
<td>5.3</td>
</tr>
</tbody>
</table>

### Notes:
- Reduction from pre COVID-19 due to travel and physical attendance restrictions.

### Average Total Hours of Training per Employee in 2021 by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Average Total Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>37.6</td>
</tr>
<tr>
<td>Female</td>
<td>39.5</td>
</tr>
</tbody>
</table>

### Average Total Hours of Training per Employee in 2021 by Job Level

<table>
<thead>
<tr>
<th>Job Level</th>
<th>Average Total Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Executive</td>
<td>26.6</td>
</tr>
<tr>
<td>Executive</td>
<td>39.5</td>
</tr>
<tr>
<td>Middle Manager</td>
<td>29.5</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>37.7</td>
</tr>
</tbody>
</table>

## Five-Year Sustainability Key Performance Data

### Employee Attrition Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Male Attrition Rate (%)</th>
<th>Female Attrition Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5.8</td>
<td>6.5</td>
</tr>
<tr>
<td>2018</td>
<td>6.8</td>
<td>7.5</td>
</tr>
<tr>
<td>2019</td>
<td>6.8</td>
<td>7.3</td>
</tr>
<tr>
<td>2020</td>
<td>6.7</td>
<td>7.1</td>
</tr>
<tr>
<td>2021</td>
<td>6.4</td>
<td>7.0</td>
</tr>
</tbody>
</table>

### Number of Groupwide Technical Expertise

<table>
<thead>
<tr>
<th>Year</th>
<th>Technical Authorities (TA)</th>
<th>Technical Professionals (TP)</th>
<th>Technical Trade Specialists (TTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>499</td>
<td>860</td>
<td>206</td>
</tr>
<tr>
<td>2018</td>
<td>577</td>
<td>941</td>
<td>225</td>
</tr>
<tr>
<td>2019</td>
<td>340</td>
<td>1,028</td>
<td>240</td>
</tr>
<tr>
<td>2020</td>
<td>501</td>
<td>1,173</td>
<td>259</td>
</tr>
<tr>
<td>2021</td>
<td>601</td>
<td>1,281</td>
<td>262</td>
</tr>
</tbody>
</table>

### Number of PETRONAS Scholars Recruited

<table>
<thead>
<tr>
<th>Year</th>
<th>Recruited by PETRONAS (%)</th>
<th>Recruited by Others (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>48</td>
<td>52</td>
</tr>
<tr>
<td>2018</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td>2019</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td>2020</td>
<td>61</td>
<td>39</td>
</tr>
<tr>
<td>2021</td>
<td>66</td>
<td>41</td>
</tr>
</tbody>
</table>

### Number of Scholarships Awarded to Malaysians

<table>
<thead>
<tr>
<th>Type</th>
<th>Year</th>
<th>Malaysia (%)</th>
<th>International Universities (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>387</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td>2018</td>
<td>329</td>
<td>49</td>
<td>51</td>
</tr>
<tr>
<td>2019</td>
<td>399</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>2020</td>
<td>370</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>2021</td>
<td>302</td>
<td>34</td>
<td>66</td>
</tr>
</tbody>
</table>

### Human Rights

#### Security personnel trained in human rights policies or procedures

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>35.3</td>
<td>27.1</td>
</tr>
</tbody>
</table>

### Fair Employment

#### Employees taking parental leave (Number of employees)

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>2,179</td>
<td>1,415</td>
</tr>
</tbody>
</table>
The PETRONAS Leadership Team and our commitment to good corporate governance

228 Board Composition
229 Profile of Board of Directors
239 Profile of Company Secretaries
241 Profile of Executive Leadership Team
245 Corporate Governance at PETRONAS
**Board Composition**

**Experience**
- Oil & Gas: 4
- Public sector: 3
- Property: 4
- Consultancy: 4

**Skills**
- Strategy: 5
- Engineering/Technical/Operations: 2
- Economic: 1
- Finance/Audit: 1
- Reputation/Branding/Communication: 4
- Human Resource: 1

**Board at a Glance**
- Independent Non-Executive Directors: 4
- Executive Directors: 2
- Non-Independent Non-Executive Directors: 4

**Gender**
- Female: 3
- Male: 7

**Age Diversity**
- 40-49 years: 7
- 50-59 years: 2
- > 60 years: 1

**Tenure**
- > 1 Year: 8
- < 1 Year: 2

---

**Profile of Board of Directors**

*As of 28 February 2022*

**Tan Sri Dato’ Seri Mohd Bakke Salleh**
Non-Independent Non-Executive Director/Chairman

**Academic/Professional Qualifications**
- Fellow of Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants
- Bachelor of Science (Economics), London School of Economics, United Kingdom

**Past Appointments/Experiences**
- Held key positions in a number of Government-linked companies and local corporations:
  - Chairman, Telekom Malaysia Berhad
  - Chairman, Federal Land Development Authority (FELDA)
  - Group President and Chief Executive Officer, Felda Global Ventures Holdings Berhad
  - Group Managing Director, Felda Holdings Berhad
  - Chairman, Yayasan FELDA
  - Executive Deputy Chairman and Managing Director, Sime Darby Plantation Berhad
  - President and Group Chief Executive, Sime Darby Berhad

- Council Member of Yayasan Sime Darby
- Chairman, Bank Islam Malaysia Berhad
- Non-Executive Director, Eastern & Oriental Berhad
- Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji
- Director, Property Division of Pengurusan Danaharta Nasional Berhad
- Managing Director, Syarikat Perumahan Pegawai Kerajaan Sdn Bhd
- Pro Chancellor of Universiti Putra Malaysia

**Other Current Appointments**
- Chairman, Yayasan PETRONAS
- Honorary Council Member of Malaysian Palm Oils Associations (MPOA)

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**Board Committee**

- Chairman of Committee
- Member of Audit Committee
- Member of Risk Committee
- Member of Nomination and Remuneration Committee
Profile of Board of Directors
As of 28 February 2022

Datuk Tengku Muhammad Taufik
Executive Director, President and Group Chief Executive Officer

Academic/Professional Qualifications
- Fellow of the Institute of Chartered Accountants in England and Wales
- Bachelor of Arts (Honours) (Finance and Accounting), University of Strathclyde, United Kingdom

Past Appointments/Experiences
- Experienced in strategic planning, finance, and business strategy development with a focus on the oil and gas and energy industry
- Areas of expertise include developing and steering key business strategies, organisational transformation, and financial and risk management
- Advocate of a just and responsible energy transition by promoting regional partnerships to shape policy and catalyse innovation
- Executive Vice President and Group Chief Financial Officer, PETRONAS
- Partner at PricewaterhouseCoopers (PwC) Malaysia

Other Current Appointments
- Chairman of National Trust Fund
- Chairman of Audit Committee for East Coast Economic Region Development Council (ECERDC) and Northern Corridor Implementation Authority (NCIA)
- Member of National Employment Council (NEC)
- Council Member of Economic Cooperation (APEC)
- Member of Board of Trustees of the Merdeka Award Trust
- Member of the Board of various PETRONAS companies

Board Committee:
- Member of Audit Committee
- Member of Risk Committee
- Member of Nomination and Remuneration Committee

Ainul Azhar Ainul Jamal
Independent Non-Executive Director

Academic/Professional Qualifications
- Fellow of the Institute of Chartered Accountants in England and Wales
- Bachelor of Arts (Honours) (Finance and Accounting), University of Strathclyde, United Kingdom

Past Appointments/Experiences
- Experienced in strategic planning, finance, and business strategy development with a focus on the oil and gas and energy industry
- Areas of expertise include developing and steering key business strategies, organisational transformation, and financial and risk management
- Advocate of a just and responsible energy transition by promoting regional partnerships to shape policy and catalyse innovation
- Executive Vice President and Group Chief Financial Officer, PETRONAS
- Partner at PricewaterhouseCoopers (PwC) Malaysia

Other Current Appointments
- Chairman of National Trust Fund
- Chairman of Audit Committee for East Coast Economic Region Development Council (ECERDC) and Northern Corridor Implementation Authority (NCIA)
- Member of National Employment Council (NEC)
- Council Member of Economic Cooperation (APEC)
- Member of Board of Trustees of the Merdeka Award Trust
- Member of the Board of various PETRONAS companies

Board Committee:
- Member of Audit Committee
- Member of Risk Committee
- Member of Nomination and Remuneration Committee
Profile of Board of Directors
As of 28 February 2022

Dato' Razali Mohd Yusof
Independent Non-Executive Director

Academic/Professional Qualifications
• Master of Science (Engineering Management), University of Missouri, United States of America
• Bachelor of Science (Mining Engineering), University of Missouri, United States of America
• Diploma in Petroleum and Natural Gas Engineering, University of Technology, Malaysia

Past Appointments/Experiences
• Held several key roles in private and multinational companies in Malaysia:
  – Managing Director/Shareholder, Datasonic Group Berhad
  – Managing Director, Sarku Engineering Services Sdn Bhd
  – Chairman, OMNI Petromaritime Sdn Bhd
  – Director, Marine & General Berhad
  – Project Engineer/Project Manager, Pahang Investment & Industrial Co. Ltd
  – Operations Contract Engineer and Underwater Operations Engineer, Sarawak Shell Berhad

Other Current Appointments
• Chairman of Nomination and Remuneration Committee, PETRONAS
• Director, Intralink Properties Sdn Bhd
• Director, Urban Terrace Sdn Bhd
• Director, Bagus Tioman Sdn Bhd

Board Committee:
Chairman of Committee
Member of Audit Committee
Member of Risk Committee
Member of Nomination and Remuneration Committee

Thayaparan S. Sangarapillai
Independent Non-Executive Director

Academic/Professional Qualifications
• Fellow of the Institute of Chartered Accountants in England & Wales
• Member of the Malaysian Institute of Certified Public Accountants
• Chartered Accountant, Malaysian Institute of Accountants

Past Appointments/Experiences
• Possessed strong audit and business advisory background.
• His extensive experience and wide-ranging expertise spans over 35 years in areas that include financial reporting, internal controls and Initial Public Offerings.
• Began his career with PricewaterhouseCoopers (PwC) in Kuala Lumpur in 1983 and retired as a Senior Partner in 2015.

Other Current Appointments
• Fellow of the Institute of Chartered Accountants in England & Wales
• Chairman of Nomination and Remuneration Committee, PETRONAS
• Director, Intralink Properties Sdn Bhd
• Director, Urban Terrace Sdn Bhd
• Director, Bagus Tioman Sdn Bhd

Board Committee:
Chairman of Committee
Member of Audit Committee
Member of Risk Committee
Member of Nomination and Remuneration Committee

Commitment to Governance

Profile of Board of Directors
As of 28 February 2022
Datuk KY Mustafa  
Non-Independent Non-Executive Director

**Academic/Professional Qualifications**
- Bachelor of Arts in Anthropology and Sociology from the University of Malaya

**Past Appointments/Experiences**
- Served the Sabah State Government for 33 years from 1974 to the year 2007
- Permanent Secretary to the Ministry of Infrastructure in 1996
- State Secretary to the State Government of Sabah in 2000 and held the position until his retirement in 2007
- Head of the State Public Service and Secretary to the State Cabinet
- Member of the Royal Commission of Inquiry on Immigrants in Sabah from 2012 to May 2014

**Other Current Appointments**
- Chairman of the State Sabah Public Service Commission
- Director, Suria Capital Holdings Berhad
- Director, Sabah Ports Sdn Bhd
- Director, Sawit Kinabalu Sdn Bhd
- Director, Borneo Samudera Sdn Bhd

YB Dato Haji Ibrahim Haji Baki  
Non-Independent Non-Executive Director

**Academic/Professional Qualifications**
- A Barrister-at-Law and a member of Lincoln’s Inn
- Honours Degree in Law

**Past Appointments/Experiences**
- Served as City Councillor and active in social welfare and charitable organisations
- Former Executive Chairman/Shareholder, Hubline Berhad
- Director/Shareholder, Gegasan Abadi Properties Sdn Bhd
- Chairman/Shareholder, Wansan Kenyalang Sdn Bhd
- Chairman/Shareholder, IBZ Corporation Sdn Bhd
- Chairman, Layang-Layang Aerospace Sdn Bhd
- Managing Director, Gegasan Sdn Bhd
- Commission Member of Registrar of Companies Malaysia (Companies Commission of Malaysia)

