

CHAIRMAN'S MESSAGE

LEADING STRATEGIC TRANSFORMATION IN A SHIFTING ENERGY LANDSCAPE



DATUK ADIF ZULKIFLI
Chairman

DEAR VALUED SHAREHOLDERS,



Amidst a dynamic operating environment and evolving industry, PGB has demonstrated resilience and adaptability to maintain our world-class performance and position ourselves as a frontrunner in the regional energy transition.”

SUSTAINING EXCELLENCE AMIDST ECONOMIC UNCERTAINTIES

As I deliver my inaugural statement as Chairman, I have great confidence in PGB's resilient business model, which is anchored by long-term contracts that ensure consistent revenue, while external factors continue to pose challenges. Heightened commodity and energy prices, forex fluctuations, and an elevated Service Producer Price Index highlight the high-cost environment of today's economic landscape.

Geopolitical conflicts, including the Russia-Ukraine war and tensions in the Middle East, persist in fuelling energy security concerns and disrupting global supply chains. This has kept the Malaysia Reference Price (MRP) for fuel gas at elevated levels, impacting operational costs, particularly within our Utilities segment. Although the MRP in 2024 was marginally lower than in 2023, it

remains higher than historical averages. Our ongoing focus on driving operational and cost efficiencies, coupled with a commitment to operational excellence, has been pivotal in maintaining revenue stability amidst rising costs.

Meanwhile, the volatility of the Malaysian Ringgit showed signs of gradual recovery in 2024, supported by government efforts to stabilise the economy and the declining strength of the US dollar. However, currency fluctuations continue to carry risks, potentially impacting expenses or leading to unrealised gains or losses. To this end, our proactive settlement of one USD-denominated contract last year significantly reduced our forex exposure, while ongoing hedging and cost management strategies have enabled us to mitigate risks and leverage opportunities arising from currency fluctuations.

CHAIRMAN'S MESSAGE

Looking ahead, we remain vigilant in monitoring external cost drivers while enhancing internal efficiencies. Through the adoption of digital tools and advanced technologies to optimise resources, PGB is well-positioned to navigate the persistent high-cost environment and continue delivering resilient financial performances.

DRIVING POLICY ALIGNMENT TO LEAD THE ENERGY TRANSITION

The rapid evolution of national and regional policies continues to shape the future of the energy sector. In Malaysia, the National Energy Transition Roadmap and National Energy Policy 2022–2040 outline ambitious goals to achieve Net Zero GHG Emissions by 2050, emphasising the critical role of natural gas as a cleaner and reliable fuel to support energy security and emissions reduction efforts.

The updated National Policy on Climate Change 2.0 further strengthens the framework for low-carbon development by focusing on financial and collaborative ecosystems. In tandem, the 12th Malaysia Plan has expanded incentives for renewable energy and natural gas infrastructure, as outlined in the National Budget 2024, reinforcing the country's commitment to the energy transition.

Regionally, the 8th ASEAN Energy Outlook, endorsed in September 2024, aims to address the energy trilemma and accelerate energy transformation. It promotes strategies such as multilateral power trade, advanced gas infrastructure development, and the adoption of carbon abatement technologies, carbon pricing, and innovative energy solutions. Malaysia has achieved a significant milestone in regional energy collaboration with the commencement of green energy exports to Singapore.

Amidst these developments, natural gas remains a cornerstone of the energy mix, providing grid stability and flexibility to complement intermittent renewable energy sources. To leverage this opportunity, it is crucial that we drive growth and expansion in the right manner, aligning our approach with the evolving energy policy landscape.



Utilities Kertih

CHAIRMAN'S MESSAGE



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Our strategic expansion of gas infrastructure will enable us to meet rising demand as coal phases out, while paving the way for involvement in the Trans-ASEAN Gas Pipeline (TAGP). Simultaneously, we are driving forward carbon abatement initiatives such as carbon capture technologies, towards achieving our Net Zero Carbon Emissions target by 2050.

Guided by the G5dot5 Strategic Agenda and the PGB Sustainability Blueprint, we are committed to facilitate Malaysia's energy transition responsibly. As the nation's leading gas infrastructure company, we are solidifying our role as a key enabler of both national and regional energy goals. In doing so, we are unlocking low-carbon growth opportunities that ensure the long-term sustainability and relevancy of our business.

EMPOWERING GOVERNANCE TO SPEARHEAD TRANSFORMATION

Robust governance remains the cornerstone of our value creation ambitions, enabling us to maintain operational excellence, drive strategic growth aligned with industry trends, and make meaningful progress towards our sustainability goals.

As we undertake transformative changes to adapt to the evolving regional energy landscape, we remain steadfast in upholding the highest standards of integrity and ethics, reinforcing transparency, accountability, and responsibility in all that we do. Annual Board Effectiveness Evaluation continues to play a vital role in ensuring the Board remains equipped to uphold these standards and oversee the execution of our strategies, providing actionable insights to drive continuous improvements in governance practices.

In 2024, efforts to bolster governance included revisions to the Board Charter, Limits of Authority, and Summary of Authority, alongside updates made to the Terms of Reference for the Board Audit Committee and Board Sustainability and Risk Committee. We also prioritised sustainability training for the Board, with three targeted initiatives conducted to equip our leadership with a deeper understanding of the evolving sustainability landscape.

