



PETRONAS

Energy Transition Strategy

In 2023, we remained resolute in executing the PETRONAS Energy Transition Strategy, which focuses on enabling a balanced and orderly transition towards a lower carbon future.

We are committed to investing in our Core Business to provide more energy with less emissions to meet the growing demand for energy, especially in Asia, where oil and gas still account for a considerable part of the energy mix. Playing to our strengths, PETRONAS is committed to meeting this energy demand by delivering lower carbon molecules in a cost effective manner. We have started to realise early results from our efforts to diversify our portfolio, unlocking revenue from New Business, namely renewable energy and specialty chemicals. At the same time, we exercise discipline in pursuing the right investments with commerciality as a key driver. We are progressing towards our net zero carbon emissions targets and have reduced emissions as planned, putting us on track to meet our short term targets. Beyond financial aspects, climate considerations have also become an integral part of investment decisions and business practices.

PETRONAS firmly supports the global goal of a lower carbon future and advocates for a just transition that recognises the unique challenges and economic requirements of the various energy markets. We will continue to collaborate across the industry and foster knowledge exchange with our partners and stakeholders, actively working towards mutually beneficial outcomes.

Our strategy demonstrates our commitment to be a part of the energy transition, balancing the dual role of supporting energy security and delivering responsible energy solutions for continuous growth. Together, we aspire to attain an equitable lower carbon future.

Core Business → *More Energy, Less Emissions*



Strategy and Focus

Our Core Business strategy is centred on providing more energy with reduced emissions, acknowledging the role of oil and gas in the energy mix, particularly natural gas as a destination fuel. With a significant portion of our portfolio in gas, we have an advantageous position to meet the world’s growing energy needs while steering towards a lower carbon future.

Our Core Business continues to be an anchor for PETRONAS as it is expected to generate steady cashflows to help finance our decarbonisation efforts and investments in New Business. Innovation, decarbonisation and sustainability remain integral to our investments in Core Business as we firmly believe that by responsibly managing our operations, we can contribute to a more sustainable energy future.

Core Business also serves as the key economic pillar and source of foreign direct investment. At the same time, sustaining our Core Business is essential to sustain the vibrancy of Malaysia’s Oil and Gas Services and Equipment ecosystem and adjacent industries.

The four primary areas in PETRONAS Core Business are:

- **Upstream Malaysia:** Intensify oil and gas exploration, development and monetisation in Malaysia to serve domestic energy demands, maximise the integrated value chain and sustain the vibrancy of the domestic oil and gas ecosystem.
- **Upstream International:** Sustain production levels and high-grade international oil and gas portfolio to deliver lower carbon molecules in a cost efficient manner.
- **LNG:** Maintain LNG market leadership by maximising value from existing assets as well as pursuing new supply nodes.
- **Downstream:** Strengthen operational excellence, commercial excellence and value extension to fully capture the market.



Outlook and Priorities

Short-Term

- **Upstream Malaysia:** Continue to focus on replenishing resources and maximise integrated value chain to meet increasing domestic energy demand.
- **Upstream International:** Monetisation of high-value oil and gas resources in focused regions, in the Americas, Middle East and Southeast Asia.
- **LNG:** Maximise LNG value from existing assets and supply portfolio as well as deliver identified growth projects in Canada and Sabah, Malaysia.
- **Downstream:** Sustain operational and commercial excellence to maximise value extension and capture expanding market.

Medium to Long-Term

- **Upstream Malaysia:** Future-proof Upstream Malaysia business to meet growing energy demand, strengthen domestic integrated value chain and sustain the vibrancy of the domestic oil and gas ecosystem.
- **Upstream International:** Continue to sustain production and high-grade oil and gas portfolio to deliver lower carbon molecules in a cost efficient manner.
- **LNG:** Maintain LNG market leadership and continue to mature opportunities for new LNG supply nodes.
- **Downstream:** Maximise value through product diversification in response to changing customer preferences.

PETRONAS Energy Transition Strategy



New Business

➔ Capturing New Growth Opportunities

Strategy and Focus

PETRONAS is committed toward the energy transition in a landscape marked by rapid changes in customer preferences and evolving policies. Our strategy is not just about adapting to these changes; but proactively shaping our future in the energy sector. This commitment involves strategic diversification to future-proof our portfolio while maintaining our core strengths in traditional energy sources.

Nine New Business have been identified and pursued to strengthen the robustness of our portfolio. Early results in New Business growth and progressive transition of our portfolio have been observed especially in renewable energy and specialty chemicals. These milestones were made possible through disciplined investments and maturation of projects in the pipeline both organically and through synergies and partnerships.

Our immediate focus is to strategically scale renewable energy, hydrogen, green mobility, specialty chemicals, carbon capture and storage (CCS) and bio-based value chain to meet the demands of a changing energy landscape. At the same time, we are also actively maturing opportunities in circular economy, convenience business and advanced materials. Gentari drives our ambitions in renewable energy, hydrogen and green mobility.

On the domestic front, PETRONAS is championing specific flagship projects identified in the National Energy Transition Roadmap and collaborating with the Federal and State Governments as well as policymakers to support the sustainable growth of the domestic energy industry.