**Other Current Appointments**
- Chairman, Daya Builders Sdn Bhd, a Government Linked Company
- Chairman/Shareholder, Supreme Consolidated Resources Berhad
- Chairman, Redpyne Sdn Bhd
- Chairman/Shareholder, IBA Holdings Sdn Bhd
- Chairman, Lestari Asiabina Sdn Bhd
- Chairman/Shareholder of two newspapers, the New Sarawak Tribune and Suara Sarawak
- Member of Risk Committee, PETRONAS

**Board Committee:**
- Chairman of Committee
- Member of Audit Committee
- Member of Risk Committee
- Member of Nomination and Remuneration Committee
Zakiah Jaafar
Non-Independent Non-Executive Director

Academic/Professional Qualifications
- Former Deputy Secretary General (Macro) of the Ministry of Economic Affairs (MEA), responsible for the preparation of medium- and long-term macroeconomic framework for the Malaysian economy and also oversees the policy directions for the manufacturing and services sectors, science, technology and innovation; environment economics as well as knowledge-based economy

Past Appointments/Experiences
- Former Deputy Secretary General (Investment) for the Ministry of Finance, Malaysia, responsible for coordinating, monitoring and updating policies, regulations, Acts and strategies to government investment companies, statutory bodies, public assets and strategic public investments

Board Committee:
- Member of Audit Committee
- Member of Risk Committee
- Member of Nomination and Remuneration Committee

Tan Sri Zaharah Ibrahim
Independent Non-Executive Director

Academic/Professional Qualifications
- Bachelor of Laws (Honours) (LL.B), University Malaya

Past Appointments/Experiences
- Held key positions in the Judicial and Legal Services and the Judiciary in Malaysia:
  - Chief Judge of Malaya
  - Federal Court Judge, Federal Court, Putrajaya
  - Court of Appeal Judge, Court of Appeal, Putrajaya
  - High Court Judge, High Court of Malaya (Shah Alam and Kuala Lumpur)
  - Judicial Commissioner, High Court of Malaya (Kuala Lumpur and Shah Alam)
  - State Legal Advisor, Selangor
  - Parliamentary Draftsman, Attorney General’s Chambers of Malaysia
  - Director, Parliamentary Draftsman, Attorney General’s Chambers of Malaysia
  - Director, Intellectual Property Division, Ministry of Domestic Trade and Consumer Affairs
  - Magistrate in Melaka
  - Chairman, Prasarana Malaysia Berhad

Other Current Appointments
- Member of Audit Committee, PETRONAS
- Member of Nomination and Remuneration Committee, PETRONAS

Board Committee:
- Chairman of Committee
- Member of Committee
- Member of Audit Committee
- Member of Risk Committee
- Member of Nomination and Remuneration Committee
Profile of Board of Directors
As of 28 February 2022

Intan Shafinas (Tuty) Hussain
Company Secretary

Age: 49 years
Gender: Female
Nationality: Malaysian
Date Appointed to the Board: 1 June 2018

Intan Shafinas (Tuty) Hussain
Company Secretary

Academic/Professional Qualifications
- Certificate in Legal Practice, Legal Profession Qualifying Board, Malaysia
- Bachelor of Laws (Honours), University of Leicester, United Kingdom
- Graduate Diploma in Law, University of Western Australia, Australia
- Licensed Company Secretary

Past Appointments/Experiences
- Joined PETRONAS in 2001 and has over 21 years of extensive experience in legal, corporate governance and company secretarial matters
- Previously served as the Joint Company Secretary of PETRONAS Gas Berhad and Head of Legal of PETRONAS Gas Berhad
- Other portfolios held include Legal Counsel of Legal Corporate Services; PETRONAS Chemicals Group Berhad, Corporate Services and Technology as well as Petrochemical Business of PETRONAS

Board Committee:
- Chairman of Committee
- Member of Audit Committee
- Member of Risk Committee
- Member of Nomination and Remuneration Committee

Profile of Company Secretaries
As of 28 February 2022

Liza Mustapha
Executive Director, Executive Vice President & Group Chief Financial Officer

Age: 51 years
Gender: Female
Nationality: Malaysian
Date Appointed to the Board: 1 June 2021

Liza Mustapha
Executive Director, Executive Vice President & Group Chief Financial Officer

Academic/Professional Qualifications
- Fellow of the Association of Chartered Certified Accountants (FCCA)
- Advance Management Program at Harvard Business School, United States of America
- Member of the Malaysian Institute of Accountants
- Bachelor of Science Degree in Economics, majoring in Accounting and Finance from The London School of Economics and Political Science, University of London

Past Appointments/Experiences
- Vice President, Group Procurement, Project Delivery and Technology, PETRONAS
- Chief Financial Officer, Upstream Business, PETRONAS
- Chief Financial Officer, PETRONAS Gas Berhad
- Head, Group Financial Control Department, PETRONAS
- Head, PETRONAS Group Treasury, where she led the centralisation of PETRONAS’ treasury management.
- Finance Executive, PETRONAS Carigali Sdn Bhd

Other Current Appointments
- Chairman, Energas Insurance (L) Ltd
- Director, MISC Berhad
- Director, KLCC Property Holdings Berhad
- Director, KLCC REIT Management Sdn Bhd
- Director, PETRONAS Carigali Sdn Bhd
- Director, PETRONAS International Corporation Ltd

Commitment to Governance
- Certificate in Legal Practice, Legal Profession Qualifying Board, Malaysia
- Bachelor of Laws (Honours), University of Leicester, United Kingdom
- Graduate Diploma in Law, University of Western Australia, Australia
- Licensed Company Secretary

Past Appointments/Experiences
- Joined PETRONAS in 2001 and has over 21 years of extensive experience in legal, corporate governance and company secretarial matters
- Previously served as the Joint Company Secretary of PETRONAS Gas Berhad and Head of Legal of PETRONAS Gas Berhad
- Other portfolios held include Legal Counsel of Legal Corporate Services; PETRONAS Chemicals Group Berhad, Corporate Services and Technology as well as Petrochemical Business of PETRONAS

Board Committee:
- Chairman of Committee
- Member of Audit Committee
- Member of Risk Committee
- Member of Nomination and Remuneration Committee
Profile of Company Secretaries
As of 28 February 2022

Nur Ashikin Khalid
Company Secretary

Academic/Professional Qualifications
• Master of Laws in Legal Aspects of Marine Affairs, University of Wales, Cardiff, United Kingdom
• Bachelor of Laws (Honours), University of Wales, Cardiff, United Kingdom
• Licensed Company Secretary

Past Appointments/Experiences
• Joined PETRONAS in 1996 and served in various positions in PETRONAS with exposure in various fields of law
• Previously served as Head of Legal and Company Secretary of PETRONAS Dagangan Berhad
• Other portfolios held include Head of Legal for the MLNG Group of Companies, Legal Counsel for PETRONAS Gas Berhad and Head of Gas Management in Legal Upstream, Group Legal
• Areas of expertise include company law, company secretarial and corporate governance

Profile of Executive Leadership Team
As of 28 February 2022

We believe that sustained value creation is built on ethical leadership. The calibre of our leadership across our business is embodied in the commitment, experience and diversity of our Executive Leadership Team (ELT).

Datuk Tengku Muhammad Taufik
President and Group Chief Executive Officer

Adnan Zainol Abidin
Chief Operating Officer and Executive Vice President and Chief Executive Officer, Gas Business

Liza Mustapha
Executive Vice President and Group Chief Financial Officer

Adif Zulkifli
Executive Vice President and CEO Upstream

Datuk Sazali Hamzah
Executive Vice President and CEO Downstream

Mazuin Ismail
Senior Vice President, Corporate Strategy

Razman Hashim
Senior Vice President and Group General Counsel, Group Legal

Bacho Pilong
Senior Vice President, Project Delivery and Technology

Farehana Hanapiah
Senior Vice President, Group Human Resource Management

Commitment to Governance

We believe that sustained value creation is built on ethical leadership. The calibre of our leadership across our business is embodied in the commitment, experience and diversity of our Executive Leadership Team (ELT).
Profile of Executive Leadership Team
As of 28 February 2022

Datuk Tengku Muhammad Taufik
President and Group Chief Executive Officer
Age/Gender/Nationality: 53/Male/Malaysian
Date Appointed: 15 October 2018
Academic/Professional Qualifications:
• Fellow of the Institute of Chartered Certified Accountants in England and Wales
• Member of the Malaysian Institute of Accountants
• Bachelor of Arts (Honours) (Finance and Accounting), University of Strathclyde, United Kingdom
Past Appointments/Experiences:
• Acquired more than 20 years of experience in the fields of finance and business investment
• Experienced in strategic planning, investment acquisitions, and key stakeholder engagement strategies for businesses and structured fit-for-purpose funding requirements
• Areas of expertise include financial reporting, project analysis, feasibility reviews, capital projects structuring, and risk management, with primary focus on the oil and gas industry
• Executive Vice President and Group Chief Financial Officer, PETRONAS
• Partner, KPMG Malaysia
• Chief Financial Officer for two public listed companies, responsible for financial and management reporting, merger and acquisition activities, as well as developing and implementing key stakeholder engagement strategies
• Member of the Board of MISC Berhad
• Director, KLCC Property Holdings Berhad
Other Current Appointments:
• Chairman of Audit Committee for East Coast Economic Region Development Council (ECERDC) and Northern Corridor Implementation Authority (NCIA)
• Chairman of National Trust Fund
• Council Member of ECERDC and NCIA
• Member of Asia-Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC)
• Member of Board of Trustees of the Merdeka Award Trust
• Member of National Employment Council (WEG)
• Member of the Board of various PETRONAS companies
• Member of World Economic Forum (WEF) Industry Action Group and WEF Oil and Gas Governors Forum
• Chairman of CEO Action Network

Adnan Zainol Abidin
Chief Operating Officer and Executive Vice President and Chief Executive Officer, Gas Business
Age/Gender/Nationality: 60/Male/Malaysian
Date Appointed: 1 February 2022
Academic/Professional Qualifications:
• Bachelor of Science (Chemical Engineering, University of Leeds, United Kingdom
Past Appointments/Experiences:
• Joined PETRONAS in 1984
• Has more than 38 years of experience in the oil and gas industry
• Other key positions previously held within the Group:
  - Chairman, PETRONAS Gas Berhad
  - Chairman, Malaysia LNG Sdn Bhd
  - Chairman, Malaysia LNG Tiga Sdn Bhd
  - Chairman, Malaysia LNG 9 Sdn Bhd
  - Chairman, PETRONAS LNG Sdn Bhd
  - Director, PETRONAS Carigali Sdn Bhd
  - Director, PETRONAS International Corporation Ltd
  - Director, PETRONAS Chemicals Group Berhad Ltd
  - Other key positions previously held within the Group:
    - Executive Vice President, Malaysia Gas
    - Senior Vice President, Business Development and Production, Upstream Business
    - Senior General Manager, Treasury
    - Chief Financial Officer, PETRONAS Gas Berhad
Other Current Appointments:
• Member of Board Audit Committee, MISC Berhad
• Member of Audit Committees of KLCCP and KLCCRM
• Member of the Malaysian Institute of Accountants
• Fellow of the Association of Chartered Certified Accountants (FCCA)
• Fellow of the Association of Chartered Certified Accountants
• Fellow of the Malaysian Institute of Accountants
• Fellow of the Institute of Chartered Financial Analysts
• Member of Audit Committees of KLCCP and KLCCRM
• Treasurer of Malaysian Petroleum Club

