



PETRONAS GAS BERHAD (101671-H)

Our Reference: - WB--PGB AGM 2018-MSWG-003-18

27 April 2018

Minority Shareholder Watch Group
Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: - Mr Devanesan Evanson
Chief Executive Officer

Dear Mr Devanesan Evanson,

**THIRTY-FIFTH (35TH) ANNUAL GENERAL MEETING ("AGM") OF PETRONAS GAS BERHAD
("PGB" or "the Company") TO BE HELD ON 30 APRIL 2018**

In reference to your email dated 23 April 2018 on the above, please find below our response to your questions:

Strategic and Financial Matters

1. As stated on page 16 of the Annual Report, the LNG Regasification Terminal Pengerang (RGTP) began its commercial operation on 1 November 2017, and contributed to the Group's revenue, which grew by 5% to reach RM4.8 billion.

What would be the expected contribution of RGTP to the Group's revenue for FY2018?

We expect RGTP to contribute 8%-10% to the Group's revenue in FY2018.

2. As disclosed on page 76 of the Annual Report, the Third Party Access ("TPA") regime has become effective from 16 January 2018 for PGB's Gas Transportation and Regasification segments. It was also stated that the tariff for utilisation of Peninsular Gas Utilisation ("PGU") pipeline and regasification services shall be maintained until the end of 2018.

How would the Board expect the TPA regime and the revision of tariff to affect the revenue and earnings of PGB moving forward?

The Energy Commission's (EC) regulatory scope arising from the amendment of the new Gas Supply (Amendment) Act 2016 (GSA) for implementation of Third Party Access is limited to our Gas Transportation and Regasification business.

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At the moment, the tariff guidelines is yet to be finalised by EC. Our current tariff remains applicable until end of 2018. PGB is actively engaging EC on the guidelines and we expect the tariff to be reasonable to ensure financial sustainability as well as to maintain safe, reliable and efficient operation of our assets.

3. As reported on page 96 of the Annual Report, PGB recorded 33 interruptions under the Key Performance Indicators ("KPI") of 'Operational Excellence' and 31 Non-compliance under the KPI of 'Efficient & Sustainable System & Work Process'.

The Company has set KPI of ZERO Interruption and ZERO Non-Compliance for 2018.

What are the measures taken to ensure that the Group achieves these KPIs?

PGB plans to continue our transformation programme which anchors on three key strategic thrusts namely Asset, System & Process and People & Culture. As our standardised Work Process and Operational Excellence Management System are progressively being assimilated within the organisation, we will be shifting our focus from corrective to more predictive and preventive measures.

Additionally, we are embarking on an online monitoring system whose real-time data would further enhance our predictive analysis and therefore allows for faster intervention in potential interruption or non-compliance incidents.

On top of that, greater focus is now given to building a culture of accountability in our organisation. We believe the above measures will help us reach the level of competitiveness, productivity and efficiency in achieving zero interruption and zero non-compliance.

4. In Note 27 on page 312 of the Annual Report under Contingent Liabilities, counter claim by a third party against a joint venture amounted to RM137,296,000. The counter claim was in connection to disputes on the Power Purchase Agreement entered into between the joint venture and Sabah Electricity Sdn. Bhd.

Please provide an update on the status of this claim.

Currently the Parties are at the Inspection and Discovery of Documents stage. The discovery exercise would require some time as the documents to be inspected are quite voluminous. The Tribunal Hearing is scheduled for March 2019.

Corporate Governance Matters

1. The Company is seeking shareholders' approval for payment of Directors' Fees and Allowance to the Non-Executive Directors of up to RM2,500,000 with effect from 1 January 2018 until the next Annual General Meeting of the Company.

Could the Board provide the breakdown of the fees and allowances to be approved by shareholders?

The proposed fee/allowance structure is provided in detail on page 368 of our 2017 Annual Report. The total estimated fees and allowances of RM2,500,000 was calculated based on the anticipated number of meetings to be held in 2018 until first quarter 2019, and taking into consideration possible additional directors.

2. The Company did not disclose the senior management's remuneration component in bands of RM50,000 as recommended under Practice 7.2 of MCCG and there was no explanation of a suitable alternative practice to meet the intended outcome.

Under Paragraph 3.2A (b), Practice Note 9 of the Main Market Listing Requirements, the Company is required to disclose the alternative practice it has adopted and how such alternative practice achieves the Intended Outcome as set out in the MCCG.

The Board takes note of MSWG's comments. We wish to note that the Senior Management staff of the Company are seconded from PETRONAS and their remuneration is based on the prevailing PETRONAS' Remuneration Philosophy and Guiding Principles. In line with this principle, the Company has opted not to disclose the components of the remuneration of Senior Management.

For your information, we are publishing these answers in our corporate website (www.petronasgas.com) for our shareholders' and public viewing. The answers will also be made available and displayed on the LED display screen located at the foyer area, Level 1 of Mandarin Oriental Kuala Lumpur on the day of the AGM on Monday, 30 April 2018. For the benefit of minority shareholders, we seek MSWG's assistance to also publish the above response in MSWG's website prior to the AGM.

Thank you.

Yours faithfully
for PETRONAS GAS BERHAD



INTAN SHAFINAS (TUTY) HUSSAIN
Company Secretary

- c.c.
1. **YBhg Datuk Mohd Anuar Taib**
Chairman
PETRONAS Gas Berhad
 2. **Encik Kamal Bahrin Ahmad**
Managing Director/Chief Executive Officer
PETRONAS Gas Berhad
 3. **Mr. Yeap Kok Leong**
Joint Company Secretary
PETRONAS Gas Berhad