

Dear Stakeholders,

The year 2023 was a challenging one for the company. Across the globe, many lives were impacted by the prolonged disruptions caused by geopolitical conflicts, the rising cost of living, energy and climate-related crises.

Tan Sri Dato' Seri Mohd Bakke Salleh
Chairman



Letter from the Chairman

With the heightened turbulence and uncertainties, it was imperative for PETRONAS to continuously adapt and transform to provide energy that meet the needs of the present without compromising future generations.

Hence, the Group remained steadfast in delivering the PETRONAS Energy Transition Strategy to create long-term sustainable value for stakeholders as we also do our part for a lower carbon future.

On behalf of the Board, I am proud of the PETRONAS family for the unwavering delivery of the *Amanah* as we strive to fulfil the trust of our stakeholders as their progressive energy and solutions partner.



With the heightened turbulence and uncertainties, it was imperative for PETRONAS to continuously adapt and transform to provide energy that meet the needs of the present without compromising future generations.

Delivering Our Purpose

For an organisation like PETRONAS, we uphold our commitment to Malaysia as the national oil company and the pursuit of value as an international energy player.

Guided by our purpose, namely, to be a progressive energy and solutions partner enriching lives for a sustainable future; we aim to solve energy-related issues that fuel progress in a manner benefitting the societies we serve. Our strategy has kept us on track to seize opportunities in the energy transition as PETRONAS continues to pursue growth to fulfil its purpose and climate ambitions.

In 2023, PETRONAS recorded a commendable financial performance. We discharged our responsibilities to our stakeholders in the form of cash payments, tax, export duties, state sales tax and dividends. After careful consideration of the Group's affordability to fund operations, service debts and meet obligations of the present and invest in future growth, PETRONAS has made the scheduled dividend payment of RM40 billion to the Government of Malaysia.

PETRONAS also continued to make its contribution of RM2 billion to the National Trust Fund during the year in review. We remain the sole contributor to the Fund since it was established in 1988 to ensure future generations continue to benefit from the country's finite natural resources. Cumulatively, PETRONAS has contributed RM13 billion to the Fund.

Even as the operating landscape continues to be increasingly volatile and uncertain, PETRONAS remains resolute in pursuing growth through strengthened governance, integrity and compliance aligned with the PETRONAS Code of Conduct and Business Ethics and the PETRONAS Four Sustainability Lenses.



Letter from the Chairman

Creating Positive Social Impact

At the heart of the organisation is PETRONAS' commitment to nation-building by carefully selecting where we can make the most significant positive impact on society.

We do this through investments in education (Powering Knowledge), community well-being and development (Uplifting Lives) and the environment (Planting Tomorrow). With targeted initiatives rolled out in Malaysia and in countries where we operate, a total of 720 programmes have benefitted almost three million people.

As we strive to play an increasing role in supporting the progress of society by working closely with various local agencies and relevant Ministries, I am pleased to share that PETRONAS has contributed about RM850 million in social impact programmes for the year.

We are determined to find new opportunities and measures to fuel society's progress responsibly and sustainably through long-term partnerships and collaboration. For instance, PETRONAS has established several signature programmes focusing on capability-building through education, industry and entrepreneurship training. These include:

- PETRONAS Education Sponsorship Programme
- *Program Duta Guru*
- PETRONAS Vocational Institution Sponsorship and Training Assistance (VISTA) Programme
- *Program Memampankan Ekonomi Asas Rakyat (MEKAR)*

With these programmes and many more in place, PETRONAS is committed to helping nurture an ecosystem that provides opportunities for all members of society, whether Bumiputeras, women or youths to empower themselves with skills for a better quality of life.

In line with this commitment, the Board has recently approved the PETRONAS Human Rights Policy. The policy further strengthens our processes and systems to create a safe and secure working environment, respecting human rights across our value chain in a manner that complies with the relevant laws and regulations of Malaysia and the countries where we operate.



Forging Partnerships in the Energy Transition

As the energy transition unfolds, it has become even more apparent that the obligations of the energy industry are to ensure the energy security of today and to work towards the sustainable energy systems of the future.