- **Renewable Energy:** Capitalise on large and fast-growing markets to build installed capacity.
- **Hydrogen:** Prioritise investments in early positions and establish local teams, especially in priority markets.
- **Green Mobility:** Grow our investments in charging points and Vehicle-as-a-Service (VaaS) across key markets in Asia Pacific.
- **Specialty Chemicals:** Build strong specialty chemicals business by focusing on innovation, profitability and growth through accessing new capabilities, markets and geographies while strengthening the existing product portfolio.
- **Carbon Capture and Storage (CCS):** Mature CCS to decarbonise PETRONAS' portfolio and design for regional demand to position Malaysia as a leading CCS hub in the region.
- **Bio-based Value Chain:** Scale up bio-based products and offerings aligned with customer preferences, leveraging strategic partnerships.



Outlook and Priorities

Short-Term

- **Renewable Energy:** Focus on acquiring platforms to capture value-accretive opportunities in the renewable energy sector, with a focus on Malaysia and India.
- **Hydrogen:** Maturation of opportunities towards final investment decision in priority markets.
- **Green Mobility:** Establish a strong supply chain through the growth of electric vehicle charging points, with a focus on Malaysia, India and other Asia Pacific markets.
- **Specialty Chemicals:** Develop a transformation strategy leveraging on current capabilities and establishing an innovation hub to become a global specialty chemicals leader.
- **Carbon Capture and Storage:** Focus on Kasawari carbon sequestration project delivery and technology partnerships as one of the emission abatement levers for PETRONAS.
- **Bio-based Value Chain:** Continue to mature pathways into biofuels production through co-processing in existing facilities.

Medium to Long-Term

- **Renewable Energy:** Aim towards being the leading next-generation commercial and industrial, and utility-scale renewable energy developer.
- **Hydrogen:** Scaling up as a hydrogen producer and go-to industry partner.
- **Green Mobility:** Aim to be Asia Pacific's leading green mobility solutions partner.
- **Specialty Chemicals:** Expand specialties portfolio to become a differentiated player and strengthen capabilities in applicative science to provide better solution to customers.
- **Carbon Capture and Storage:** Design value chains and commercial models to meet regional demand.
- **Bio-based Value Chain:** Transition from conventional products to scale-up sustainable offerings to meet market demand.

Net Zero Carbon Emissions

➔ *Pathway to Net Zero*



Strategy and Focus

Our commitment to the Net Zero Carbon Emissions by 2050 Pathway is a pledge to decarbonise our portfolio which requires a multifaceted strategy that embraces innovation, collaboration and responsible stewardship of resources. The established pathway to achieve net zero carbon emissions by 2050 considers technological limitations and evolving policies whilst balancing the need to be profitable. Key abatement levers to reduce Scope 1 and Scope 2 emissions have been identified, and we are dedicated to achieving our short- and medium-term targets, with a focused allocation of resources for effective delivery.

PETRONAS has achieved meaningful milestones in our sustainability journey. We are on track to achieving our near-term emission targets, through existing and planned emissions reduction projects. Beyond climate, we have also established our position on nature and biodiversity and human rights policy in our commitment to step up our sustainability approach.

We advocate for the advancement of carbon capture and storage as an enterprise decarbonisation solution and promote sustainability efforts through knowledge sharing across the industry. This work is integral to our contribution to Malaysia's national climate goals and the global effort to accelerate climate action.

- **Elevated Greenhouse Gas Emissions Reporting:** Implement comprehensive reporting and accounting methods for a total view of emissions across the Group, adhering to international frameworks as well as maturing our understanding of Scope 3 emissions in our value chain.
- **Zero Flaring and Venting Reduction:** Minimise and eliminate routine flaring and venting in oil field developments and seek solutions to end routine flaring at existing sites by 2030.
- **Methane Emissions Reduction:** Systematic enhancement of methane emission management through the adoption of the Oil and Gas Methane Partnership 2.0 framework.



Outlook and Priorities

Short-Term

- **Greenhouse Gas Emissions Target:** Focusing efforts to meet the short-term target of capping emissions to 49.5 million tonnes CO₂e for PETRONAS Malaysia operations by 2024.
- **Methane Emission Management:** Working towards meeting 50 per cent methane emissions reduction target by 2025. Focusing on capacity and capability building to strengthen ASEAN energy companies' plans, targets and financing options for reducing methane emissions.
- **Greenhouse Gas Measurement and Quantification:** Conducting materiality screening for all categories of Scope 3.
- **Maturing Sustainability Efforts:** Increasing understanding and assessing business impact on nature and biodiversity.

Medium to Long-Term

- **25 per cent Greenhouse Gas Emissions Reduction Target by 2050:** Developing business activities in support of emissions reduction milestones in support of net zero carbon emissions by 2050.
- **Carbon Capture and Storage as Key Abatement Emission Lever:** Developing carbon capture and storage as a means of reducing emissions for PETRONAS assets.
- **Electrification:** Focusing on sourcing renewable energy and developing infrastructure for the electrification of PETRONAS operations and processes.
- **Elevating Greenhouse Gas Emissions Reporting:** Disclosing material categories of Scope 3.
- **Elevating Sustainability Efforts:** Maturing approach and understanding of nature-based solutions, biodiversity and human rights.




Scan this QR code to read more on PETRONAS' Pathway to Net Zero Carbon Emissions by 2050.




Further information on the net zero carbon emissions can be referred to in the Business Review section.

Value Creation Model


PETRONAS Energy Transition Strategy



Core Business
More Energy, Less Emissions



New Business
Capturing New Growth Opportunities



Net Zero Carbon Emissions
Pathway to Net Zero

Our Capitals

Input

FC Financial Capital

- RM773.3 billion in total asset value

MC Manufactured Capital

- Property, Plant and Equipment: **RM326.4 billion**

HC Human Capital

- A diversified workforce of **54,105 employees** across the globe
- **RM330 million** invested in training and development

IC Intellectual Capital

- **RM644 million** invested in technology
- **195** research and development laboratories

NC Natural Capital

- **16 per cent** capital expenditure spent on decarbonisation projects and cleaner energy solutions
- **9.35 billion** barrel of oil equivalent (Bboe) 2P Reserves

SRC Social and Relationship Capital

- More than **RM850 million** invested in Social Impact activations covering education, community well-being and development and environment

 Read more on page 40.

