PETRONAS DAGANGAN BERHAD

PETRONAS



40 YEARS OF GROWTH:
MOVING FORWARD TOGETHER

Integrated Report 2022





Overview of **PETRONAS Dagangan Berhad**





Who We Are and **What We Do**

Over the last 40 years, PETRONAS Dagangan Berhad (PDB) has been at the forefront of the retail oil and gas industry, providing high-quality hydrocarbon offerings and unparalled customer and brand experiences.

We believe in putting customers at the epicentre of everything we do at PDB. Our promise of making their everyday lives simpler and better has driven us to innovate and develop differentiated offerings that provide greater convenience to our customers. In the age of digital revolution, we recognise the importance of data and technology, and have embraced digitalisation across our business operations.

Our commitment to Environmental, Social and Governance (ESG) practices continues to inform our business strategy in our pursuit to shape pathways that protect the future for our business, stakeholders and the communities we operate in. By doing so, we do not only contribute to a better environment, but also foster greater trust among our stakeholders.

We are proud to have agile and passionate talents who share our commitment to excellence, as we seek to remain ahead of the curve in delivering meaningful and progressive solutions to our customers, and to create a more sustainable tomorrow for all.



PETRONAS

Statement of Purpose

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

Brand Positioning

Passionate about Progress

Our Promise

Making Your Everyday Life Simpler and Better

Our Shared Values

Loyalty
Loyal to Corporation

Integrity
Honest and Upright

Professionalism
Strive for Excellence

Cohesiveness
United, Trust and Respect for Each Other

PETRONAS Cultural Beliefs

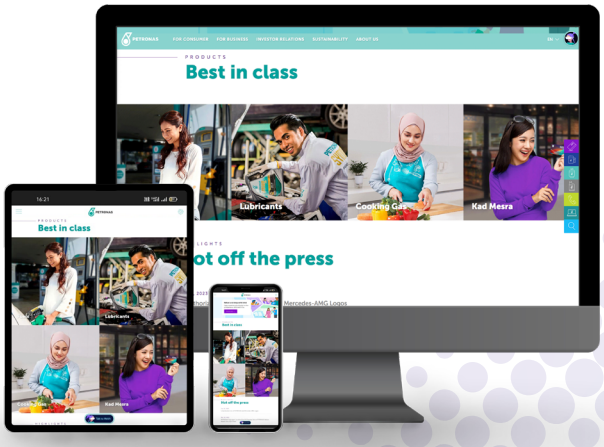
Customer Focused
I deliver solutions from the customer lens

Innovate Now
I challenge norms and push boundaries

Be Enterprising
I seek opportunities and make them happen

Speak Up
I express my views openly

Courage To Act
I take action to progress with pace



Futher details of PETRONAS Dagangan Berhad can be found on www.mymesra.com.my

1981 ~ 2011

1981
PDB operated its first PETRONAS service station at Taman Tun Dr. Ismail

1982
Incorporated on 5 August as PETRONAS Dagangan Sdn. Bhd.

1985
Introduced the first PETRONAS lubricant, PETRONAS LUBRAM, in the market

1987
PETRONAS Dagangan Sdn. Bhd. launched its first unleaded fuel, PRIMAS

1993
Converted to a public company on 21 August

1994
Listed on the Kuala Lumpur Stock Exchange

Launched PRIMAS PX2

2000
Launched a new unleaded petrol, PETRONAS Primax

Introduced PDB's website www.mesra.com.my to establish online presence

2001
PDB offered *Kad Mesra*, Real Rewards Loyalty Programme to its customers

2002
Official launch of Mesralink

2004
Introduced PETRONAS Primax Baru

2006
Launched a new fuel, PETRONAS Primax 3

2009
Introduced PETRONAS Urania, PETRONAS Primax 95 and PETRONAS Dynamic Diesel

2010
Introduced PETRONAS Primax 97

2011
Launched PETRONAS Primax 95 Xtra

Making



Retail-Fuel

Our Retail-Fuel Business offers winning fuel products, as well as innovative digital solutions, through over 1,000 PETRONAS stations. We continue to deliver unparalleled customer experience by widening our network and enhancing safety and operational excellence at our stations.

Guided by our enduring commitment to sustainability, we are doubling down our efforts to support PETRONAS' Sustainability Agenda by expanding our EV fast-charging facilities and solar panels at our stations, implementing rainwater harvesting and launching the Pot-A-Plant campaign in conjunction with World Earth Day.

Looking ahead, we will continue to innovate our offerings that best serve our customers' needs and accelerate our progress towards a sustainable future.