Therefore, it is imperative that the oil and gas industry and its services and equipment sector collectively strive to deliver more energy with less emissions.

For a just energy transition to be successful, players in the oil and gas ecosystem must form mutually beneficial partnerships to accelerate technology uptake by learning from each other but also to improve the feasibility of large-scale projects by sharing the risks.

As a catalyst for Malaysia's oil and gas ecosystem, PETRONAS is committed to strengthening the resilience of the local Oil and Gas Services and Equipment (OGSE) sector to become globally competitive and technically competent in new and novel technologies that support the transition.

PETRONAS has developed various programmes that promote collaboration at different stages of the value chain for the local OGSE sector, including:

- Vendor Development Programme (VDP) and VDPx
- Vendor Financing Programme
- Special OGSE Financing Programme
- Sustainability-related programmes

PETRONAS believes that the energy transition offers challenges and opportunities that can be effectively realised through partnerships forged towards common goals. To this end, the Board remains very much encouraged by the notable milestones achieved through the Annual Strategic Dialogues, Joint Working Committees, and Joint Coordination Committees with our valued stakeholders.

PETRONAS is grateful and honoured to have the strong support of our stakeholders as we strive to continue realising their aspirations through commercial arrangements.



Looking Ahead

With an operating landscape that remains volatile and shows no sign of easing in the coming year, the PETRONAS Energy Transition Strategy is purposefully designed to strike the right balance between providing energy security and moving us closer to a lower-carbon future.

PETRONAS will continue to focus on reinvesting with discipline and exercising prudent financial management as it progresses in its growth trajectory. We will continue to advocate for a just, orderly, and equitable energy transition and do our part to see this goal through for the benefit of stakeholders in Malaysia and the countries in which we operate.

I would like to express my deepest gratitude to all members of the PETRONAS family for upholding the organisation’s Shared Values and for fulfilling its purpose as a progressive energy and solutions partner.

I take the opportunity here to thank Datuk Seri Asri Hamidon, Encik Ainul Azhar Ainul Jamal, Encik Thayaparan S Sangarapillai, and Dato Razali Mohd Yusof for their leadership and contribution as members of the PETRONAS Board of Directors. I would like to express my sincere appreciation for their services and wish them every success in their new undertakings.

I am pleased to welcome Encik Azizan Zakaria and Datuk Johan Mahmood Merican as our new Board Members. Their combined wealth of experience and astute insights will be valuable for PETRONAS.

On behalf of the Board, I would like to extend my sincere appreciation to Tan Sri Tengku Muhammad Taufik, President and Group CEO of PETRONAS and his Executive Leadership Team for delivering our business strategies with pace and agility while upholding high standards of safety and integrity.

In closing, I would like to thank our valued stakeholders—the Federal Government of Malaysia, State Governments, and the Governments of our host countries, industry partners, and customers for your trust and continued support of PETRONAS. The relationships we have forged over the years reflect our long-term commitment to create value and recognise the aspirations of all parties.

As PETRONAS commemorates its 50th anniversary in 2024, I look forward to the furtherance of our co-operation for many more years to come.

Tan Sri Dato’ Seri Mohd Bakke Salleh
Chairman



Esteemed Stakeholders,

In 2023, the world faced significant volatility. The entire year was marked with seismic shifts in policies, legislation and geopolitics which significantly impacted the global economy. The fundamentals supporting supply and demand as the general determinants of energy equilibrium were so severely distorted, making capital and resource allocation for energy players across the globe a Herculean undertaking.

Tan Sri Tengku Muhammad Taufik

President and Group Chief Executive Officer

Letter from the President and Group Chief Executive Officer

Across the world, countries struggled to balance addressing the evident need for a secure and affordable energy supply today, against the necessity of developing a clear and measurable pathway towards a sustainable lower-carbon future that we have collectively pledged to achieve as a global community.

Delivering the energy needed to tackle the energy trilemma is a complex existential challenge – but one where PETRONAS is responding with a clear strategy and agility to be part of the solution for a just and responsible energy transition.