... Enable Value-Adding

Material Topics

Safeguard the Environment

- Climate Change Risks
- Environmental Management
- GHG Emissions
- Nature and Biodiversity



Continued Value Creation

- Circular Economy
- Economic Contribution
- Innovation and Technology
- Lower Carbon and Energy Transition Business
- Sustainable Supply Chain



Positive Social Impact

- Employee Attraction, Retention and Development
- Health and Well-being
- Human Rights
- Safety Management



Responsible Governance

- Corporate Governance
- Cyber Security and Data Protection
- Ethics and Integrity



 Read more on page 53.

Market Landscape

- Geopolitics
- Economy
- Energy Transition
- Exploration and Production
- Gas and LNG
- Oil Market
- Chemicals
- Environmental Regulation

 Read more on page 12.

Supported By A Robust Governance Framework: Highest standard of governance and effective board leadership

Activities That Create ...

...Value For Our Stakeholders.

Activities



Upstream
 Cost Efficiency



Gas
 Overall Equipment Effectiveness



Downstream
 Overall Equipment Effectiveness



Project Delivery and Technology
 OTOBOS and Technology Solutions



Gentari
 Deliver Cleaner Energy Solutions



Other Businesses

- Maritime and Logistics – Sustainable maritime transportation solutions
- Property – Financial sustainability

Key Risks

- Market
- Financial Liquidity
- Legal and Regulatory
- Sustainability
- Health, Safety, Security and Environmental
- Geopolitical
- Hydrocarbon Reserves and Resources
- Technology
- Execution
- Human Capital

Read more on page 59.

Outputs and Outcomes

Financial Capital

- **RM80.7 billion** Profit After Tax
- **RM40 billion** dividend to shareholder

Manufactured Capital

- **32.9 million** metric tonnes (MMT) of overall LNG sales
- **10.4 million** metric tonnes (MMT) of petrochemicals production volume
- **296.1 million** barrels of petroleum product sales volume

Human Capital

- **48,752** employees completed training and development programmes
- **58.2** average total hours of training per employee (hours/person)

Intellectual Capital

- **50** new products and softwares launched
- **1** proprietary chemical formulation
- **35** patents secured
- **880** projects were executed according to on time, on budget, on scope (OTOBOS)

Natural Capital

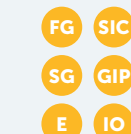
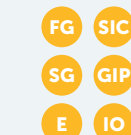
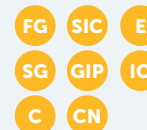
- **2,431 thousand** barrels of oil equivalent (boe) per day crude oil, condensates and natural gas production
- **1.8 million** tonnes CO₂e per year of GHG emissions reduced through emissions reduction projects.
- **57,424** tonnes total hazardous waste reused, recycled and recovered

Social and Relationship Capital

- More than **3 million** beneficiaries worldwide from PETRONAS' Social Impact activations

Read more on page 40.

Stakeholders



Read more on page 42.

Performance by Capital

FC Financial Capital

We practice prudent financial management and strict capital discipline guided by our strategy, which places the organisation in a strengthened position to remain resilient in a volatile operating environment. Maintaining a strong financial position can enable our other capitals to contribute to the organisation's performance and provide value to our stakeholders.

Inputs

- RM773.3 billion in total assets
- RM443.5 billion shareholders' equity
- RM114.2 billion cash flows from operations (CFFO)

| Outputs/Outcomes | 2022 | 2023 |
|--------------------------------------|-------|-------|
| Revenue (RM billion) | 372.3 | 343.6 |
| Profit/Loss After Tax (RM billion) | 101.6 | 80.7 |
| Dividend to Shareholder (RM billion) | 50.0 | 40.0 |
| CAPEX (RM billion) | 50.1 | 52.8 |
| EBITDA (RM billion) | 170.7 | 128.6 |

Actions to Enhance Outcomes

- Continued to exercise prudent financial management and firm discipline in capital allocation to navigate the volatile market environment and rising operating costs.
- Ensured effective implementation of strategy by leveraging the Group's integrated value chain.
- Practised robust portfolio high-grading exercise to manage risks and asset and liability management.
- Adopted high standards of governance and strive to report transparently, in line with the Task Force on Climate-related Financial Disclosures recommendations.

Trade-Offs

- With the increased urgency to accelerate the energy transition, we intensified our efforts to reduce emissions in our Core Business and pursued cleaner energy solutions. Our cleaner energy solutions will generate lower, albeit more stable returns and contribute towards delivering our Net Zero Carbon Emissions by 2050 Pathway.

MC Manufactured Capital

We utilise our diverse range of assets from our integrated business portfolio to deliver energy while meeting evolving market demands and advancing delivery of the net zero carbon emissions by 2050 ambition. Continuous investments in new technologies support our efforts to reduce emissions and drive business growth.