Liza Mustapha
Executive Vice President and Group Chief Financial Officer
Age/Gender/Nationality: 54/Female/Malaysian
Date Appointed: 1 July 2020
Academic/Professional Qualifications:
• Bachelor of Science (Commerce, majoring in Accounting), University of Strathclyde, United Kingdom
• Bachelor of Commerce (Honours) in Accounting, Colorado School of Mines
Past Appointments/Experiences:
• Joined PETRONAS in 1993
• Has more than 38 years of experience in the oil and gas industry
• Other key positions previously held within the Group:
  - Chairman, PETRONAS Energy Canada Ltd
  - Director, PETRONAS Carigali Sdn Bhd
  - Director, PETRONAS International Corporation Ltd
  - Trustee of the Abandonment Cess Fund
  - Other key positions previously held within the Group:
    - Chairman, PETRONAS Gas Berhad
    - Director, PETRONAS Chemicals Group Berhad
    - Director, MISC Berhad
    - Director, PETRONAS Carigali Sdn Bhd
    - Director, PETRONAS International Corporation Ltd
    - Other key positions previously held within the Group:
      - Senior Vice President, DevCo
      - Director, PETRONAS Chemicals Group Berhad
      - Vice President, Operations, Upstream Business
      - Senior General Manager, Treasury
      - Chief Financial Officer, PETRONAS Gas Berhad
Other Current Appointments:
• Member of Board Audit Committee, MISC Berhad
• Member of Audit Committees of KLCCP and KLCCRM
• Member of the Malaysian Institute of Accountants
• Fellow of the Malaysian Institute of Chartered Accountants (FCCA)
• Fellow of the Association of Chartered Certified Accountants (FCCA)
• Fellow of the Association of Chartered Certified Accountants
• Fellow of the Malaysian Institute of Accountants
• Fellow of the Institute of Chartered Financial Analysts
• Member of Audit Committees of KLCCP and KLCCRM
• Treasurer of Malaysian Petroleum Club

Adif Zulkifli
Executive Vice President and Chief Executive Officer, Upstream
Age/Gender/Nationality: 55/Male/Malaysian
Date Appointed: 1 April 2019
Academic/Professional Qualifications:
• Bachelor of Science (Chemical Engineering), University of Saskatchewan, Canada
• Bachelor of Science (Honours) in Chemical Engineering, University of Saskatchewan, Canada
Past Appointments/Experiences:
• Joined PETRONAS in 1993
• Has more than 38 years of experience in the oil and gas industry
• Other key positions previously held within the Group:
  - Chairman, PETRONAS Energy Canada Ltd
  - Director, PETRONAS Carigali Sdn Bhd
  - Director, PETRONAS International Corporation Ltd
  - Trustee of the Abandonment Cess Fund
  - Other key positions previously held within the Group:
    - Chairman, PETRONAS Gas Berhad
    - Director, PETRONAS Chemicals Group Berhad
    - Director, MISC Berhad
    - Director, PETRONAS Carigali Sdn Bhd
    - Director, PETRONAS International Corporation Ltd
    - Other key positions previously held within the Group:
      - Senior Vice President, DevCo
      - Director, PETRONAS Chemicals Group Berhad
      - Vice President, Operations, Upstream Business
      - Senior General Manager, Treasury
      - Chief Financial Officer, PETRONAS Gas Berhad
Other Current Appointments:
• Member of Board Audit Committee, MISC Berhad
• Member of Audit Committees of KLCCP and KLCCRM
• Member of the Malaysian Institute of Accountants
• Fellow of the Association of Chartered Certified Accountants (FCCA)
• Fellow of the Association of Chartered Certified Accountants
• Fellow of the Malaysian Institute of Accountants
• Fellow of the Institute of Chartered Financial Analysts
• Member of Audit Committees of KLCCP and KLCCRM
• Treasurer of Malaysian Petroleum Club

Datuk Sazali Hamzah
Executive Vice President and Chief Executive Officer, Downstream
Age/Gender/Nationality: 56/Male/Malaysian
Date Appointed: 1 January 2022
Academic/Professional Qualifications:
• Bachelor of Science (Chemical Engineering), University of Saskatchewan, Canada
• Bachelor of Science (Honours) in Chemical Engineering, University of Saskatchewan, Canada
Past Appointments/Experiences:
• Joined PETRONAS in 1993
• Has more than 38 years of experience in the oil and gas industry
• Other key positions previously held within the Group:
  - Chairman, PETRONAS Energy Canada Ltd
  - Director, PETRONAS Carigali Sdn Bhd
  - Director, PETRONAS International Corporation Ltd
  - Trustee of the Abandonment Cess Fund
  - Other key positions previously held within the Group:
    - Chairman, PETRONAS Gas Berhad
    - Director, PETRONAS Chemicals Group Berhad
    - Director, MISC Berhad
    - Director, PETRONAS Carigali Sdn Bhd
    - Director, PETRONAS International Corporation Ltd
    - Other key positions previously held within the Group:
      - Senior Vice President, DevCo
      - Director, PETRONAS Chemicals Group Berhad
      - Vice President, Operations, Upstream Business
      - Senior General Manager, Treasury
      - Chief Financial Officer, PETRONAS Gas Berhad
Other Current Appointments:
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Vice President of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
Other Current Appointments:
• Nil

Mazuin Ismail
Senior Vice President, Corporate Strategy
Age/Gender/Nationality: 54/Male/Malaysian
Date Appointed: 16 April 2016
Academic/Professional Qualifications:
• Bachelor of Science (Civil and Structural Engineering), University of Bradford, United Kingdom
Past Appointments/Experiences:
• Joined PETRONAS in 1991
• Has 30 years of experience in PETRONAS covering project execution and engineering, internal audit, governance, and business development. He had also held leadership roles in petroleum management, strategic planning and change management
• Other key positions currently held within the Group:
  - Chairman, PETRONAS Digital Sdn Bhd
  - Chairman, PETRONAS International Corporation Ltd
  - Chief Financial Officer, PETRONAS
  - Other key positions previously held within the Group:
    - Chairman, PETRONAS Digital Sdn Bhd
    - Chairman, PETRONAS International Corporation Ltd
    - Vice President, Corporate Strategy
    - Senior Vice President and Managing Director, PETRONAS International Corporation Ltd
    - Director, PETRONAS Chemicals Company Sdn Bhd
    - Director, PETRONAS Digital Sdn Bhd
    - Director, PETRONAS Carigali Sdn Bhd
Other Current Appointments:
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
• Member of the Society of Petroleum Engineers, Asia Pacific Advisory Council
Other Current Appointments:
• Nil

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Commitment to Governance
Profile of Executive Leadership Team
As of 28 February 2022

**Razman Hashim**
Senior Vice President and Group General Counsel, Group Legal Affairs
Age/Gender/Nationality: 48/Male/Malaysian
Date Appointed: 1 July 2021
Academic/Professional Qualifications:
- Bachelor of Laws and Shariah from International Islamic University Malaysia
- Licensed Company Secretary

Past Appointments/Experiences:
- Joined PETRONAS in 1998
- Has more than 24 years of experience in the legal and secretarial fields.
- Other key positions previously held within the Group:
  - Head of Legal, Upstream, PETRONAS
  - General Counsel, Legal Upstream, International Legal Upstream
  - Company secretary to PETRONAS
  - Cargill Sdn Bhd and PETRONAS International Corporation Ltd
  - Directors of various entities within Upstream business
  - Member of Joint Management Committee of Garraf Operations, Iraq

Other Current Appointments:
- CEO, Kulliyyah, Ahmad Ibrahim
- Nil

**Bacho Pilong @ Pelu**
Senior Vice President, Project Delivery and Technology
Age/Gender/Nationality: 57/Male/Malaysian
Date Appointed: 1 August 2021
Academic/Professional Qualifications:
- Bachelor of Chemical Engineering from Cochin School of Engineering, University of Texas, Austin, United States of America
- Senior Management Development Program, INSEAD, Singapore
- Advanced Management Program, AMP 65, The Wharton School, University of Pennsylvania

Past Appointments/Experiences:
- Joined PETRONAS in 1992
- Has more than 31 years of experience in the oil and gas industry
- Other key positions currently held within the Group:
  - Chairman, PETRONAS Research Sdn Bhd
  - Chairman, PETRONAS Technical Services Sdn Bhd
  - Chairman, Institute of Technology PETRONAS Sdn Bhd
  - Director, PETRONAS LNG 9 Sdn Bhd
  - Director, UTP FutureTech Sdn Bhd
  - Board of Trustees, Dana Asy-Syakirin
- Other key positions previously held within the Group:
  - VP, PETRONAS Research and Technology Sdn Bhd
  - Director, PETRONAS Future Projects Sdn Bhd
  - Board of Trustees, Dana Asy-Syakirin
  - Other key positions previously held within the Group:

**Farehana Hanapijah**
Senior Vice President, Group Human Resource Management
Age/Gender/Nationality: 54/Female/Malaysian
Date Appointed: 1 January 2020
Academic/Professional Qualifications:
- Bachelor of Commerce and Administration (Accountancy) from Victoria University of Wellington, New Zealand
- Advanced Management Programme, Harvard Business School

Past Appointments/Experiences:
- Joined PETRONAS in 1990
- Has more than 31 years of experience in corporate functions
- Other key positions currently held within the Group:
  - Chairman, PETRONAS Management Training Sdn Bhd
  - Chairman, PETRONAS Technical Training Sdn Bhd
  - Chairman, Dana Asy-Syakirin
  - Chairman, PETRONAS Lubricants International Sdn Bhd’s Nomination and Remuneration Committee
  - Director, Institute of Technology PETRONAS Sdn Bhd
  - Director, PETRONAS Digital Sdn Bhd
  - Director, PETRONAS Lubricants International Sdn Bhd
  - Other key positions previously held within the Group:

**Corporate Governance at PETRONAS**

**Board Governance and Structure**

“In 2021, PETRONAS had demonstrated resilient performance amidst the difficult global business environment. The significant economic contraction triggered by COVID-19 has been a real test of corporate governance in practice across organisations around the world. At PETRONAS, the focus has consistently been to apply the best practice of corporate governance principles throughout the Group. In building a sustainable business, the Board is conscious of its accountability to the stakeholders. To this end, the Board resolutely ensures that it demonstrates effective leadership and promotes unequivocally high ethical standards in its decision-making process.”

PETRONAS is led by a Board whose Directors are collectively responsible for creating and delivering long-term sustainable value for the business. A key responsibility of the Board is to balance the interests of the Group and our stakeholders including employees and the wider communities we serve. Our governance structure ensures role clarity by clearly delineating roles and areas of accountability and recognising the independent roles and duties required to effectively govern the Company. The governance structure aims to promote strategic alignment across the Group whilst facilitating efficient decision-making at all levels.
Corporate Governance at PETRONAS

Board Leadership
The Board provides effective stewardship and is responsible for the Group’s strategic direction and control of the Company. The Board exercises this control by way of a governance framework, effective delegation, risk management and a system of assuранces regarding financial reporting and internal controls. The Board is accountable to its shareholders and towards a wider range of stakeholders such as employees, suppliers, community and the Government.

Each Director has the duty to act in good faith and in the best interest of the Company. In discharging its roles and duties effectively, the Board is guided by the Board Charter, a document which sets out the authority, responsibilities and operations of the Board.

The differing roles of the Chairman and the President and Group Chief Executive Officer (President and GCEO) are acknowledged and set out in the Board Charter. The Chairman of the Board is not a member of any of the Board Committees.

The Board exercises collective oversight at all times. In delegating its authority to the Board Committees, the Board does not abdicate its responsibilities. The Board further ensures that such delegation does not hinder or reduce the Board’s ability to discharge its functions. In this regard, the Board clearly sets out the division of responsibilities in the respective Terms of Reference (TOR) of the Board Committees.

Together with Management, the Board upholds good corporate governance culture within the Company by ensuring ethical leadership, prudent and professional behaviour in the conduct of its business and in all aspects of its operations.

How the Board Functions
The Board meets regularly, and additional meetings are arranged as and when circumstances dictate. Each meeting is conducted in accordance with a formal and structured agenda and Board papers are circulated on time to ensure that Directors are well-informed and that debates and decisions are constructive and robust.