The Group navigated 2023 with relentless focus and executed the PETRONAS Energy Transition Strategy, paired with strong operational performance across our integrated energy portfolio. We are committed to deliver more value responsibly and sustainably for our stakeholders guided by our purpose to be their progressive energy and solutions partner enriching lives for a sustainable future.



Delivering the energy needed to tackle the energy trilemma is a complex existential challenge – but one where PETRONAS is responding with a clear strategy and agility to be part of the solution for a just and responsible energy transition.

Safety

In 2023, PETRONAS recorded a resilient operational and financial performance, credited to the unwavering dedication and service of more than 54,000 members of the PETRONAS family who continue to uphold safety as a top priority.

While we continued to make progress in our Health, Safety and Environment (HSE) performance – regrettably, two incidents occurred in our operations that resulted in the loss of lives. PETRONAS is determined to do better. We must continuously reinforce a strong safety culture across our operations to create a safe working environment where everyone goes home safely.

Delivering More Value Responsibly and Sustainably

At PETRONAS, we believe it is about getting the balance right with a pragmatic pathway to deliver more energy with less emissions to realise a just and responsible energy transition.

As a Group, we continue to be disciplined in our investments to develop hydrocarbons with measurable and effective decarbonisation initiatives, while also building our capacity in the cleaner energy space and specialty chemicals.

We are making steady progress under our Energy Transition Strategy by continuously exercising prudent financial management and doubling down on efforts to strengthen our portfolio.

As a result, I am pleased to share that the Group registered Profit After Tax (PAT) of RM80.7 billion on the back of RM343.6 billion in revenue. EBITDA stood at RM128.6 billion for the year under review.

PETRONAS will continue to deliver with discipline to keep energy flowing for economic growth and the energy security of those we serve by ensuring the necessary foundation is in place as we prepare to be part of a decarbonised energy system.

Among the highlights in 2023 include:

- Achieved top quartile exploration performance for most discovered resources in 2023 – over 1 billion barrels of oil equivalent (bboe) of new resources in Malaysia.
- Progressing towards startup of LNG Canada in 2025 and bringing on stream Malaysia’s first nearshore LNG production facility in Sabah as LNG will play a critical role as a destination fuel for the energy transition.
- Reached Final Investment Decision (FID) to construct an advanced chemical recycling plant in our Pengerang Integrated Complex that is expected to commence operations in 2026.
- Identified three definitive carbon capture and storage (CCS) hubs in Malaysia, which includes the Kasawari Carbon Dioxide Sequestration Project offshore Sarawak. This project is expected to reduce 3.3 million tonnes of carbon dioxide equivalent (million tonnes CO₂e) per year, with the first injection scheduled in 2026.
- 2.9 gigawatts of renewable energy capacity installed and under construction.
- Grew our Vehicle-as-a-Service fleet in Malaysia, India and Indonesia with more than 3,000 electric vehicles (EVs).
- Advanced approximately 200 kTPA of hydrogen opportunities beyond the feasibility stage.
- Recorded GHG emissions of 45.16 million tonnes CO₂e for our Malaysian operations through intensified efforts in flaring and venting reductions, energy efficiency and electrification – on track to meet near-term target of capping emissions at 49.5 million tonnes CO₂e by 2024 in our domestic operations.

PETRONAS has crafted a clear strategy for the energy transition. Our aim now is to execute this strategy even as we continue improving our operational performance to create long-term sustainable value for our stakeholders, while building the foundations that will shift us closer to a lower-carbon future.

Letter from the President and Group Chief Executive Officer

Realising Shared Goals through Collaboration

Energy transition is a journey of change that cannot be achieved overnight, nor is it a journey that can be undertaken by any one country or any one business on its own. For a just energy transition to be successful, holistic and far-reaching, collaborations must take place at all stages within an energy ecosystem.

In this stride, PETRONAS is honoured to collaborate with forward-looking partners at home and abroad who share the same desire and commitment to this agenda.