Inputs

- 5 refineries
- 19 petrochemical manufacturing sites
- 4 LNG plants
- 2 LNG floating facilities
- 5 gas processing complexes
- 1 utility plant
- 2 regasification terminals

| Outputs/Outcomes | 2022 | 2023 |
|---|-------|-------|
| LNG sales (million metric tonnes) | 34.2 | 32.9 |
| Malaysia's average sales gas volume (million standard cubic feet per day) | 2,938 | 2,214 |
| Total petrochemical production volume (million metric tpa) | 10.0 | 10.4 |
| Petroleum products sales (million barrels) | 258.2 | 296.1 |
| Petrochemical product sales (million metric tonnes) | 8.3 | 9.4 |

Actions to Enhance Outcomes

- Continued to ensure proper maintenance of our assets to deliver operational and commercial excellence to meet growing demand.
- Customised solutions and expanded our product portfolio to meet customers' growing expectations and capture new value from lower carbon energy solutions.
- Strengthened our presence in key markets to future-proof the business and deliver targets.

Trade-Offs

- To achieve net zero carbon emissions by 2050, we need to form strategic partnerships and invest in cleaner energy solutions and innovative technologies. However, this may have long-term trade-offs, including impacts on Natural, Social and Relationship, Human and Financial Capitals.
- Investments in Manufactured Capital are necessary to advance our decarbonisation and cleaner energy efforts. This move is expected to positively impact all capitals.

IC Intellectual Capital

We leverage our intellectual capital to develop proprietary technologies, system procedures and protocols that enable us to deliver sustainable value and growth.

Inputs

- RM644 million invested in technology
- 195 research and development laboratories
- 267 dedicated researchers

| Outputs/Outcomes | 2022 | 2023 |
|--|------|------|
| Number of new products and solutions launched | 14 | 32 |
| Number of registered trademarks | 126 | 139 |
| Number of technical solutions piloted/deployed | 143 | 174 |
| Number of proprietary chemical formulation | 3 | 1 |
| Number of patents secured | 31 | 35 |

Actions to Enhance Outcomes

- Accelerated deployment and execution of research and development and technology delivery projects.
- Intensified review of intellectual property portfolio to maximise potential returns.
- Increased efforts in lower carbon emitting technology and innovation towards realising Net Zero Carbon Emissions by 2050 Pathway.
- Pursued opportunities to commercialise our technology and digital solutions.

Trade-Offs

- Investing in technology and innovation to improve the quality of our operations and lower our emissions. However, the rapid pace of technological advancements demand faster pace of innovation for our products and solutions to remain relevant.
- While these investments will impact our Financial Capital, they will increase the value of our Natural, Manufactured, Financial, Social and Relationship capitals in the long term, through improved efficiency, productivity, operational excellence and commercialisation.

HC Human Capital

Our diverse and high-performing workforce is essential to delivering our strategic priorities. We invest in nurturing agile, innovative, future-ready skilled employees.

Inputs

- 54,105 total PETRONAS employees
- 29 per cent of PETRONAS employees are women
- RM330 million invested in training and development
- 7,386 total PETRONAS new hires

| Outputs/Outcomes | 2022 | 2023 |
|--|--------|--------|
| Employee attrition rate (%) | 6.6 | 6.4 |
| No. of employees completed training and development programmes | 48,007 | 48,752 |
| Average total hours of training per employee (hours/person) | 39.1 | 58.2 |
| Lost Time Injury Frequency (Number of cases per one million man-hours) | 0.13 | 0.11 |
| Fatal Accident Rate (Number per 100 million man-hours) | 1.36* | 0.69 |

*Prior year number has been restated due to revision on 2022 man-hours.

Actions to Enhance Outcomes

- Accelerated upskilling and reskilling efforts, focusing on the five key capability development priorities to equip existing and future talents with the skills and capabilities needed to support the delivery of Core Business, New Business and Net Zero Carbon Emissions by 2050 Pathway. These include talent reshaping for junior executives to meet business expectations and requirements and embedment of sustainability in our way of working.
- Enriched the learning content on myLearningX, a Groupwide internal training platform to empower a self-learning culture across the organisation.
- Revised the flexible working arrangement to enhance organisational alignment and stronger collaboration, as well as improve employee well-being and productivity.
- Improved Employee Value Proposition to enhance overall employees' experience.

Trade-Offs

- Operating effectively and efficiently in a rapidly changing energy landscape will require investment to shift our talents from resource-based to market-based skills.
- Revised our strategy and growth ambition will require continuous investment to attract and retain a highly competent talent pool amid global competition for skilled talents.
- Managing these trade-offs will impact our Financial Capital in the short term but will positively impact Human Capital in the medium to long term to deliver business effectively and benefit Financial Capital.

SRC Social and Relationship Capital

We aim to consistently establish meaningful connections with our stakeholders and communities where we operate through specific initiatives. While this also supports our license to operate, we remain steadfast in building trust and supporting our communities by forging strong relationships as part of our license to operate.

Inputs

- Over RM850 million invested in education (Powering Knowledge), community well-being and development (Uplifting Lives) and environment (Planting Tomorrow) aimed at uplifting the livelihoods and living standards of local communities where we operate.

| Outputs/Outcomes | 2022 | 2023 |
|--|-------|-------|
| Total contribution to flood relief efforts (RM million) | 6.8 | 2.9 |
| No. of beneficiaries from various PETRONAS programmes ('000) | 1,500 | 2,960 |
| Number of scholarships awarded to Malaysians | 587 | 615 |
| Scholars recruited by PETRONAS (%) | 90 | 90 |

Actions to Enhance Outcomes

- Continued to engage and collaborate with various host authorities, state agencies and Non-Governmental Organisations to uplift communities.
- Increased investment in various science, technology, engineering and mathematics (STEM) programmes and technical vocational trainings to nurture future talents with the skills to positively contribute to their communities.
- Increased the number of scholarships awarded to deserving students to pursue tertiary education at leading local and international universities.
- Continued engaging and supporting the growth of local suppliers and small and medium-sized enterprises to contribute to the nation's economy.