Access to Board papers by the Board members is carried out online through a collaborative software, with the aim of enhancing the efficiency of the Board process. Going digital allows the Directors to access, read and review the Board papers, as well as enabling the Board members to confer with each other and with the Company Secretaries, electronically. Board Papers and presentations by the Management to the Board are prepared and delivered in a manner that ensures clarity and provide sufficient understanding of the subject matter.

During 2021, the Board met on 24 occasions of which almost all meetings were conducted virtually. Although the quorum for the Board meeting is two, majority of the Board meetings were attended by all Directors. Whilst a decision of the Board only requires a majority of votes of the Directors, all decisions were made on consensus basis.

Each Director has full access to the services of the Company Secretaries, who play an advisory role to the Board by providing guidance on corporate governance, ethical business practices, compliance to the Company’s Constitution, policies and procedures and the relevant regulatory requirements, guidelines and legislation.

The Board may from time to time and if deemed appropriate, consider and approve urgent matters via Directors’ circular resolution. All circular resolutions passed by the Board are tabled at the next Board meeting for notation.

The Board practises active and open discussions at its meetings so as to ensure that opportunities are given to all Directors to participate and contribute to the decision-making process. Robust discussions and vigorous deliberations at the Board meetings ensure that the process of effective and healthy dialogue is achieved.

The respective Chairmen of the Audit Committee, Nomination and Remuneration Committee, and Risk Committee provide regular updates to the Board subsequent to the proceedings of their respective Committee meetings.

All proceedings of Board meetings are duly minuted and signed. Minutes of each Board meeting accurately reflect the deliberations and decisions of the Board, including any dissenting views and if any Director had abstained from voting or deliberating on a particular matter. Minutes of the Board meetings are properly kept by the Company Secretary.

Matters Reserved for the Board
The Board has an approved and documented schedule of matters reserved for its decision as follows:

1. Strategy and Management – Strategy, policies, annual budgets and major investment decisions which include capital projects, mergers and acquisitions, and funding requirements.
2. Financial, Governance and Risk – Financial reporting and control, and risk management.
3. Corporate Matters – Reputation and stakeholder management, Health, Safety, Security and Environment (HSSE), Board and Board Committees’ memberships, and Directors’ remuneration and succession planning.

Corporate Governance at PETRONAS

Board Roles and Attendance

Chairman
- Responsible for the effective running of the Board and ensures that the Board plays a full and constructive role in the development and determination of the Company and the Group’s strategy and overall commercial objectives.
- Leads the Board in setting the values and ethical standards of the Company.
- Promotes the highest standards of integrity and corporate governance at the Board level.

President and GCEO
- Responsible for all executive management matters affecting the Company and/or the Group and leads the Executive Leadership Team.
- Responsible for developing and recommending the long-term strategy and vision for the Company and/or the Group.
- Fosters a corporate culture that promotes ethical practices, encourages individual integrity and the fulfilment of the Company’s corporate social responsibilities.
- Champions the Company’s values and behaviours across the whole Group.

Non-Executive Directors
- Provide alternative insights and constructively challenge proposals to ensure all relevant matters are objectively considered by the Board.
- Oversight on the performance of the Management and monitors the delivery of Group strategy within the risk and control environment set by the Board.
- Bring independent judgment and scrutiny to the decisions taken by the Board.

Company Secretary
- Facilitates the effective operation of the Board and ensures that the Directors receive accurate, timely and clear information to enable them to discharge their responsibilities.
- Provides support and advice to the Board in respect of governance matters and ethical business practices.
Corporate Governance at PETRONAS

Board Balance and Effectiveness

Diversity

The Board recognises the importance of diversity and the value it brings to the PETRONAS Group. Diversity promotes the inclusion of different perspectives, raising the standards of good practice in Board leadership and enhancement of valuable insights in business judgment. Diversity is also important to ensure the Company remains relevant, resilient and sustainable in the rapidly transforming and evolving business environment.

Whilst it is important to promote diversity, the normal selection criteria of a Director based on an effective blend of competencies, skills, experience and knowledge in areas identified by the Board remains a priority so as not to compromise the effectiveness in carrying out the Board’s functions and duties. The Board is committed to ensure that its composition not only reflects diversity but will also have the right mix of skills and balance to contribute to the achievement of the Company’s goals and objectives.

Board Balance and Composition

As at the date of this report, the Board of Directors of PETRONAS comprises ten members; the Non-Executive Chairman, two Executive Directors and seven Non-Executive Directors (NEDs), out of which four are Independent Non-Executive Directors (INEDs). The biographical details of the Directors are set out on pages 229 to 238.

The size and composition of the Board is fundamental to its success in providing strong and effective leadership. The presence of Non-Executive Directors ensures that no individual or small group of Directors are able to dominate the decision-making process and that the interests of shareholders and stakeholders are protected.

During the year under review, the Board saw some changes and new appointments to its composition.

In view of the retirement of Tan Sri Ahmad Nizam Salleh effective 1 August 2021, ‘Tan Sri Dato’ Seri Mohd Bakke Salleh was appointed as the new Chairman of PETRONAS effective 1 August 2021. With this appointment, ‘Tan Sri Dato’ Seri Mohd Bakke Salleh’s status has been re-designated as Non-Independent Non-Executive Director (NINED). The Board wishes to record its appreciation and gratitude to Tan Sri Ahmad Nizam Salleh during his tenure as Chairman of the Board.

The Board also welcomed Thayaparan S. Sangarapillai as an INED and Datuk KY Mustafa as a NINED on the PETRONAS Board effective 24 September 2021 and 19 January 2022, respectively.

The current composition of the Board has a blend of skills, experience and knowledge enabling them to provide effective oversight, strategic guidance and constructive challenge, review and deliberation on the Management’s proposals.

The NRC is responsible for reviewing the composition of the Board and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable the Board to operate effectively.

Commitment to Governance

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Corporate Governance at PETRONAS

Board Independence
The Board assesses the independence of its NEDs annually. The independence assessment takes into account whether the NEDs have demonstrated an independent state of mind and objective judgment in their deliberations and decision-making process. The assessment on the independence of the NEDs may be undertaken in the following circumstances:

1. Prior to the Appointment of Non-Executive Directors
Prior to the appointment of NEDs, the independence of each individual candidate will be reviewed and determined by the Board based on the recommendations from the NRC upon reviewing fixed-term criteria per the PETRONAS Independent Directors Guidelines.

2. Annual Review
The Board determines the independence of each NED annually based on the recommendations from the NRC per the PETRONAS Independent Directors Guidelines.

3. Notice of Change of Circumstances
Each NED has an affirmative obligation to notify the NRC of any change in circumstances that may affect his/her independence status. Once notified, the NRC shall re-evaluate the independence status and make the necessary recommendations to the Board.

The INEDs have been appointed for their specific experience and expertise and are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. NEDs may serve on the boards of other companies provided this does not involve a conflict of interest and that the appointment does not restrict their ability to discharge their duties to PETRONAS in any way.

In line with the exemplary practices of corporate governance, the Board has adopted a tenure policy whereby an INED’s total tenure on the Board is capped at nine years. As at the date of this Statement, none of the INEDs has served the Board more than nine years.

Conflict of Interest
In ensuring transparency and integrity of the decision-making process as well as to prevent any conflict of interest, a declaration of interest by Directors is a fixed agenda item at the start of every Board meeting. The Principles of Directorship for the PETRONAS Group was established to govern the way Directors conduct themselves in a conflict of interest situation, which corresponds with the Companies Act 2016 and the Code of Conduct and Business Ethics (CoBE) of the Company.

The Directors are also required to declare their interests annually, in line with the requirements on the disclosure of Director’s interests in the Company’s Audited Financial Statements.

Board Remuneration Policy
Given the highly competitive market, PETRONAS designed a robust fee structure to attract, retain and appropriately compensate the diverse and internationally experienced NEDs. The fee framework is illustrated below:

PETRONAS Non-Executive Directors Remuneration Framework

- **Annual**
  - Retainer Fees: Board and Board Committees
  - Benefits
  - Special Fee*

- **Per Meeting**
  - Attendance/Abstention

PETRONAS BOARD EXCELLENCE (PBE)

**Solution**
- Onboarding: Essentials for Directorship
- Continuous Education: Board Assessment (Observation, Interview and Digital)
- Conference: Directors’ Conference, Audit Committee Forum

**Programme**
- Onboarding Programme for New Directors
- E-Learning (5 Critical Legal Areas, Code of Conduct, Anti Corruption, Data Privacy)

Continuous Programme
- Board Engagement (Observation, Interview and Digital)
- Update on Trends
- Board Excellence for New Directors (Foundational)
- Board Excellence for Directors (Advanced 1)
- Board Excellence for Management (Advanced 2)
- Round Table
- Best Practices for Board Excellence (Foundational)

**Board Onboarding and Professional Development Programme**
The Board recognises the importance of ensuring that new Directors have a complete introduction to the business so that they are able to make a full and meaningful contribution to the Board. To that end, the Board has adopted a comprehensive and extensive onboarding programme for new Directors, including meetings with key senior leadership team, bespoke training on relevant regulatory and legal obligations and onboarding procedures and processes.

Directors will have full access to roundtable discussions, seminars and other events, covering topics relevant to the Group and their roles. The Company provides Directors with the necessary resources to update their knowledge and capabilities throughout the year.

A suite of development programmes, known as the PETRONAS Board Excellence tailor-made to the requirements of Directors across the Group, has been in place since 2016 to chart the Directors’ development plans in a structured manner.

**Board Evaluation**
The Board, through the NRC, endeavours to conduct annual performance evaluation of the Board and its Committees, facilitated by the Company Secretary. Evaluation results are reported to the NRC. Individual Director’s evaluation results are made available to the NRC Chairman and reported directly to the Chairman of the Board. The Chairman of the Board will then conduct feedback sessions through peer-to-peer meetings.
Corporate Governance at PETRONAS

Board Commitment to Sustainability

The Board acknowledges that the well-being of the employees, customers, suppliers and other stakeholders as well as the environment and the society at large is central to sustaining our long-term performance and continued relevance. Careful consideration of the needs of a broader universe of stakeholders ultimately drives value for the shareholders.

The heightened materiality of sustainability to the business requires the Board to factor in these sustainability components, risks and opportunities into its strategies at all times. The Board being the highest authority in sustainability governance, takes full responsibility in the establishment of the Company’s sustainability agenda and road map.

The full report on Sustainability Governance is found on pages 170-173 of this Report.

Board Committees

Audit Committee

- Dato’ Razali Mohd Yusof – Chairman
- Thayaparan S. Sangarapillai (Appointed w.e.f. 24.9.2021)
- Tan Sri Dato’ Seri Mohd Bakke Salleh (Resigned w.e.f. 24.9.2021)
- Ainul Azhar Ainul Jamal
- Zakiah Jaafar

The AC continued to play a key role in assisting the Board in fulfilling its oversight responsibilities in ensuring the effectiveness of financial reporting, systems of internal control and the internal and external audit functions.

The AC discharges its responsibilities through its scheduled meetings during the year in accordance with its fixed agenda which covers the matters under the purview of the AC. The AC met 6 times in 2021.

For more information about the AC’s attendance, please refer to page 248.

Key Matters in 2021

Financial

During the year under review, the AC reviewed the quarterly financial results and the financial performance of business segments and of the PETRONAS Group, and also its report for the financial year ended 31 December 2021 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

The AC also reviewed the effects of the application of accounting judgments and estimates on impairment assessment and provision for decommissioning, dismantling, removal and restoration (DDRR).

Corporate Governance at PETRONAS

Internal Control and Audit Activities

The AC deliberated and endorsed internal audit reports which included opinions on the adequacy and effectiveness of governance and internal controls, audit findings’ root causes and implications and the recommended corrective actions to be undertaken by the Management. The internal audit exercises include audit on the following key areas (but not limited to):

- Business and operational activities are carried out effectively and efficiently.
- Delivery of selected ongoing projects focusing on project management activities, reliability of reporting and compliance to the applicable regulatory and procedural requirements.
- Efficiency and effectiveness of operations management, the existence of internal controls and safety management as well as accuracy, reliability and timely reporting on selected domestic and international assets.
- Efficiency and effectiveness of selected ongoing initiatives within the Group.