- Under the National Energy Transition Roadmap (NETR), PETRONAS will lead two emissions abatement projects for the country, namely CCS and hydrogen as well as the development of future fuels. CCS has been recognised as a lever to reduce Malaysia's GHG intensity under the Malaysia Budget, NETR and New Industrial Master Plan (NIMP 2030).
- Memorandum of Cooperation (MoC) with Japan's Ministry of Economy, Trade and Industry (METI) and Japan Organization for Metals and Energy Security (JOGMEC) to strengthen collaboration on cross-border CCS projects.
- Memorandum of Understanding (MoU) with IHI Corporation to collaborate on developing the ammonia value chain and commercialise ammonia-powered gas turbines in Malaysia. With this collaboration, we hope to accelerate the adoption of clean hydrogen as a viable energy transition lever.
- Partnership with Idemitsu Kosan Co., Ltd. to enhance shared capabilities across the sustainable aviation fuel supply chains and optimise a route to market.
- Collaboration with PLUS to launch Malaysia's first EV fast charging modular and portable station with a battery energy storage system at the Behrang Lay-by.
- Multistakeholder collaboration under the ASEAN Energy Sector Methane Leadership Program to further strengthen the capabilities and capacities of companies to expedite methane emission reductions across the energy value chain in Southeast Asia.

In 2023, PETRONAS partnered with S&P Global to organise the inaugural Energy Asia conference driven by one simple belief: the world cannot achieve net zero without Asia achieving net zero.

This region is expected to be among the epicentres of global economic growth due to advancing industries and the rapid urbanisation of a growing population. Given varying degrees of wealth and economic development, Asia's energy needs require a customised approach.

The three-day conference aimed to promote inclusiveness in its dialogues, representing a broad range of interests from different industries, sectors, and communities in Asia. With some of the best minds convened at the conference, I believe we are progressing towards having Asia's voice represented in discussions about energy security, climate change, and net zero.

Energy Asia was launched by the Prime Minister of Malaysia and welcomed more than 3,000 delegates, over 200 speakers, and 46 sponsors representing 18 industries from across 27 countries. I look forward to more meaningful collaborations to bring forth the solutions we need for the region as we convene in June 2025 for the second edition of Energy Asia.



Outlook

PETRONAS’ accomplishments to date would not have been possible without the strong support of all stakeholders.

Realising these milestones is a feat that takes time and effort – and I would like to put on record that PETRONAS values the trust of our stakeholders as we discharge our duty as established under the Petroleum Development Act 1974 while living up to the expectations and responsibilities of being an international energy player.

Anchored to our Shared Values, PETRONAS remains resolute in our commitment to ensure the Group delivers results responsibly with the highest standards of good governance, integrity and compliance.

As we look ahead, while PETRONAS’ performance has proven resilient in a volatile operating environment, we anticipate that uncertainties and risks from the events in 2023 will carry through into 2024.

We will focus on reinvesting with discipline, remain steadfast in delivering more value responsibly and sustainably for our stakeholders, but at all times, we will resolutely exercise prudent management of our financial commitments and debt obligations.

Finally, I want to express my deepest appreciation to the PETRONAS family for their commitment and resilience in overcoming obstacles in the ever-changing and volatile energy landscape. I extend my sincere gratitude to our Chairman, Tan Sri Dato’ Seri Mohd Bakke Salleh, and the PETRONAS Board of Directors for their steadfast leadership amid heightened uncertainties. Additionally, I want to commend the PETRONAS Executive Leadership Team for their unwavering resolve in the face of adversity.

PETRONAS’ employees have always understood the sheer scale and gravity of their responsibilities in being a part of this sacred institution. The scope of our obligations goes far beyond simply making a profit as an energy and solutions partner. Indeed, they are measured in the way we enrich the lives of Malaysians and the communities where we operate as we work together to deliver a sustainable future. We remain unwavering in upholding our Amanah, which has stayed the same since PETRONAS was first incorporated as a company – and this commitment will not change for the foreseeable future.

As we approach our 50th anniversary in 2024, I hope that, together with our stakeholders, we can build on this long-standing relationship for greater success and prosperity as we strive towards ‘Continuing a Legacy Together for Our Future’.