Trade-Offs

- While this may have impacted our Financial Capital, it has enhanced our position as a responsible corporate citizen among our stakeholders which indirectly serves all our other capitals.

NC Natural Capital

Given our reliance on a wide range of natural resources, we are committed to continuously work to minimise our environmental impact and invest in technologies that support emission abatement and development of cleaner energy solutions to achieve net zero carbon emissions by 2050.

Inputs

- 9.35 Bboe 2P Reserves
- 217 producing fields
- 318 offshore platforms
- 30 floating facilities
- 84.1 million m³ total freshwater withdrawal

| Outputs/Outcomes | 2022 | 2023 |
|--|--------|---------|
| Crude oil, condensates and natural gas production (thousand barrels of oil equivalent per day) | 2,434 | 2,431 |
| GHG emissions (million tonnes CO ₂ e) | 54.07 | 53.64 |
| GHG emissions reduction from projects (million tonnes CO ₂ e per year) | 0.6 | 1.8 |
| Nitrogen oxides emissions (tonnes) | 62,790 | 101,695 |
| Sulphur oxides emissions (tonnes) | 60,116 | 60,212 |
| Hazardous waste disposed (tonnes) | 76,485 | 96,310 |
| Oil in water content (tonnes) | 487 | 327 |
| Renewable energy in operations and under development (gigawatt) | 1.0 | 2.9 |

Actions to Enhance Outcomes

- Intensified emissions-abated oil and gas production to address energy security.
- Increased the implementation of emissions reduction projects such as reducing flaring and venting, increasing energy efficiency, electrification and developing CCS.
- Increased renewable energy capacity to provide customers with cleaner energy solutions which contributes to reduced carbon footprint.

Trade-Offs

- As we progress in our Net Zero Carbon Emissions by 2050 Pathway, efforts to reduce and offset any residual carbon emissions in the future from our operations will result in higher costs. Nevertheless, this will contribute towards reducing our carbon footprint, strengthen long-term business resilience and improve Natural Capital.

Engaging with Stakeholders

Preserving, Creating and Growing Shared Value Together

Our stakeholders are instrumental to our success. We are mindful of their expectations in our decision making, as we are realising our business ambitions and advancing our PETRONAS Energy Transition Strategy. The PETRONAS Stakeholder Management Guideline informs our approach to engaging stakeholders, enabling mutually beneficial relationships.



Level of Engagement

- Awareness building
- Collaboration or value creation
- Management or engagement
- Partnerships and strategic alignment
- Mature relationship

Frequency

- AR As Required
- W Weekly
- M Monthly
- E Every Two Months
- Q Quarterly
- T Twice Yearly
- Y Yearly

FG Federal Government

Why We Engage



Establishing a solid and trusting relationship with the Federal Government of Malaysia is the cornerstone of our collaboration with ministries, agencies and regulators in ensuring effective business operations and seamless project delivery. Nurturing close rapport with key ministries and regulators strengthens our reputation as a responsible energy solutions partner for the nation. It presents synergies to advance mutually beneficial key commercial objectives and contribute to nation-building. As a corporation, PETRONAS remains committed as the nation's trusted partner in realising the Federal Government's aspiration for the nation's progress.

Key Interests

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

Our Response

- Advised on energy policy initiatives, National OGSE Blueprint 2021-2030, Chemical Industry Roadmap 2030, Gas 360 with the Ministry of Natural Resources, Environment and Climate Change and *Suruhanjaya Tenaga* (Energy Commission).
- Supported nation-building initiatives and contributed aid and assistance for national-level crises such as flood aid contributions and response.
- Partnered for social development projects.
- Participated as a thought partner in policy shaping discussions, in energy-related areas including energy transition (National Energy Policy, National Energy Transition Roadmap, National Gas Roadmap), carbon capture and storage and energy security.
- Provided regular updates on issues affecting the economy and our operations.
- Strengthened our support of the government's net zero carbon emissions targets and sustainability ambitions.
- Operated safe and stable facilities in an environmentally compliant manner.
- Ensured safety as key priority.
- Worked closely with regulators and authorities to shape and improve industry standards and regulations.

Value Created for Stakeholders

- Developed energy transition plans to ensure nation's energy security whilst generating revenue for the nation.
- Established clear understanding and positioning of the energy market landscape.
- Provided human capital development through employment opportunities.

Engagement Platform/Frequency

- Face-to-face engagements
- Statutory reporting, meetings and briefings
- Periodical performance briefings
- Participated in government-related initiatives
- National OGSE Steering Committee
- Roundtable discussions

Capitals:



Key Risks:



Material Topics:



Engaging with Stakeholders

SG State Governments

Why We Engage

➔ **Level of Engagement**

The trust and support of Malaysian State Governments enable continued collaboration to generate opportunities for local industries and empower local communities, ultimately spurring the state and, by extension, the country's economy. Continuous engagements on our operations help to broaden their understanding of the challenges we face and help to minimise business disruptions. We respect the conditions set out by the state government, and operate in accordance with all regulatory requirements to ensure seamless safe operations.