The AC also reviewed and endorsed the strategic objectives. The NRC is also responsible to review, prior to the Board’s approval, the appointments and structure, size, balance of skills and experience, as well as independence and diversity required to meet PETRONAS’ succession planning of PETRONAS’ Top Management.

The NRC discharges its responsibilities through its scheduled meetings during the year in accordance with its fixed agenda which covers the matters under the purview of the NRC. The NRC met 8 times in 2021.

For more information about the NRC’s attendance, please refer to pages 248.
The RC supports the Board in reviewing principal risks, oversees the adequacy and effectiveness of risk assessment and risk management system for PETRONAS Group. The Committee also deliberates on risk mitigation strategies and measures, review investment proposals that are significant from the risk perspective as well as monitor the activities on integrity-related initiatives for the PETRONAS Group.

The RC discharges its responsibilities through its scheduled meetings during the year in accordance with its fixed agenda which covers the matters under the purview of the RC. The RC met 7 times in 2021.

For more information about the RC’s attendance, please refer to page 248.

The RC reviewed and endorsed the establishment of Top Management Performance Measurement ("TMPM") and enhancement of Top Management Incentive Plan i.e. Short-Term and Long-Term Incentive Plans to encourage desired leadership behaviours to successfully deliver PETRONAS long-term ambition, which includes the incorporation of the ESG weightage of 20 per cent into the Top Management’s Long-Term Incentive Plan.

The RC also reviewed and endorsed the establishment of the 2021 President and Group CEO’s Performance Measurement to balance between Perform and Transform objectives with emphasis on enterprise outcomes and promote desired behaviours.

The NRC reviewed and made recommendations to the Board on the status of independence of the Non-Executive Directors (“NEDs”) of PETRONAS in line with the requirements of the PETRONAS independent Directors Guidelines on the annual review of independence of the NEDs.

The NRC reviewed PETRONAS’ Top Management appointments, contract renewals and contract cessations, as well as succession planning and development opportunities.

During the year under review, the NRC had reviewed and endorsed the establishment of a Chief Operating Officer (COO) position and the assignment of the role to the existing Executive Vice President, Gas + New Energy Business, as well as the establishment of a succession plan for the President and Group CEO. In addition, the NRC had also endorsed the appointment of the Chief Sustainability Officer to orchestrate PETRONAS’ roadmap for PETRONAS’ net zero carbon emissions by 2050 aspiration.

The NRC reviewed and endorsed the enhanced guidelines based on pay-for-job principle for the appointment of Top Management (which includes appointment to higher position) and management of employment contracts.

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PETRONAS has consistently championed compliance culture guided by the principles of its Shared Values and Statement of Purpose. Based on these principles, the compliance culture in the 5 Critical Legal Areas (5CLAs) is inculcated among PETRONAS employees through the embedding of a robust compliance programme, coordinated and managed by Group Legal via the Legal Compliance Framework (LCF). The components of LCF which include the 5 Key Compliance Areas (5KCAs) are our key focus in strengthening the compliance culture, supported with consistent messaging from the PETRONAS Board and Management.

In operationalising and ensuring global and groupwide compliance, the compliance management team is structured to serve the business sectors at headquarters, with regional offices in Asia Pacific, Europe, Middle East and Americas to cover all countries PETRONAS operates in. Through a risk based and “adopt-or-adapt” approach, the regional compliance management offices support the implementation of Group positions and enterprise controls, and conduct compliance programme and activities that adhere to and are in line with local laws and regulations. Frequent meetings and discussions are held to ensure alignment of compliance practices and that regional activities are connected and communicated regularly with the headquarters.
Corporate Governance at PETRONAS

1 Governance and Risk Assessment

PETRONAS establishes various governance documents such as policies, standards, guidelines, frameworks and procedures which are the foundation for carrying out internal controls in relation to the SCLAs. The relevant governance documents are continuously enhanced and improved throughout the year, and required to be adopted and implemented by PETRONAS entities across the Group.

Governance Documents for SCLAs

- **Ethics and Integrity**
  - PETRONAS Code of Conduct and Business Ethics
  - PETRONAS Anti-Bribery and Corruption Manual
  - PETRONAS Whistleblowing Policy
  - PETRONAS Fraud Protocol
  - PETRONAS Human Rights Commitment
- **Data Privacy**
  - PETRONAS Corporate Privacy Policy
  - PETRONAS Master Guidelines to the PETRONAS Corporate Privacy Policy
  - PETRONAS Data Protection Impact Assessment Guidelines
  - PETRONAS Personal Data Breach Protocol
- **Sanctions and Export Controls**
  - PETRONAS Economic Sanctions and Export Control Policy & Guidelines
  - PETRONAS Sanctions Breach Protocol
- **Competition**
  - PETRONAS Competition Law Guidelines
  - PETRONAS Competition Law Compliance Protocols
  - Margar and Acquisition Transactions Protocol
  - Meetings and information Sharing Protocol

2 Training and Awareness

PETRONAS continues to deliver enterprise or customised training and awareness programmes for its employees and Directors to ensure firm understanding of the SCLAs through various digital and communication platforms. Online courses, webinars and virtual trainings were the primary methods used in light of the prolonged COVID-19 pandemic. These methods have enabled PETRONAS to accelerate the training completion by all PETRONAS employees as part of its continuous efforts to instil the SCLAs compliance culture across PETRONAS Group. Throughout 2021, more than 90 per cent of PETRONAS employees group wide had completed the SCLAs online courses.

3 Due Diligence and Contractual Obligations

PETRONAS manages its third-party risks through PETRONAS Third Party Risk Management (TPRM), a robust due diligence process to safeguard PETRONAS Group from any exposure to the SCLAs in the event of misconduct by third parties or third parties prior to any formal engagement or during the business relationship with such third parties, and to provide the necessary mitigation or contractual safeguard against any risks of legal, financial or reputational damage that may be caused toward PETRONAS.

- PETRONAS TPRM, which applies to all businesses, enable PETRONAS to detect possible red-flags of potential third parties.
- PETRONAS TPRM are further revised and strengthened based on the experience of in-house counsels in dealing with various third parties and compliance issues. A simplified KYC Questions document and compliance clauses were also established for third parties under special categories that pose a lower risk to PETRONAS.

4 Business Practice

PETRONAS reviews its policies and guidelines on a regular basis and endeavours to ensure these policies and guidelines are effectively updated and in line with any changes in the SCLAs. This review is undertaken for continuous improvements and putting in place pre-emptive measures to safeguard PETRONAS from breaching the SCLAs.

a) Enhancement to PETRONAS Group Privacy Notice

The PETRONAS Group Privacy Notice is intended to clearly inform individuals on how PETRONAS collects and processes personal data. The enhancement of the PETRONAS Group Privacy Notice includes the expansion of categories of personal data collected and processed by PETRONAS Group, aiding specific situations on collecting a minor's personal data and information for data subject in the UK and the EU on the lawful basis for processing personal data as required under General Data Protection Regulation (GDPR).

b) Enhancement to the PETRONAS Competition Law Guidelines

The PETRONAS Competition Law Guidelines was established to outline the main competition law principles applicable in all jurisdictions where PETRONAS Group operates to build the compliance culture, hence ensuring that all employees strictly comply with these rules in their day-to-day business. However, with the continuous evolution in the competition/anti-trust laws, an enhancement of the PETRONAS Competition Law Guidelines is essential in making sure it remains relevant and applicable to PETRONAS operations in Malaysia and globally. The revised guidelines include relevant scenarios leveraging from practical business experiences to guide PETRONAS employees when dealing with actual or potential competition issues.

c) Establishment of PETRONAS Data Protection Impact Assessment Guidelines

PETRONAS Data Protection Impact Assessment (DPIA) Guidelines is a high-level universal guideline designed to ensure the necessary data protection controls are incorporated in the identified processes for the purpose of compliance with the PETRONAS Corporate Privacy Policy and local data protection legislation.

d) Establishment of PETRONAS Personal Data Breach Protocol

Personal data protection laws continue to evolve in Malaysia and other countries. It is expected that more countries will enact or revise their data privacy laws to require notification to data privacy authorities and the individuals affected in the event of a personal data breach. Thus, the Personal Data Breach Protocol was established with the objective of providing a high-level process flow in the event of a potential or actual breach of personal data to expedite effective action to prevent or minimise any adverse implications to PETRONAS Group.

e) Establishment of PETRONAS Sanctions Breach Protocol

PETRONAS Group may encounter situations or issues involving sanctions due to its operations in various jurisdictions. Some of these situations require swift action in a particular manner consistent with the applicable laws and PETRONAS governance processes. In light of this, the Sanctions Breach Protocol was established with the objective of providing specific actions to be taken in an efficient and effective manner, if any of these situations occur.

f) Enhancement to PETRONAS Third Party Risk Management

As part of the continuous improvement to manage PETRONAS’ third-party risks, the KYC Questions and compliance clauses on the SCLAs in the TPRM are further revised and strengthened based on the experience of in-house counsels in dealing with various third parties and compliance issues. A simplified KYC Questions document and compliance clauses were also established for third parties under special categories that pose a lower risk to PETRONAS.
PETRONAS Commitment to Integrity

PETRONAS adopts zero tolerance to any forms of bribery and corruption. The PETRONAS CoBe, PETRONAS Anti-Bribery and Corruption Manual and PETRONAS Whistleblowing Policy are in place to guide PETRONAS employees and third parties when dealing with potential or actual bribery and corruption situations in the course of their day-to-day activities. These governance documents form part of the controls established under the PETRONAS Integrity Compliance Framework (PICF). PICF is the overarching framework in shaping integrity and compliance posture and propagation of integrity and business ethics within PETRONAS Group.

The programmes planned and developed under PICF are coordinated and monitored by the PETRONAS Integrity Awareness Committee (PIAC) to ensure that they are implemented in an effective, integrated, and structured manner. In 2021, the composition of PIAC members were expanded to include key representatives from Corporate Centre and Business Divisions across PETRONAS Group to enhance ownership and accountability as well as to ensure direct and effective implementation of ethics and integrity controls and initiatives within PETRONAS Group.

With heightened expectation for organisations to elevate integrity and transparency in all dealings, and PETRONAS’ own demonstrated commitment and leadership in the ethics and compliance sphere, PETRONAS has further strengthened its presence by becoming a member of Partnering Against Corruption Initiative (PACI), a group under World Economic Forum (WEF). PACI serves as a platform for PETRONAS to continuously strive to enhance its knowledge and capability building by collaborating with other reputable members from other oil and gas companies and cross-industry community and participating in various experts’ discussion and sharing of best practices.

With this participation in PACI, PETRONAS will be able to enhance its visibility and branding as an organisation that upholds strong corporate governance with robust anti-corruption programmes and promotes PETRONAS’ visibility in upholding good corporate governance and ethical business practices.

PETRONAS Whistleblowing Policy and Procedures

The PETRONAS Whistleblowing Policy and procedures are available on PETRONAS’ corporate website:

https://www.petronas.com/whistleblowing

* All disclosures will be treated in the strictest confidence

Board Commitment to Sustainability

The Board acknowledges that the well-being of the employees, customers, suppliers and other stakeholders as well as the environment and the society at large is central to sustaining PETRONAS’ long-term performance and continued relevance. The Board is mandated to provide direction for PETRONAS and its Group in steering the delivery of its goals and targets while adapting to long-term structural changes in the energy industry that are to a large extent driven by sustainability-related themes.

The heightened materiality of sustainability to the business demands the Board and the Management to intensify efforts in making sustainability central to PETRONAS’ strategy and priorities, as well as creating the structure that enables, formal oversight to sustainability by the Board. Being the highest authority in sustainability governance, the Board takes full responsibility in institutionalising the Company’s sustainability agenda, roadmap and initiatives.