Tan Sri Tengku Muhammad Taufik
President and Group Chief Executive Officer



Dear Stakeholders,

We take a balanced approach in strengthening our Core Business and capturing new growth opportunities for New Business while responsibly managing our carbon emissions, demonstrating our clear ambition for a just transition.

Liza Mustapha

Executive Vice President and Group Chief Financial Officer

Letter from the Executive Vice President and Group Chief Financial Officer

The Financial Year in Review

PETRONAS faced a volatile operating environment in 2023, marked by persistent interest rate hikes by major central banks as well as the overall weakening economic growth and demand in the global oil markets, primarily in China and Europe. This outweighed the impact of supply tightness from OPEC+ cuts and supply disruption risks due to the ongoing geopolitical tensions, resulting in unfavourable average realised prices for the year.

In response, we continued to exercise strict capital discipline and robust portfolio management, leveraging on our strong integrated value chain as well as operational and commercial excellence. Our commitment to execute the PETRONAS Energy Transition Strategy ensures we take a balanced approach in strengthening our Core Business and capturing new growth opportunities for New Business while responsibly managing our carbon emissions, demonstrating our clear ambition for a just transition. This allowed us to turn challenges into opportunities presented to us during the year.

As a result of these efforts, the Group delivered a resilient financial performance despite the challenges. Our Profit After Tax for FY2023 was RM80.7 billion, a 21 per cent decrease from FY2022 of RM101.6 billion on the back of lower revenue realised.

Revenue

RM343.6
billion

2022: RM372.3 billion*

Profit After Tax

RM80.7
billion

2022: RM101.6 billion

Total Assets

RM773.3
billion

2022: RM710.6 billion



We were thus resilient in delivering positive CFFO of RM114.2 billion this year notwithstanding a 16 per cent decrease from FY2022 in line with lower profit.

**Prior year revenue and group costs have been restated to conform with current year presentation with no impact on Profit After Tax.*

We recorded revenue of RM343.6 billion in FY2023 against RM372.3 billion in FY2022. The eight per cent decrease is primarily due to the unfavourable average realised prices, partly cushioned by the higher sales volume mainly from petroleum products and foreign exchange impact.

Our Earnings Before Interest, Taxes, Depreciation and Amortisation for FY2023 was RM128.6 billion representing a 25 per cent decrease from RM170.7 billion in FY2022, in line with the lower profit recorded.

Resilient Financial Position

We foresee increasing challenges in accessing capital markets especially for energy players, as such it is imperative for PETRONAS to maintain an effective cash management strategy to navigate through the unpredictability of the energy market and rising operating costs compounded by the possibility of a global economic slowdown.

We were thus resilient in delivering positive Cash Flows from Operations (CFFO) of RM114.2 billion this year notwithstanding a 16 per cent decrease from FY2022 in line with lower profit. This was sufficient to cover expenses to enable safe business operations, financial commitments and debt obligations while at the same time support growth investments, payments to our shareholders and community well-being.

Total assets strengthened to RM773.3 billion as at 31 December 2023 against RM710.6 billion as at 31 December 2022 mainly contributed by capital investments during the year as well as higher cash, fund and other investments balances.

Capital Allocation

Our Core Business remains our biggest cash generator which allows us to fund and pursue our energy transition journey and net zero carbon emissions targets. PETRONAS' priority is to strike the right balance between growth in our Core Business and New Business while managing our emissions responsibly. It is also imperative that we further unlock value and extract resources responsibly to sustain the domestic oil and gas value chain which serves as the backbone to the Malaysian economy.

In FY2023, our overall Capital Expenditure (CAPEX) stood at RM52.8 billion, a RM2.7 billion increase compared to the previous year. This includes significant domestic investments to ensure energy security for Malaysia and PETRONAS' customers.

Domestic CAPEX increased by 41 per cent to RM26.2 billion from RM18.6 billion, making good progress in the development of the Nearshore Floating LNG Facility in Sabah as well as our maiden carbon capture and storage facility in Sarawak. These projects will allow us to further strengthen our Core Business and at the same time step-out into New Business areas.

Although CAPEX was equally split between domestic and international, the allocation for international CAPEX saw a 16 per cent decrease from FY2022 to RM26.6 billion.