Key Interests

- State economic growth
- Participation of locals in the industry and employment opportunities
- Specific industry growth, for example fishing industry
- Gas supply to support industry growth
- New energy and sustainability
- Social development
- Energy growth aspiration
- Biodiversity conservation

Our Response

- Collaborated with State Governments through established platforms such as Annual Strategic Dialogue, Joint Working Committee and Joint Coordination Committee.
- Supported the State Governments' local economic development initiatives through partnerships with Yayasan PETRONAS to elevate socio-economic and community welfare.
- Participated in State Government initiatives such as transformation projects, state energy roadmap, state investment campaigns and biodiversity preservation projects such as Rigs-To-Reef.
- Organised business dialogues with state governments for business opportunities.
- Contributed to flood assistance.

Value Created for Stakeholders

- Increased industry participation by state governments to spur state economic development.
- Social empowerment through human capital investments and upliftment through employment opportunities.
- Business opportunities for the development of local industries.
- Partnered with the State Government to capture opportunities in the energy transition.

Engagement Platform/Frequency

- Face-to-face engagements
- Annual Strategic Dialogues
- Engagements to brief and provide updates to various state ministries
- Joint Coordination Committee and Joint Working Committee meetings
- Participation in state government programmes
- Site visits

Capitals:

Key Risks:

Material Topics:

HG Host Governments

Why We Engage



We proactively engage with host governments where we operate to foster diplomatic relations, strategic partnerships and the ability to navigate geopolitical risks effectively. These efforts enable our operations to remain sustainable and thrive in the ever-evolving global business environment. Continuous engagements with host governments ensure we understand the countries' complex regulatory and legal frameworks to obtain or preserve our license to operate. This ensures our presence remains welcomed by the host government and minimal disruptions to our international operations.

Key Interests

- Operational efficiencies
- Business resilience
- Community development
- Greenhouse gas emissions
- Human capital development
- Compliance with country laws and regulations
- Ethical business practices
- Health and safety
- Human rights

Our Response

- Actively engaged and continuously collaborated with host governments, authorities and embassies to build strong relationships.
- Participated in energy transition dialogues with host governments through thought leadership platforms for example, Energy Asia and discussions during courtesy calls.
- Proactively collaborated with the Ministry of Foreign Affairs, Malaysia and host governments to gain knowledge and insights on the concerns of the host country to preserve PETRONAS' social license to operate.
- Supported Malaysia's aspiration as an investment destination by organising site visits to PETRONAS' plants.
- Bridged the bilateral and multilateral diplomatic ties between Malaysia and countries where we operate through regular stakeholder engagements and fostered government-to-government and business-to-government ties with Upstream countries.
- Activated social impact programmes in the communities of the countries we operate in.

Value Created for Stakeholders

- Economic growth for host countries.
- Socio-economic and community development.
- Human capital development and employment opportunities in the countries we operate.
- Enhanced diplomatic relations between countries we operate in and provide added value in economic terms, especially in investments.
- Strengthened economic cooperation in areas of shared interest between Malaysia and host countries where we operate.

Engagement Platform/Frequency

- Face-to-face engagements and virtual meetings
- Reporting, meetings and briefings
- Participated in host government-related initiatives
- Site visits



Capitals:



Key Risks:



Material Topics:



Engaging with Stakeholders

C Customers

Why We Engage



Customer feedback is invaluable as we strive to deliver superior, innovative products and services with timely product delivery and reliable after-sales support. We aim to meet the ever-changing needs of our customers, address environmental considerations through innovative solutions and ultimately support our growth agenda.

Key Interests

- Product pricing, availability, safety and quality
- Innovative products and services
- Loyalty programme privileges and benefits
- Product management optimisation
- Cutting-edge solutions and services
- Exclusive loyalty programme benefits
- Brand reputation and advocacy
- Strategic networking opportunities
- Seamless customer experience
- Sustainability initiatives

Our Response

- Offered improved hydrocarbon products and innovative solutions for enhanced customer experience.
- Developed and executed impactful marketing campaigns such as festive programmes and Mesra Bonanza loyalty rewards campaign.
- Launched a cardless Mesra Rewards loyalty programme in Malaysia.
- Hosted annual reception with long-term key customers to show appreciation and strengthen relationships.

Value Created for Stakeholders

- Strengthened our retail network and expanded our offerings to fulfil our customers' needs.
- Continuously expand the Setel mobile application's features, offering a seamless payment experience across the daily touchpoints of our customers' journey.
- Fulfilled all contractual commitments despite market challenges.
- Concluded sale and purchase agreements and price reviews for liquefied natural gas buyers in key markets.

Engagement Platform/Frequency

- Face-to-face meetings with customers AR
- Events, dialogues, roadshows and engagements Y
- Social media W
- PETRONAS corporate website Q
- Customer feedback system Q
- Marketing activities and outreach programmes Q
- Online customer surveys Y
- Customer appreciation programmes Q

Capitals:

FC IC MC SRC

Key Risks:

MR FLR TR SR GR

HCR HSR

Material Topics:

SM HW IT SC EM

HR CE CDP

E Employees

Why We Engage

→ Level of Engagement

Our people are our most valuable asset. As an organisation, we prioritise their safety, well-being and development. A psychologically safe and inclusive environment that fosters innovative thinking has helped us to achieve our growth pursuits and propel us towards being the workforce of the future, ensuring business sustainability.