The full report on Sustainability Governance is found on pages 170-173 of this Report.
Financial Review and Other Information

An overview of our financial performance and other relevant details

262  Group Financial Results and Position
262  Analysis of Financial Results
269  Analysis of Financial Position
271  Analysis of Cash Flow
274  Five-Year Key Financial Indicators
276  Appendix
279  Glossary of Terms
## Group Financial Results and Position

### Analysis of Financial Results

**Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss**

<table>
<thead>
<tr>
<th>Financial Year ended 31 December</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>247,962</td>
<td>178,741</td>
</tr>
<tr>
<td><strong>Cost of revenue</strong></td>
<td>(158,646)</td>
<td>(134,958)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>89,316</td>
<td>43,783</td>
</tr>
<tr>
<td>Selling and distribution expenses</td>
<td>(9,423)</td>
<td>(8,174)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(11,536)</td>
<td>(9,675)</td>
</tr>
<tr>
<td>Net impairment write back/losses¹</td>
<td>2,307</td>
<td>(32,681)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(3,136)</td>
<td>(5,871)</td>
</tr>
<tr>
<td><strong>Net impairment write-back/losses¹</strong></td>
<td>2,307</td>
<td>(32,681)</td>
</tr>
<tr>
<td><strong>Other expenses</strong></td>
<td>(3,136)</td>
<td>(5,871)</td>
</tr>
<tr>
<td><strong>Operating profit/(loss)</strong></td>
<td>72,432</td>
<td>(8,516)</td>
</tr>
<tr>
<td>Financing costs</td>
<td>(5,069)</td>
<td>(4,133)</td>
</tr>
<tr>
<td>Share of profit after tax and non-controlling interests of equity accounted associates and joint venturers</td>
<td>1,882</td>
<td>328</td>
</tr>
<tr>
<td><strong>Profit/(Loss) before taxation</strong></td>
<td>69,245</td>
<td>(12,321)</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(20,645)</td>
<td>(8,708)</td>
</tr>
<tr>
<td><strong>PROFIT/(LOSS) FOR THE YEAR</strong></td>
<td>48,600</td>
<td>(21,029)</td>
</tr>
</tbody>
</table>

**Other comprehensive income/(loss)**

- **Items that will not be reclassified subsequently to profit or loss**
  - Net changes in fair value of equity investments at fair value through other comprehensive income (OCI) | 639 | 13 |
- **Items that may be reclassified subsequently to profit or loss**
  - Net movements from exchange differences | 3,533 | (452) |
  - Cash flow hedge | (174) | (1,447) |
  - Others | 170 | 28 |
| **Total other comprehensive income/(loss) for the year** | 4,168 | (1,858) |

**TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR**

- **Profit/(Loss) attributable to:**
  - Shareholders of the Company | 41,792 | (23,851) |
  - Non-controlling interests | 6,808 | 2,822 |
| **PROFIT/(LOSS) FOR THE YEAR** | 48,600 | (21,029) |

**Revenue by Products**

The Group’s total revenue was RM248.0 billion, primarily contributed by petroleum products and LNG which accounted for 36 per cent and 23 per cent of revenue, respectively.

### Group Financial Results and Position

**Revenue by Products**

<table>
<thead>
<tr>
<th>Product</th>
<th>2020 (RM billion)</th>
<th>2021 (RM billion)</th>
<th>Change</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Petroleum Products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural &amp; Processed Gas</td>
<td>377</td>
<td>575</td>
<td>2020</td>
<td>53%</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>23.7</td>
<td>30.8</td>
<td>2020</td>
<td>30%</td>
</tr>
<tr>
<td>Crude Oil &amp; Condensates</td>
<td>22.3</td>
<td>27.7</td>
<td>2020</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>41.7</td>
<td>50.3</td>
<td>2020</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Others mainly comprise Maritime and Logistics, Services and Property.*
The Group recorded higher revenue for all categories of its geographical trade in 2021 as a result of significantly higher product prices.

Revenue from exports at RM93.7 billion remained as the major contributor to the Group’s revenue, which accounted for 38 per cent of total Group revenue. The exports revenue recorded during the year was 41 per cent higher as compared to 2020 mainly attributed to higher sales volumes and upward trending of key benchmark prices for major products.

Meanwhile, international operations revenue which accounted for 36 per cent of the Group’s total revenue recorded an increase of 53 per cent as compared to FY2020, also resulted from higher sales volume following improvement of travel restrictions as well as upward trending of key benchmark prices.

Domestic operations recorded an increase of 21 per cent during the year primarily attributed to higher key benchmark prices for major products, mainly petroleum and petrochemical products.

The Group recorded higher revenue for all categories of its geographical trade in 2021 as a result of significantly higher product prices.

Revenue from exports at RM93.7 billion remained as the major contributor to the Group’s revenue, which accounted for 38 per cent of total Group revenue. The exports revenue recorded during the year was 41 per cent higher as compared to 2020 mainly attributed to higher sales volumes and upward trending of key benchmark prices for major products.

Meanwhile, international operations revenue which accounted for 36 per cent of the Group’s total revenue recorded an increase of 53 per cent as compared to FY2020, also resulted from higher sales volume following improvement of travel restrictions as well as upward trending of key benchmark prices.

Domestic operations recorded an increase of 21 per cent during the year primarily attributed to higher key benchmark prices for major products, mainly petroleum and petrochemical products.

Group Cost

The Group recorded a slight increase of operating cost by 0.1 per cent despite an increase of revenue by 39 per cent. This resulted in a lower Group Cost to Revenue ratio by 32 per cent aligned with the rigorous measures to reduce costs.

Group Cost

- The Group recorded higher revenue for all categories of its geographical trade in 2021 as a result of significantly higher product prices.
- Revenue from exports at RM93.7 billion remained as the major contributor to the Group’s revenue, which accounted for 38 per cent of total Group revenue. The exports revenue recorded during the year was 41 per cent higher as compared to 2020 mainly attributed to higher sales volumes and upward trending of key benchmark prices for major products.
- Meanwhile, international operations revenue which accounted for 36 per cent of the Group’s total revenue recorded an increase of 53 per cent as compared to FY2020, also resulted from higher sales volume following improvement of travel restrictions as well as upward trending of key benchmark prices.
- Domestic operations recorded an increase of 21 per cent during the year primarily attributed to higher key benchmark prices for major products, mainly petroleum and petrochemical products.
Group Financial Results and Position

Profit/(Loss) After Tax (RM billion)

Excluding impairment, PETRONAS Group recorded PAT of RM50.4 billion for the year ended 2021, an increase of more than 100 per cent compared to RM10.5 billion in FY2020 mainly contributed by higher revenue realised, partially offset by slightly higher cost.

During the year, minimal net impairment on assets reported by PETRONAS as compared to last year was consistent with most oil majors following rising oil prices and growing demand recovery.

Segment Earnings

The Group operates three core business segments, namely Upstream, Gas + New Energy and Downstream. Corporate and Others, which complements our core businesses, comprising primarily logistic and maritime segment; property segment and central treasury; as well as project delivery and technology function.

Upstream

During the year, the Upstream segment recorded a PAT of RM34.5 billion as compared to LAT of RM10.2 billion for the same period in 2020 primarily driven by higher revenue and net impairment write-back as compared to net impairment losses reported in the prior year. This was partially offset by higher taxation as well as product costs and cash payments in line with higher prices.

The increase in Upstream revenue was mainly attributable to higher average realised prices for crude oil and condensates and natural gas as well as higher natural gas sales volume.

Total daily production average of 2,275 thousand barrels of oil equivalent (boe) per day in 2021, increased from 2,209 thousand boe per day in 2020 and was mainly due to higher crude oil production from international operations coupled with higher natural gas production contributed by stronger demand for both Malaysia and international operations.

Further details on Upstream’s operational performance can be found on pages 136-140.

Gas + New Energy

Gas + New Energy recorded a PAT of RM15.0 billion in contrast to a LAT of RM10.0 billion in corresponding year mainly contributed by higher revenue coupled with lower impairment losses on assets partially offset by higher product costs.

Higher sales gas performance for the year compared to the same period last year, contributed by higher demand from the power sector. PETRONAS has also secured up to 697 million standard cubic feet per day (MMscfd) of natural gas supply deals from new and existing customers.

More information on Gas + New Energy’s operational performance is available on pages 144-151.
Group Financial Results and Position

Downstream

The Downstream business also recorded a PAT of RM0.7 billion against a LAT of RM3.5 billion in the previous year, higher by RM4.2 billion mainly contributed by improved petrochemicals and refining margins, and offset by higher impairment losses on assets.

During the year, Downstream business recorded stable operations with Overall Equipment Effectiveness (OEE) sustained at 93.3 per cent, on the back of strong asset reliability.

Petroleum products sales volume was 262.4 million barrels, higher by 0.6 million barrels following increased trading activities. Crude oil sales volume was 109.7 million barrels, lower by 27.7 million barrels mainly due to lower marketing volume. Petrochemical products sales volume was comparable at 8.2 million metric tonnes.

More information on Downstream’s operational performance is available on pages 152-159.

Corporate and Others

Loss recorded in 2021 was mainly due to higher operating expenditure partially cushioned by lower impairment losses and favourable foreign exchange gain due to the strengthening of the US Dollar against the Ringgit.

MISC Berhad (MISC) and KLCC Property Holdings Berhad (KLCCP) were the two major contributors to this segment. MISC recorded a PAT of RM1.7 billion during the year, mainly from the deliveries of Very Large Ethane Carriers (VLECs), Dynamic Positioning Shuttle Tankers (DPSTs) and construction profit for FPSO Project in Brazil. KLCCP’s PAT increased to RM0.5 billion as compared to RM0.4 billion in the previous year mainly due to lower operating expenses incurred coupled with lower tax expense.

Further information is provided in MISC’s and KLCCP’s 2021 annual reports.

Analysis of Financial Position

Consolidated Statement of Financial Positions

<table>
<thead>
<tr>
<th></th>
<th>As at 31.12.2021</th>
<th>As at 31.12.2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
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<td>291,717</td>
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<tr>
<td>Investment properties and land held for development</td>
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<td>13,454</td>
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<td>Intangible assets</td>
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<td>12,599</td>
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<td>Long-term receivables</td>
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<td>20,044</td>
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<td>Fund and other investments</td>
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<td>21,232</td>
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<tr>
<td>Deferred tax assets</td>
<td>2,955</td>
<td>1,009</td>
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<tr>
<td>TOTAL NON-CURRENT ASSETS</td>
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<td>380,677</td>
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<tr>
<td>Trade and other inventories</td>
<td>14,477</td>
<td>12,491</td>
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<tr>
<td>Trade and other receivables</td>
<td>48,324</td>
<td>40,583</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10,479</td>
<td>9,779</td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td>252,627</td>
<td>193,394</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>635,004</td>
<td>574,071</td>
</tr>
<tr>
<td>EQUITY</td>
<td></td>
<td></td>
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<tr>
<td>Share capital</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Reserves</td>
<td>350,756</td>
<td>330,521</td>
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<tr>
<td>Total equity attributable to shareholders of the Company</td>
<td>350,856</td>
<td>330,621</td>
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<td>Non-controlling interests</td>
<td>53,484</td>
<td>50,413</td>
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<td>TOTAL EQUITY</td>
<td>404,340</td>
<td>381,034</td>
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<td>LIABILITIES</td>
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<td></td>
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<tr>
<td>Borrowings</td>
<td>86,619</td>
<td>76,808</td>
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<tr>
<td>Deferred tax liabilities</td>
<td>9,543</td>
<td>8,455</td>
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<tr>
<td>Other long-term liabilities and provisions</td>
<td>50,620</td>
<td>51,056</td>
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<tr>
<td>TOTAL NON-CURRENT LIABILITIES</td>
<td>146,782</td>
<td>136,319</td>
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<tr>
<td>Trade and other payables</td>
<td>51,825</td>
<td>43,728</td>
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<tr>
<td>Borrowings</td>
<td>21,212</td>
<td>11,421</td>
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<tr>
<td>Taxation</td>
<td>6,913</td>
<td>1,569</td>
</tr>
<tr>
<td>Liabilities classified as held for sale</td>
<td>79,950</td>
<td>56,718</td>
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<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td>83,882</td>
<td>56,718</td>
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<tr>
<td>TOTAL LIABILITIES</td>
<td>230,627</td>
<td>193,394</td>
</tr>
<tr>
<td>TOTAL EQUITY AND LIABILITIES</td>
<td>635,004</td>
<td>574,071</td>
</tr>
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</table>
### Group Financial Results and Position