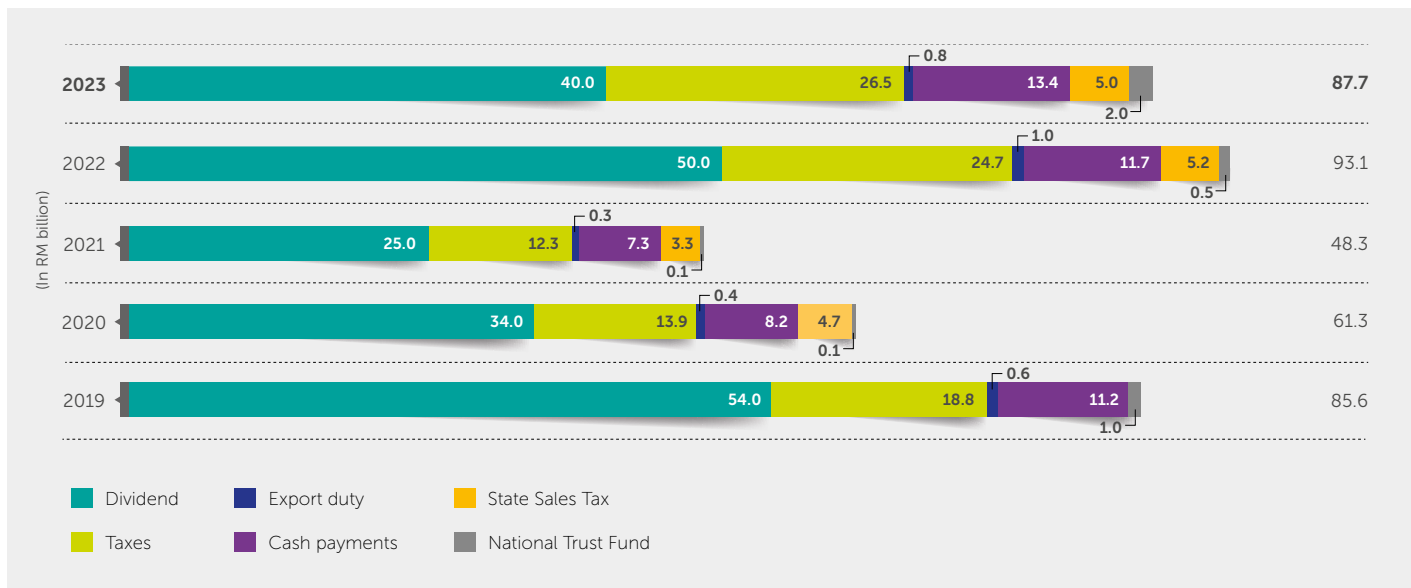
Letter from the Executive Vice President and Group Chief Financial Officer

Capital investment allocation over the next five years (from FY2024 to FY2028) is expected to increase by 43 per cent from the last five years (FY2019 to FY2023). More than 50 per cent of this amount will be allocated to core activities to sustain the delivery of energy security, while the remaining will be spent predominantly on new businesses and net zero carbon emissions efforts.

In supporting the PETRONAS Energy Transition Strategy, we remain committed towards allocating 20 per cent of PETRONAS' total CAPEX over the five years starting from 2022 to 2026 for decarbonisation projects and expansion into cleaner energy solutions. This is in support of our Net Zero Carbon Emissions by 2050 Pathway announced in November 2022. In 2023, 16 per cent was spent for this purpose, of which two-thirds were related to renewables and green mobility. This was an increase from two per cent spent the previous year and includes the undertaking of enterprise decarbonisation initiatives to reduce GHG emissions to the targeted level of 49.5 million tonnes CO₂e for PETRONAS' Malaysia operations. We will continuously monitor and reallocate budget for decarbonisation efforts based on requirement and opportunities.

Contributions to the Government

Our cash contributions to the Federal and State Governments of Malaysia in the form of dividends, taxes and cash payments, including contributions made to the National Trust Fund (*Kumpulan Wang Amanah Negara*) amounted to RM87.7 billion. In FY2023, the Federal Government of Malaysia received total dividends of RM40 billion.