Key Interests

- Talent attraction and retention
- Flexible working arrangements
- Opportunities for career progression
- Learning and development and on-the-job learning opportunities
- Safe and healthy work environment
- Diversity and inclusion
- Right behaviour and mindset
- Ethical and sustainable business practices

Our Response

- Reinforced and strengthened a generative health, safety and environment culture across PETRONAS operations.
- Revised the flexible working arrangement to inculcate a work environment that promotes collaboration, inclusivity and innovation.
- Empowered employees to take charge of their career via myCareerX, an integrated HR platform that provide opportunities to explore other roles available across PETRONAS.
- Enhanced internal digital learning platforms and continued to provide upskilling and reskilling opportunities to maximise employee potential.
- Continued holistic wellness support programmes to safeguard employees' mental health and well-being, while leveraging PETRONAS Organisation Culture Survey and Employee Performance Management system to create a psychologically safe environment for employees to speak up.
- Enhanced awareness on diversity and inclusion through recruitment efforts of differently-abled persons and partnerships to build a neurodiversity ecosystem in Malaysia, including recruitment of neurodiverse talents into PETRONAS.
- Strengthened the culture of integrity to safeguarded the organisation and employees through enhanced declaration of activity and asset declaration tool, myAsset.
- Strengthened Human Rights Policy, which was approved in 2023 for implementation on 1 April 2024 with enhanced grievance mechanism platform for employees.
- Provided platform to encourage empowerment and develop young talents in PETRONAS via the Young Professionals Club.

Value Created for Stakeholders

- Provided growth opportunities via learning and development programmes, supported by conducive work-life integration platforms to nurture talent.
- Encouraged the spirit of innovation and creativity such as Race2Decarbonise hackathon to accelerate the move towards a lower carbon future.
- Established a safe and flexible work environment for both professional and personal development.

Engagement Platform/Frequency

- Townhalls
- Internal digital communications
- Upskilling sessions (in-person, virtual, hybrid)
- Annual health survey
- Organisational culture survey
- Social media
- PETRONAS corporate website
- Knowledge-sharing engagements and forums
- Exhibitions
- Engagements with leaders, conversations with line managers

Capitals:



Key Risks:



Material Topics:



Engaging with Stakeholders

St Shareholders, Investors and Credit Rating Agencies

Why We Engage

Consistent and clear communications regarding financial and strategic information builds trust and confidence, enabling business growth, by providing continued access to capital and reducing the cost of borrowing. Market intelligence and insights through frequent stakeholder engagement enables us to tap into opportunities and adapt to new trends within the financial and capital markets, which contributes to our long-term strategic priorities.

➔ **Level of Engagement** 

Key Interests

- Business and industry outlook
- Environmental, social and governance
- Energy transition
- Financial positions and shareholders' returns

Our Response

- Provided timely and comprehensive reporting.
- Periodic engagements through quarterly financial results announcements.
- Demonstrated robust fundamentals and delivered resilient financial performance.
- Increased disclosure in sustainability to enhance transparency, aligned with international frameworks and standards.

Value Created for Stakeholders

- Timely guidance on PETRONAS' performance, business strategies and industry outlook.
- Clarity on PETRONAS' sustainability journey, including on our progress towards our Net Zero Carbon Emissions by 2050 Pathway.

| | |
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| <h4>Engagement Platform/Frequency</h4> <ul style="list-style-type: none"> • Stakeholder engagements  • Quarterly and annual results announcements  • Analyst briefings  • Announcements and disclosures via corporate websites  • Annual general meetings  | <div data-bbox="1106 1202 1404 1287"> <p>Capitals:</p> <p>     </p> </div> <div data-bbox="1106 1308 1404 1436"> <p>Key Risks:</p> <p>    </p> <p>  </p> </div> <div data-bbox="1106 1457 1470 1542"> <p>Material Topics:</p> <p>      </p> </div> |
|--|--|

M Media

Why We Engage

➔ **Level of Engagement**

Continuous engagement with the media increases PETRONAS' visibility and shapes the perception of its target audience, including media, industry and the public. It helps create and communicate impactful content to build brand strength, safeguard reputation and enhance media rapport and mutual accessibility.

Key Interests

- Governance
- Financial performance
- Products and services
- Leadership
- Sustainability and Net Zero Carbon Emissions by 2050 Pathway

Our Response

- Implemented robust media strategies and plans.
- Ensured timely communication and dissemination of information.
- Provided access and platforms for open and constructive engagements or conversations.
- Collaborated and supported initiatives with media partners.

Value Created for Stakeholders

- Credible partners in communicating accurate and timely information.
- Advocate for transparency, ethical business conducts and practices, business performance, environmental, social and corporate governance, health and safety commitments, innovation and technology.

Engagement Platform/Frequency

- Media luncheons to announce launch of PETRONAS campaigns
- Media sponsorships to support media causes and accolades
- Appreciation dinner for media partners
- Press releases, statements, announcements, responding to media queries
- Media interviews and annual dialogue sessions with leaders

Capitals:

Key Risks:

Material Topics:

Engaging with Stakeholders

GIP Government-Linked Companies and Industry Partners

Why We Engage

We continue to collaborate closely with industry partners to elevate industry standards and develop new technology and solutions for a sustainable energy industry. Alliances with GLCs and other industry partners are key to collectively align with national goals and fulfill our environmental and social responsibilities. Through these engagements, we contribute to economic growth and sustainable business practices.