#### Total Assets (RM billion)

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2021</th>
<th>31 Dec 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPE &amp; Intangible Assets</td>
<td>145.5</td>
<td>148.0</td>
</tr>
<tr>
<td>Cash &amp; Fund Investments</td>
<td>12.5</td>
<td>12.2</td>
</tr>
<tr>
<td>Trade &amp; Other Receivables</td>
<td>4.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Long Term Receivables</td>
<td>187.4</td>
<td>147.0</td>
</tr>
<tr>
<td>Others</td>
<td>43.4</td>
<td>46.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>302.3</strong></td>
<td><strong>178.0</strong></td>
</tr>
</tbody>
</table>

#### Total Liabilities (RM billion)

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2021</th>
<th>31 Dec 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade &amp; Other Receivables</td>
<td>51.3</td>
<td>63.1</td>
</tr>
<tr>
<td>Borrowings</td>
<td>107.9</td>
<td>69.2</td>
</tr>
<tr>
<td>Taxation</td>
<td>6.9</td>
<td>15.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>169.1</strong></td>
<td><strong>200.7</strong></td>
</tr>
</tbody>
</table>

#### Movement in Cash and Fund Investments (RM billion)

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2021</th>
<th>31 Dec 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CFFO</strong></td>
<td><strong>141.3</strong></td>
<td><strong>129.0</strong></td>
</tr>
<tr>
<td><strong>Capital Investments</strong></td>
<td>(92.5)</td>
<td>(25.0)</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>15.4</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Net financing payment</strong></td>
<td>0.2</td>
<td>17.0</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>441.0</td>
<td>220.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>508.1</strong></td>
<td><strong>377.6</strong></td>
</tr>
</tbody>
</table>

### Analysis of Cash Flow

#### Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Financial Year ended 31 December</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit/(Loss) before taxation</td>
<td>69,245</td>
<td>(12,321)</td>
</tr>
<tr>
<td>Adjustments for non-cash items</td>
<td>32,655</td>
<td>69,840</td>
</tr>
<tr>
<td>Net changes in working capital</td>
<td>(8,813)</td>
<td>(4,197)</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>93,087</td>
<td>53,322</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(3,584)</td>
<td>(2,689)</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,998</td>
<td>4,838</td>
</tr>
<tr>
<td>Taxation paid, net of refund</td>
<td>(13,904)</td>
<td>(14,726)</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td>78,597</td>
<td>40,745</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(29,504)</td>
<td>(32,914)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(16,056)</td>
<td>(17,467)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>33,037</td>
<td>(9,636)</td>
</tr>
<tr>
<td>Net foreign exchange differences</td>
<td>304</td>
<td>(322)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>128,141</td>
<td>139,851</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of the year</strong></td>
<td>163,174</td>
<td>128,141</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>164,556</td>
<td>130,523</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>(2)</td>
<td>(698)</td>
</tr>
<tr>
<td><strong>Less: Cash and cash equivalents restricted</strong></td>
<td>(1,380)</td>
<td>(1,684)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>163,174</td>
<td>128,141</td>
</tr>
</tbody>
</table>

#### Free Cash Flow Analysis (RM billion)

<table>
<thead>
<tr>
<th></th>
<th>FY2021</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CFFO</strong></td>
<td>48.1</td>
<td>7.3</td>
</tr>
</tbody>
</table>

The Group generated free cash flow of RM48.1 billion during the year, increasing by RM40.8 billion or more than 100 per cent as compared to RM7.3 billion in 2020 mainly due to increased funds from operations in line with increase in profits. This was partially offset by lower interest income received from funds and other investments following lower overall interest.
Group Financial Results and Position

Capital Investments

Financial Review and Other Information

During the year, while we continued investing, many projects were affected by the prolonged movement restriction order, coupled with supply chain interruptions (both our domestic and international projects, experienced delays and deferments, resulting in lower overall CAPEX spent during the year, which is RM30.5 billion and lower by RM2.9 billion, compared with RM33.4 billion in FY2020. Notwithstanding, close to RM1.0 billion was spent on Stepping Out, mainly on the renewables energy space.

Segment Capital Investments

Capital Investments for FY2021 were predominantly spent in exploration, development and production activities aimed at sustaining and growing production in Malaysia and international operations.

• The spending made during the year was mainly allocated towards operational project as well as turnaround activities.

• About RM8.1 billion or 54 per cent of Upstream total capital investment was spent mainly for development of new fields. Amongst others, key projects in Malaysia include Kasawari Gas Field Development, Bakau Gas Field Development, Limbaying Gas Field Development and Pegaga Gas Field Development.

• Meanwhile, a total of RM6.6 billion was allocated towards international portfolio investments; key countries include Argentina, Azerbaijan, Canada and Iraq. The highlights of the investments include Upstream acquisition of 10 per cent participating interests in North Montney Joint Venture (NMJV) from Japan Petroleum Exploration Co Ltd (JAPEx) and Argentina La Amarga Chica mainly drilling activities.

Gas + New Energy

• Gas + New Energy accounted for 23 per cent of the Group’s total capital investment and incurred a total spending of RM7.1 billion in FY2021.

• Capital investments for FY2021 were predominantly spent on international ventures particularly for the LNG project in Canada.

• Meanwhile, New Energy investments closer to home under PETRONAS New Energy includes solar panel installation at Universiti Teknologi PETRONAS (UTP), Perak, Institute Teknologi Petroleum PETRONAS (INSTEP) in Terengganu and Pengerang Integrated Complex in Johor.

Downstream

• The Downstream business utilised capital investment of RM3.9 billion during the year or 13 per cent of the Group’s overall capital investment allocation.

• The spending made during the year was mainly allocated towards operational project as well as turnaround activities from PCCG, PDB and MRC. Other investments were mainly related to Pengerang Integrated Complex (PIC) which is targeted to be operationalised in 2022.

Corporate and Others

• Businesses under Corporate and Others spent RM4.8 billion during the year which was lower by RM1.6 billion as compared to 2020 with MISC accounting for 75 per cent of the total spending.

• During the year, MISC’s significant investments were mainly from the deliveries of five units of Very Large Ethane Carriers (VLEC) of RM1.5 billion and petroleum newbuild vessels of RM1.4 billion, in which MISC contributed to PAT of RM1.7 billion.
Group Financial Results and Position

Five-Year Key Financial Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (RM billion)</th>
<th>EBITDA (RM billion)</th>
<th>Profit/(Loss) After Tax (RM billion)</th>
<th>Cash Flows from Operations (CFFO) (RM billion)</th>
<th>Net Cash Position (RM billion)</th>
<th>Total Assets (RM billion)</th>
<th>PAT Margin (%)</th>
<th>Return on Average Capital Employed (ROACE) (%)</th>
<th>Debt/Assets Ratio (x)</th>
<th>Dividend Payout Ratio (%)</th>
<th>Gearing Ratio* (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>213.6</td>
<td>92.0</td>
<td>45.5</td>
<td>78.1</td>
<td>71.8</td>
<td>599.8</td>
<td>10.3</td>
<td>8.7</td>
<td>0.15×</td>
<td>12.7</td>
<td>(21.0)</td>
</tr>
<tr>
<td>2018</td>
<td>251.0</td>
<td>116.5</td>
<td>55.3</td>
<td>86.3</td>
<td>110.2</td>
<td>636.3</td>
<td>20.3</td>
<td>12.0</td>
<td>0.11×</td>
<td>16.4</td>
<td>20.3</td>
</tr>
<tr>
<td>2019</td>
<td>240.3</td>
<td>96.3</td>
<td>40.5</td>
<td>90.8</td>
<td>81.6</td>
<td>622.4</td>
<td>22.0</td>
<td>8.7</td>
<td>0.11×</td>
<td>16.0</td>
<td>21.3</td>
</tr>
<tr>
<td>2020</td>
<td>178.7</td>
<td>55.3</td>
<td>(21.0)</td>
<td>40.7</td>
<td>52.1</td>
<td>574.1</td>
<td>16.9</td>
<td>(11.6)</td>
<td>0.15×</td>
<td>16.0</td>
<td>23.1</td>
</tr>
<tr>
<td>2021</td>
<td>248.0</td>
<td>100.5</td>
<td>48.6</td>
<td>78.6</td>
<td>67.2</td>
<td>635.0</td>
<td>19.6</td>
<td>10.8</td>
<td>0.17×</td>
<td>&gt;100</td>
<td>&gt;100</td>
</tr>
</tbody>
</table>

* Gearing ratio is calculated as adjusted total debt (total debt including financial guarantees) divided by adjusted total equity (total equity plus deferred tax liabilities and minus capitalised interest) and adjusted total debt. Gearing ratio for corresponding period has been restated to conform with this formula.
The results of our Materiality Assessment helped determine the non-financial topics covered in this report. This index includes references to the World Economic Forum’s Stakeholder Capitalism Metrics, the Global Reporting Initiative Standards (2021) and the Ipieca/API/IOGP Sustainability reporting guidance for oil and gas industry. The guidelines are available at weforum.org, globalreporting.org and ipieca.org.
Appendix