*Contributions to the Federal and State Governments of Malaysia are based on cash paid during the year.

To date, our cumulative contributions to the Federal Government of Malaysia, state governments and National Trust Fund amount to RM1.46 trillion.

Governance and Transparency

Our prudent financial and liquidity management, fiscal discipline, coupled with a conservative balance sheet and strong credit ratings enabled us to maintain access to capital to support our ambition and future-proof our portfolio as well as navigate the energy transition journey.

PETRONAS' credit ratings remain strong with a rating of A2, A- and BBB+ from Moody's, Standard & Poor's (S&P) and Fitch respectively. Our standalone credit profile is four notches above our credit ratings as assessed by S&P and Fitch, which affirms our solid business fundamentals and resilience to weather volatile market conditions.

Our adherence to the best principles of corporate governance in line with the Malaysian Code on Corporate Governance is showcased by the following:

- Our financial statements are audited by global accounting firms and comply with Malaysian and International Financial Reporting standards, at par with other Fortune Global 500® companies.
- We safeguard our profitability by managing our commodity price risk exposures via hedging.
- We were awarded the Platinum Awards in Excellence Awards (Non-Listed Organisation) category for three consecutive years (2021, 2022 and 2023) for our annual issuance of Integrated Report by the National Annual Corporate Report Awards.
- We adopted the Task Force on Climate-related Financial Disclosures framework in the FY2022 Integrated Report for the first time, with readiness for full adoption by FY2024.

We further advanced our commitment towards our Net Zero Carbon Emissions by 2050 Pathway by strengthening and aligning ESG reporting to industry standards:

- Continuing adherence to GHG Protocol on emissions accounting. We obtained independent third party verification to demonstrate credibility of our data.
- Closing the gaps on Global Reporting Initiative Standards.

Our strong commitment towards governance and transparency will facilitate our energy transition journey in alignment with Malaysia's National Energy Transition Roadmap.

Outlook for 2024

We expect to see slower global demand going forward as businesses and consumers become more cautious towards spending and investments following the macroeconomic headwinds which affected the global economy at the end of 2023. Supply risks will be further heightened by the increased geopolitical tensions. At the same time, the shift towards cleaner energy solutions continues.

Our key financial targets for FY2024 will be to maintain our strong financial position, safely delivering commercial and operational excellence, scale up investments in decarbonisation projects and New Business as well as ensuring access to funding. We aim to further intensify efforts to future-proof our portfolio to counter increasing headwinds while remaining focused on pursuing our growth and sustainability agenda, delivering energy security while navigating energy transition in a just and orderly manner.

Liza Mustapha

Executive Vice President and Group Chief Financial Officer



Dear Stakeholders,

2023 set yet a new record for global warming. In response, our commitment remains steadfast to accelerate and scale up our efforts towards a lower carbon energy future that supports nature and biodiversity conservation as well as social progress.

Charlotte Wolff-Bye

Vice President and
Chief Sustainability Officer

Letter from the Vice President and Chief Sustainability Officer

Responding to the Global Climate Challenge

The targets of the Paris Agreement are becoming increasingly distant as global greenhouse gas (GHG) emissions continue to rise. Within this decade, global GHG emissions need to drop by 42 per cent below 2010 levels to avoid irreversible tipping points in our climate system.

In response, the COP 28 climate summit held in Dubai in 2023 closed with an agreement by governments on the need to “transition away from fossil fuels in energy systems in a just, equitable and orderly manner”. The agreement provides a clearer direction for the global energy transition and recognises each country’s unique circumstances as we pursue climate action. Commitments were also agreed on tripling renewable energy capacity and doubling energy efficiency improvements by 2030, as well as accelerating lower emission technologies such as Carbon Capture and Storage (CCS) and hydrogen.

Also at COP 28, PETRONAS joined forces with over fifty other industry players in the Oil and Gas Decarbonisation Charter (OGDC), a pledge that aligns with our own Net Zero Carbon Emissions by 2050 Pathway. This initiative means companies representing over 40 per cent of global oil and gas production will demonstrate action on their climate commitments and report on progress.