➔ **Level of Engagement**

Key Interests

- Governance and integrity
- Business continuity and industry relevance amid the energy transition
- Health, safety and environment
- Local participation in the industry
- Industry requirements, regulations and policies
- Business opportunities
- Capability development in oil and gas

Our Response

- Partnered with industry players, via project development agreements on carbon capture and storage and promote opportunities in Malaysia’s oil and gas exploration blocks through the Malaysia Bid Round.
- Leveraged thought leadership platforms for engagement with industry partners, showcasing PETRONAS’ technological advancements and new value chain opportunities, particularly carbon capture and storage.
- Continued vendor communications and engagement programmes and business opportunities platform via Oil and Gas Services and Equipment (OGSE) Partners Day, exhibitions and the annual PETRONAS Activity Outlook publication.
- Partnered with local banks for the Vendor Finance Programme.
- Strengthened the OGSE supply chain through programmes and initiatives.
- Continued to develop capabilities of homegrown energy companies through Vendor Development Programme (VDP) and Vendor Development Programme X (VDPx).
- Partnered with S&P Global to organise Multi-stakeholder Dialogues and inaugural Energy Asia conference.

Value Created for Stakeholders

- Industry growth.
- Improved industry standards and regulations.
- Supported economic growth in OGSE sector.
- Alignment of initiatives to optimise scope.
- Strengthened resilience and competitive OGSE sector.
- Gained insights in new businesses such as carbon capture and storage via events such as Energy Asia, International Petroleum Technology Conference (IPTC), Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) and Indonesia Petroleum Association (IPA).
- Created positive social impact on the coastal communities through various social impact activations with Petroleum Arrangement Contractors, for example, Nippon in Sarawak and Hibiscus Petroleum and Hess in Terengganu.

Engagement Platform/Frequency

- Face-to-face and virtual meetings (formal and informal) such as courtesy calls
- Familiarisation visits with stakeholders
- Official events such as MoU signings and launches
- Forums and exhibitions

Capitals:

Key Risks:

Material Topics:

CN Communities and Non-Governmental Organisations

Why We Engage



We contribute to uplifting the well-being of communities by collaborating with relevant Non-Governmental Organisations (NGOs). Community engagement helps earn public trust, which is essential for our long-term success.

Key Interests

- Education
- Community well-being and development
- Governance and integrity
- Health, safety and environment
- Compliance with relevant legislation
- Sustainability
- Ethical practices
- Human rights





Our Response

- Conducted Walk4Trees Community Peer Learning Forum organised by Yayasan PETRONAS and Global Environment Centre which brought together local community representatives from 14 planting sites across Malaysia.
- Held national symposium of flagship education programme – *Program Duta Guru* (Teacher Ambassador Programme).
- Continued humanitarian and flood-relief activations for communities affected by natural disasters.
- Collaborated with NGOs for the protection and preservation of wildlife and the environment through PETRONAS Planting Tomorrow and wildlife conservation programmes.
- Developed B40 (low income) community upliftment through MEKAR programmes, well-being development such as MyLady Assistance scheme, Social Enterprise Education Lab (SEEd.Lab) and Homeward Programme.
- Initiated used cooking oil collections with the community at PETRONAS retail stations.
- Provided a grievance mechanism for members of communities and other stakeholder group to raise concerns.

Value Created for Stakeholders

- Through the various programmes conducted by Yayasan PETRONAS' collaborations with NGOs, we contributed to improving community well-being and livelihoods, protecting and preserving wildlife, environment and social causes.
- The *Program Duta Guru* (Teacher Ambassador Programme) has empowered teachers to be highly capable science, technology, engineering and mathematics (STEM) educators in schools that serve a majority of B40 students.

Engagement Platform/Frequency

- Social impact activations 
- Periodic briefings 
- Regular engagements with local communities 
- PETRONAS signature social impact programmes: Powering Knowledge, Uplifting Lives and Planting Tomorrow 

Capitals:



Key Risks:



Material Topics:



Engaging with Stakeholders

10 International Organisations

Why We Engage

➔ **Level of Engagement** 

We build long-term partnerships based on common goals and work closely with key international organisations to advocate inclusive participation, discussions and actions for a just and responsible energy transition. This strategic engagement enhances PETRONAS' global footprint and effectiveness in navigating the complexities of the industry business landscape.

Key Interests

- Opportunities and barriers to a just energy transition
- Capacity and capability building
- Sharing of global best practices, standards and frameworks





Our Response

- Built partnerships and promoted exchanges among key stakeholders in advancing climate actions in conjunction with the United Nations Framework Convention on Climate Change Conference of the Parties (COP) 28.
- Elevated ASEAN leadership in methane emissions management as the initiator and lead collaborator of the ASEAN Energy Sector Methane Leadership Programme.
- Strengthened internal capacity by engaging the World Business Council on Sustainable Development to train and upskill senior leaders on sustainability topics.
- Partnered with PwC Malaysia to engage external stakeholders in roundtable discussions on a just energy transition in Malaysia.
- Demonstrated visible leadership in nature-based solutions by hosting an event which brought together international organisations and nature-based solutions project developers and policymakers to explore the broader trends in the global carbon market and share valuable insights on how the global effort to decarbonise is influencing the region's nature-based solutions market.
- Established collaborative networks through a partnership with International Emissions Trading Association (IETA) which builds capability and capacity in carbon markets and carbon pricing in Malaysia and beyond.
- Co-chaired the World Economic Forum ASEAN Leaders for Just Energy Transition where many global leaders are also members.




Value Created for Stakeholders

- Fostered multi-stakeholder collaborations to lay the foundations for a fair, inclusive and just transition towards a lower carbon economy.
- Promoted cross-learning and knowledge transfer in nature and biodiversity, human rights, methane emissions management, sustainability and carbon markets via participation in capacity-building programmes.







Engagement Platform/Frequency

- Face-to-face engagements 
- Thematic dialogues, panels and roundtable discussions 
- Virtual meetings 
- Capacity-building programme 








Capitals:

Key Risks:

Material Topics:



 Scan this QR code to read more about PETRONAS' memberships and associations.