Having assumed the role of Chairman of PGB in August 2024, I am reassured by the strong foundation for leadership that has been built. Our governance score in the FTSE4Good rating remains at full marks, while recent evaluations by key shareholders, including EPF and PNB, have affirmed our commitment to excellence, with PGB passing these assessments with distinction.

RECOGNITION OF OUR EXCELLENCE IN PERFORMANCE AND SUSTAINABILITY

In addition to achieving robust scores on sustainability indices, PGB has continued to garner recognition for excellence across various facets of our operations. Over the past year, we received more than 20 internal and external awards across various categories, such as operational and safety performance, Environmental, Social, and Governance (ESG) achievements, and reporting standards.

One of our most notable accolades was the Gold Award under the Utilities sector at the 2024 Edge Malaysia ESG Awards for PLCs. This award celebrates Malaysia's top performers in ESG excellence and underscores the significant investments we have made to drive sustainable strategies across our business.

We also earned our first Gold Award in the Integrated Annual Report & ESG Category at the Annual Reporting Awards 2024 and the Silver Award at the Australasian Reporting Awards 2024, which acknowledged our Integrated Report for meeting the highest industry benchmarks. This recognition is particularly meaningful as it validates our commitment to regulatory compliance and transparency in keeping stakeholders informed of our progress.

A comprehensive list of the awards we received in 2024 is available on page 7 of this report.

MAINTAINING HEALTHY DIVIDENDS FOR SHAREHOLDERS

Despite challenges in 2024, we remained steadfast in our commitment to delivering strong shareholder returns, upholding our dividend policy of distributing approximately 50% of our consolidated profit after tax and non-controlling interest.



For the financial year, we declared four single-tier interim dividends, totalling 72.0 sen net per share, with a total payout of RM1.4 billion. This represents a payout ratio of 77.6% of our net earnings, reflecting our unwavering dedication to rewarding shareholders for their continued trust while maintaining financial resilience for sustainable growth.

SPEARHEADING PROGRESS TOWARDS A SUSTAINABLE ENERGY FUTURE

As we look to 2025 and beyond, PGB remains unwavering in its commitment to achieve sustainable growth while navigating the evolving energy landscape. Guided by our strategic agenda, our key priorities remain to maintain excellence in core operations, expand along the natural gas value chain, and capitalise on opportunities presented by the energy transition.

The anticipation of rising demand for natural gas energy across Malaysia offers significant growth potential. With the expansion of our Liquefied Natural Gas storage and transmission infrastructure nearing completion, the Board has further approved the Final Investment Decision for an additional 100 MW gas power plant in Kimanis in 2024, while feasibility studies for several growth projects including gas infrastructure expansion are also underway. These initiatives ensure our gas transportation and regasification segments fulfil national gas needs as coal plants are gradually phased out, while fuelling revenue growth.

At the same time, as the ASEAN region continues to further its regional energy trade ambitions, Malaysia's strategic location and robust natural gas infrastructure make it a prime candidate to become a regional gas hub. Leveraging on our proven capability, expertise, and reputation, we are strategically positioning PGB as a key enabler for the TAGP.

Simultaneously, we will advance carbon abatement strategies, including carbon capture and CO₂ utilisation as an alternative fuel, while expanding our focus on step-out projects such as cold energy harnessing and energy storage systems to support a lower-carbon future. These efforts will be brought into sharper focus as Malaysia progressively expands its environmental regulations, including the recently announced carbon tax for the iron, steel, and energy industries. To this end, we remain actively engaged in dialogue with government bodies and global policymakers, ensuring that we contribute to shaping policies and regulations impacting the gas sector.

These and many other strategic strides we have taken over the past few years have laid a robust foundation for our transformation from a traditional energy company to a frontrunner in catalysing Malaysia's energy transition. Inspired by our recent recognition at The Edge Malaysia ESG Awards, we remain committed to upholding responsible practices and advancing sustainable growth as we shape the future of the national energy sector.

CHAIRMAN'S MESSAGE

ACKNOWLEDGEMENTS

In my first year as Chairman of PGB, I am profoundly grateful for the resolute support of our stakeholders and the Board, who have entrusted me with the responsibility of guiding PGB's growth during this transformative era.

A special note of appreciation goes to outgoing Chairman Adnan Zainol Abidin for his invaluable contributions to PGB. Under his leadership, the company has achieved significant milestones, fostering growth and resilience that will continue to shape our future.

On behalf of the Board, I extend my heartfelt appreciation to all shareholders for their steadfast confidence in our ambitions and their continued investment in PGB's future. I also wish to express my gratitude to our key partners, including government agencies and public and private entities, whose collaboration is instrumental in sustaining our value creation efforts and ensuring reliable and sustainable energy supply for Malaysia.

To our exceptional employees and Leadership Team, you are the backbone of our success. Your dedication, expertise, and relentless drive to tackle today's energy challenges while shaping a sustainable future have been nothing short of extraordinary. Thank you for your hard work, passion, and resilience, which have been pivotal in PGB's journey towards transformation and growth.

As we progress, we will maintain a holistic and forward-looking approach, staying true to our purpose while aligning our business with the shifting energy landscape. Through operational excellence, strategic growth, innovation, and sustainability, PGB is firmly positioned for long-term resilience and sustainable value creation as we lead the energy transition.

DATUK ADIF ZULKIFLI
Chairman