International collaborations such as the OGDC are critical to achieving climate goals. This is why PETRONAS has been the convening force behind another initiative – the ASEAN Energy Sector Methane Roundtable. In 2023, this collaboration launched the Methane Leadership Programme, a multi-stakeholder initiative that aims to expedite methane emission reductions across the energy value chain in Southeast Asia.

Domestically, PETRONAS will lead the CCS, hydrogen and future fuels flagship catalyst projects under Malaysia’s National Energy Transition Roadmap which was launched in August 2023.

Progressing on Our Sustainability Journey

To strengthen our commitment to emission reductions, we integrated our Net Zero Carbon Emissions by 2050 Pathway into the PETRONAS Energy Transition Strategy. Now our focus is on developing clear action plans across our value chains, ensuring both environmental responsibility and sustainable business growth.

Solidifying our sustainability governance, we formalised PETRONAS' commitment to net zero carbon emissions by 2050, position on nature and biodiversity, and respect for human rights into top level policies. Additionally, we instituted a dedicated Sustainability Executive Leadership Team which sets strategic direction, drives implementation and monitors sustainability performance across the Group.

We continue to strengthen our sustainability-related disclosures in accordance with the Integrated Reporting Council Framework, Global Reporting Initiative and the recommendations of the Taskforce for Climate-related Financial Disclosures.

We are making progress in reducing emissions from our operations and from the energy we buy, our Scope 1 and Scope 2 GHG emissions.

Our near-term target is to cap GHG emissions at 49.5 million tonnes CO₂e from PETRONAS Malaysia operations by 2024. As of the end of 2023, our emissions stood at 45.16 million tonnes CO₂e.

Overall, we have reduced our global GHG emissions by 14.5 per cent compared to 2019 levels, putting us on track to achieving our target of reducing absolute emissions by 25 per cent by 2030 using 2019 as our baseline. Meanwhile, our methane emissions from PETRONAS Groupwide natural gas value chain operations have reduced by 58 per cent against our 2025 target of a 50 per cent reduction from 2019 levels.

Unfortunately, in 2023 we saw a negative or flat trend in some of our key environmental management performance indicators such as hazardous waste, freshwater withdrawal and air emissions. We are committed to reversing these trends and we are developing a Groupwide position on resource efficiency which will serve to strengthen and align our environmental management efforts.

Protecting Nature and Biodiversity

In 2023, we focused on starting the implementation of PETRONAS' position on nature and biodiversity. Additionally, we supported the Malaysia government in developing a roadmap and action plans on nature and biodiversity and signed a Memorandum of Understanding with the Malaysia Forest Fund to explore opportunities for developing and investing in high-quality nature-based solutions.

Enabling a Just Transition

A just transition to a lower carbon future requires a collaborative whole-of-society approach. This was one of the key conclusions from "Laying the Foundation for a Just Energy Transition", a report that captures the key insights gathered from a series of roundtable sessions which we co-hosted with PwC Malaysia throughout 2023.

Our workforce will be a key enabler of a just transition and we are building a sustainability culture within PETRONAS. The impact of our efforts was reflected in the 2023 PETRONAS Organisational Culture Survey where "Actioning Sustainability" was one of the top three strengths. To build off this, we received approval in 2023 to develop a so-called Capability Lab for upskilling employees as part of the PETRONAS Decarbonisation programme. We are excited to be launching our first cohort in 2024.

Finally, I am proud to say that our human rights journey took a significant step forward in 2023 when we received Board approval for the PETRONAS Human Rights Policy which will be effective from 1 April 2024.

The Road Ahead

We know that we have a significant role to play in the energy transition, both in Malaysia and in other countries where we operate. As we navigate this transition together, we must ensure that no one is left behind and that we extend our efforts to conserve and protect nature and biodiversity. We are making steady progress towards achieving our ambitions and we remain resolute in our efforts to contribute towards a sustainable future.

Charlotte Wolff-Bye

Vice President and Chief Sustainability Officer