<table>
<thead>
<tr>
<th>Content</th>
<th>WEF</th>
<th>GRI</th>
<th>ipieca</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive Social Impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Health and safety</td>
<td>403-1, 403-2, 403-4, 403-5, 403-6</td>
<td>GOV-2, SHS-1, SHS-2, SHS-3, SHS-4, SHS-6</td>
<td>186-192</td>
</tr>
<tr>
<td>COVID-19 Response</td>
<td>Economic contribution</td>
<td>403-6, 203-1</td>
<td>GOV-2, SHS-2, SHS-5</td>
<td>193-195</td>
</tr>
<tr>
<td>Security</td>
<td></td>
<td>GOV-2, SHS-7</td>
<td></td>
<td>196-197</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Risk for incidents of child, forced or compulsory labour</td>
<td>2-23, 2-25, 2-30</td>
<td>GOV-2, SOC-1, SOC-2, SOC-3, SOC-4, SOC-8, SOC-12</td>
<td>198-201</td>
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<tr>
<td>Supply Chain Management</td>
<td>Risk for incidents of child, forced or compulsory labour</td>
<td>2-23, 414-2</td>
<td>GOV-2, SOC-2, SOC-14</td>
<td>202-204</td>
</tr>
<tr>
<td>Product Stewardship</td>
<td></td>
<td>GOV-2, SHS-5</td>
<td></td>
<td>205-206</td>
</tr>
<tr>
<td>Employee Welfare and Fair Remuneration</td>
<td>Pay equality, Diversity and inclusion</td>
<td>403-6</td>
<td>GOV-2, SOC-5</td>
<td>207-209</td>
</tr>
<tr>
<td>Talent and Education</td>
<td>Training provided, Economic contribution</td>
<td>404-2</td>
<td>GOV-2, SOC-7</td>
<td>210-212</td>
</tr>
<tr>
<td>Community Engagement</td>
<td>Economic contribution</td>
<td>203-1, 203-2</td>
<td>SOC-9, SOC-13</td>
<td>213-217</td>
</tr>
<tr>
<td>Commitment to Governance</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Board Composition</td>
<td>Governance body composition</td>
<td>405-1</td>
<td>GOV-1</td>
<td>228</td>
</tr>
<tr>
<td>Profile of Board of Directors</td>
<td>Governance body composition</td>
<td>2-9-2-11</td>
<td></td>
<td>229-238</td>
</tr>
<tr>
<td>Profile of Company Secretaries</td>
<td>Governance body composition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profile of Executive Leadership Team</td>
<td>Governance body composition</td>
<td></td>
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<tr>
<td>Corporate Governance at PETRONAS</td>
<td>Anti-corruption, Protected ethics advice and reporting mechanisms</td>
<td>2-9, 2-10, 2-15, 2-20, 2-26, 205-2</td>
<td>GOV-1, GOV-3</td>
<td>245-259</td>
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<tr>
<td>Group Financial Results and Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis of Financial Results</td>
<td>Economic contribution, Financial investment contribution, Total tax paid</td>
<td>201-1</td>
<td></td>
<td>262-275</td>
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Glossary of Terms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Term/Definition</th>
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<tbody>
<tr>
<td>2C</td>
<td>Contingent Resources</td>
</tr>
<tr>
<td>2P</td>
<td>Petroleum Reserves</td>
</tr>
<tr>
<td>3R</td>
<td>Reduce, reuse, recycle</td>
</tr>
<tr>
<td>AC</td>
<td>Audit Committee</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>A40</td>
<td>Bottom 40 per cent of income earners</td>
</tr>
<tr>
<td>3B</td>
<td>Barrel</td>
</tr>
<tr>
<td>1Bboe</td>
<td>Billion barrel of oil equivalent</td>
</tr>
<tr>
<td>BCM</td>
<td>Business Continuity Management</td>
</tr>
<tr>
<td>BCP</td>
<td>Business Continuity Plan</td>
</tr>
<tr>
<td>BES</td>
<td>Biodiversity and Ecosystem Services</td>
</tr>
<tr>
<td>Bio-MEG</td>
<td>Bio-Monoethylene Glycol</td>
</tr>
<tr>
<td>Board</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>BCE</td>
<td>Base of oil equivalent</td>
</tr>
<tr>
<td>C3</td>
<td>Corporate Command Centre</td>
</tr>
<tr>
<td>CAPEX</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>CCS</td>
<td>Carbon capture and storage</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>CFFO</td>
<td>Cash Flows from Operations</td>
</tr>
<tr>
<td>CIMS</td>
<td>Crisis and Incident Management System</td>
</tr>
<tr>
<td>CM</td>
<td>Crisis Management</td>
</tr>
<tr>
<td>CO2</td>
<td>Carbon dioxide</td>
</tr>
<tr>
<td>CoBE</td>
<td>Code of Conduct and Business Ethics</td>
</tr>
<tr>
<td>CoCHR</td>
<td>Contractors Code of Conduct on Human Rights</td>
</tr>
<tr>
<td>CoE</td>
<td>Centre of Excellence</td>
</tr>
<tr>
<td>COP26</td>
<td>United Nations Climate Change Conference</td>
</tr>
<tr>
<td>COVID-19</td>
<td>2019 novel coronavirus (or 2019-nCoV)</td>
</tr>
<tr>
<td>CSO</td>
<td>Chief Sustainability Officer</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>CERDIK</td>
<td>An initiative fully funded by Government Link Children Companies (GLCs), Government Link Investment Companies (GLICs), and the private sector. Annunciared in the Budget 2021, it provides digital access including distribution of laptops, tablet computers, data connectivity, and an e-learning platform to B40 students</td>
</tr>
<tr>
<td>D&amp;I</td>
<td>Diversity and Inclusion</td>
</tr>
<tr>
<td>DOSH</td>
<td>Department of Occupational Safety and Health</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings Before Interest, Tax, Depreciation and Amortisation</td>
</tr>
<tr>
<td>ELT</td>
<td>Executive Leadership Team</td>
</tr>
<tr>
<td>ERM</td>
<td>Enterprise Risk Management</td>
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Abbreviation Full Term/Definition

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Term/Definition</th>
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</thead>
<tbody>
<tr>
<td>ESG</td>
<td>Environmental, social and governance</td>
</tr>
<tr>
<td>EV</td>
<td>Electric Vehicle</td>
</tr>
<tr>
<td>FAR</td>
<td>Fatal Accident Rate</td>
</tr>
<tr>
<td>FID</td>
<td>Final Investment Decision</td>
</tr>
<tr>
<td>FLNG</td>
<td>Floating Liquefied Natural Gas</td>
</tr>
<tr>
<td>FT</td>
<td>Financial Year</td>
</tr>
<tr>
<td>GCEO</td>
<td>Group Chief Executive Officer</td>
</tr>
<tr>
<td>GhNe</td>
<td>Gas + New Energy</td>
</tr>
<tr>
<td>GEES</td>
<td>Graduate Employment Enhancement Scheme</td>
</tr>
<tr>
<td>GHS</td>
<td>Greenhouse gas</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>GW</td>
<td>Gigawatt</td>
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<tr>
<td>HERE</td>
<td>Hybrid Emergency Response Exercise</td>
</tr>
<tr>
<td>HOTS</td>
<td>Higher Order Thinking Skills</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>HSE</td>
<td>Health, Safety, Security and Environment</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>IIRC</td>
<td>International Integrated Reporting Council</td>
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<tr>
<td>I Ned</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>INSTEP</td>
<td>Institut Teknologi Petroleum PETRONAS</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organisation for Standardisation</td>
</tr>
<tr>
<td>JTC</td>
<td>Joint Technical Committee</td>
</tr>
<tr>
<td>Kboe</td>
<td>Kilo barrels of oil equivalent</td>
</tr>
<tr>
<td>kg</td>
<td>Kilogramme</td>
</tr>
<tr>
<td>LAT</td>
<td>Loss After Tax</td>
</tr>
<tr>
<td>LBO</td>
<td>LNG bunkering vessel</td>
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<tr>
<td>LCA</td>
<td>Life Cycle Assessment</td>
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<tr>
<td>Lng</td>
<td>Liquefied Natural Gas</td>
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<tr>
<td>LOCP</td>
<td>Loss of Primary Containment</td>
</tr>
<tr>
<td>LTIF</td>
<td>Lost Time Injury Frequency</td>
</tr>
<tr>
<td>LTIP</td>
<td>Long-term incentive plan</td>
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<tr>
<td>MBIR</td>
<td>Malaysia Biz Round</td>
</tr>
<tr>
<td>MEKAR</td>
<td>Memparikan Ekonomi Asas Rakyat</td>
</tr>
<tr>
<td>MCO</td>
<td>Movement Control Order</td>
</tr>
<tr>
<td>MFRS</td>
<td>Malaysian Financial Reporting Standards</td>
</tr>
<tr>
<td>mBtu</td>
<td>Million British thermal units</td>
</tr>
<tr>
<td>MMScfd</td>
<td>Million standard cubic feet per day</td>
</tr>
<tr>
<td>MMT</td>
<td>Million metric tonnes</td>
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<td>MOH</td>
<td>Ministry of Health</td>
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### Glossary of Terms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Term/Definition</th>
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<tbody>
<tr>
<td>MPM</td>
<td>Malaysia Petroleum Management</td>
</tr>
<tr>
<td>mtpa</td>
<td>Metric tonnes per annum</td>
</tr>
<tr>
<td>MW</td>
<td>Megawatt</td>
</tr>
<tr>
<td>MWh</td>
<td>Megawatt-hour</td>
</tr>
<tr>
<td>MyPet</td>
<td>My Personnel e-Tracker</td>
</tr>
<tr>
<td>NADMA</td>
<td>National Disaster Management Agency</td>
</tr>
<tr>
<td>NCIA</td>
<td>Northern Corridor Implementation Authority</td>
</tr>
<tr>
<td>NEDs</td>
<td>Non-Executive Directors</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-government organisations</td>
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<tr>
<td>NINED</td>
<td>Non-Independent Non-Executive Director</td>
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<tr>
<td>NZCE 2050</td>
<td>Net zero carbon emissions by 2050</td>
</tr>
<tr>
<td>O&amp;G</td>
<td>Oil and gas</td>
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<tr>
<td>OEE</td>
<td>Overall Equipment Effectiveness</td>
</tr>
<tr>
<td>OEM</td>
<td>Original Equipment Manufacturer</td>
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<tr>
<td>OGSE</td>
<td>Oil &amp; Gas, Services and Equipment</td>
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<tr>
<td>OPEC+</td>
<td>Organisation of the Petroleum Exporting Countries Plus</td>
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<tr>
<td>OPEX</td>
<td>Operating Expenditure</td>
</tr>
<tr>
<td>OPU</td>
<td>Operating Unit</td>
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<tr>
<td>PAC</td>
<td>Petroleum Arrangement Contract</td>
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<tr>
<td>PAT</td>
<td>Profit after tax</td>
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<tr>
<td>PCB</td>
<td>PETRONAS Cultural Beliefs</td>
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<tr>
<td>PCC</td>
<td>PETRONAS Carbon Commitments</td>
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<tr>
<td>PCG</td>
<td>PETRONAS Chemicals Group Berhad</td>
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<tr>
<td>PD&amp;T</td>
<td>Project Delivery and Technology</td>
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<td>PDB</td>
<td>PETRONAS Dagangan Berhad</td>
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<tr>
<td>PDR</td>
<td>Product Delivery Reliability</td>
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<td>PESP</td>
<td>PETRONAS Education Sponsorship Programme</td>
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<tr>
<td>PETRONAS Group</td>
<td>Petrolian Nasional Berhad (PETRONAS) and its subsidiaries</td>
</tr>
<tr>
<td>PIC</td>
<td>Pengerang Integrated Complex</td>
</tr>
<tr>
<td>PGB</td>
<td>PETRONAS Gas Berhad</td>
</tr>
<tr>
<td>PGU</td>
<td>Peninsular Gas Utilisation</td>
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<td>PLC</td>
<td>PETRONAS LNG Complex</td>
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<td>PLI</td>
<td>PETRONAS Lubricants International</td>
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<td>PPRT</td>
<td>Pandemic Preparedness and Response Team</td>
</tr>
<tr>
<td>PPV</td>
<td>Pusat Pemberian Vaksin</td>
</tr>
<tr>
<td>PPVIN</td>
<td>Pusat Pemberian Vaksin Industri</td>
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<tr>
<td>PRPC</td>
<td>PETRONAS Refinery and Petrochemicals Corporation Sdn Bhd</td>
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<tr>
<td>PSC</td>
<td>Production Sharing Contract</td>
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<tr>
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<td>PV</td>
<td>Photovoltaic</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RC</td>
<td>Risk Committee</td>
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<tr>
<td>RMC</td>
<td>Risk Management Committee</td>
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<td>RM</td>
<td>Ringgit Malaysia</td>
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<tr>
<td>ROVR</td>
<td>An innovative service which allows for a seamless and safe refuelling experience for both the commercial and everyday drivers, beyond conventional petrol stations</td>
</tr>
<tr>
<td>SAF</td>
<td>Sustainable aviation fuel</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goal</td>
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<tr>
<td>SEED.Lab</td>
<td>Social Enterprise Education Lab</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>STEM</td>
<td>Science, Technology, Engineering and Mathematics</td>
</tr>
<tr>
<td>SOP</td>
<td>Standard Operating Procedure</td>
</tr>
<tr>
<td>TCFD</td>
<td>Task Force on Climate-related Financial Disclosures</td>
</tr>
<tr>
<td>tCO₂e</td>
<td>Tonnes (t) of carbon dioxide (CO₂) equivalent</td>
</tr>
<tr>
<td>The Board</td>
<td>Petrolian Nasional Berhad (PETRONAS) Board of Directors</td>
</tr>
<tr>
<td>The Group</td>
<td>Petrolian Nasional Berhad (PETRONAS) and its subsidiaries</td>
</tr>
<tr>
<td>tpa</td>
<td>Tonnes per annum</td>
</tr>
<tr>
<td>TRCF</td>
<td>Total Reportable Case Frequency</td>
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<tr>
<td>TROIF</td>
<td>Total Recordable Occupational Illness Frequency</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNGPs</td>
<td>United Nations Guiding Principles on Business and Human Rights</td>
</tr>
<tr>
<td>UPC</td>
<td>Unit Production Cost</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USD</td>
<td>US dollar</td>
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<tr>
<td>UTP</td>
<td>Universiti Teknologi PETRONAS</td>
</tr>
<tr>
<td>VDP</td>
<td>Vendor Development Programme</td>
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<tr>
<td>VISTA</td>
<td>Vocational Institution Sponsorship and Training Assistance</td>
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<tr>
<td>VPS</td>
<td>Virtual Pipeline System</td>
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<tr>
<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
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<tr>
<td>WEF</td>
<td>World Economic Forum</td>
</tr>
<tr>
<td>WFH</td>
<td>Work from home</td>
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