Fuel
- PETRONAS Primax 97 with Pro-Race
- PETRONAS Primax 95 with Pro-Drive
- PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B7)
- PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B10)
- PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B20)

Card Business
- PETRONAS SmartPay
- Co-branded Cards – CIMB and Maybank PETRONAS
- PETRONAS Gift Cards

Loyalty Programme
- PETRONAS Mesra Loyalty Programme

2012 ~ 2017

2012

Launched the 1001st PETRONAS station at Wangsa Maju

Launched Gas PETRONAS Home Delivery

Launched the first-of-its-kind twin stations namely, PETRONAS Station Solaris Serdang and PETRONAS Station Solaris Putra

Regional expansion to the Philippines, Thailand and Vietnam

2013

Launched the first fully branded automobile workshop, PETRONAS LubeXperts

Rolled out PDB's Corporate Social Responsibility programme, 'Water For Life'

Unveiled the improved PETRONAS SmartPay Chip Card

Launched the first LPG Flexspeed facility in Melaka

2014

Introduced PETRONAS Syntium 7000 Lubricant

Launched PETRONAS Primax 95 with Advanced Energy Formula

Appointed Lewis Hamilton, driver of the Mercedes-AMG PETRONAS Formula One™ Team as the Technical Performance Consultant for PETRONAS Primax range of fuels and PETRONAS Syntium range of lubricants

2015

Launched PETRONAS Syntium °CoolTech™

First to launch Euro 4M compliant PETRONAS Primax 97 with Advanced Energy Formula

Launched the first-of-its-kind LPLFRD in Southeast Asia at LIMA '15

2016

Relaunched PETRONAS Urania with ViscGuard™

Launched PETRONAS Syntium SE, a high quality engine oil blended exclusively for PROTON

PDB became the first non-Japanese lubricant company certified by HONDA as their supplier

Launched the first Unmanned Terminal at Lumut, Prai, Melaka and Kertih Fuel Terminals

2017

Introduced breakfast solutions, Mornings@Mesra

Commenced selling products and merchandise through e-commerce platform

Launched PETRONAS Dynamic Diesel Euro 5 with Pro-Drive

Introduced ChargEV facilities at selected PETRONAS stations

Your Everyday



Commercial

Our Commercial Business offers Diesel, Jet A-1, Fuel Oil, Bitumen, Gasoline, Kerosene, Petroleum Coke and Sulphur, among others, to various industries and market segments including agriculture, aviation, mining and quarrying, bunker, construction, manufacturing and services.

We also offer a suite of cleaner energy solutions through Liquefied Natural Gas (LNG) bunkering solutions to meet marine customers' emerging needs, as well as Virtual Pipeline System (VPS) to deliver LNG on road to off-grid customers in Peninsular Malaysia. Additionally, we have demonstrated our capabilities and infrastructure readiness to supply SAF domestically in support of the aviation industry's sustainability agenda.

- Diesel
- Petroleum Coke
- Methanol
- Aviation Fuels
- Sulphur
- LNG
- Fuel Oil
- Mogas
- SmartPay
- Bitumen
- Kerosene
- Solar

2018 ~ 2021

2018

PETRONAS was named Brand of the Year by Putra Brand Awards

Launched Setel®, an innovative mobile application that enhances customers' experience at PETRONAS stations

PDB was awarded Company of the Year at The Edge Billion Ringgit Club and Corporate Awards

Introduced PETRONAS' white label brand, Mesra Bites

2019

Launched PETRONAS Primax 95 with Pro-Drive

Setel® fully operationalised in Klang Valley

Introduced Mesra Redemption portal for easy and instant redemption

Established PETRONAS AutoExpert service centre, offering high-quality car maintenance services

Launched the latest range of PETRONAS flagship motorcycle engine oil, PETRONAS Sprinta with UltraFlexTM technology

Introduced ROVR, the first mobile refuelling service in the country

2021

Launched Segar@Mesra, in collaboration with the Ministry of Domestic Trade and Consumer Affairs (MDTCA) and the Ministry of Agriculture and Food Industries (MAFI)

Celebrated 40th Anniversary of PETRONAS' first station at Taman Tun Dr. Ismail

Converted all diesel at PETRONAS stations to Euro 5

Entered into a Memorandum of Understanding (MoU) with Mercedes-Benz Malaysia Sdn. Bhd. and EV Connection Sdn. Bhd. to deploy Direct Current (DC) Fast EV charger at PETRONAS stations by the first half of 2022

Launched Segar@Mesra in Sarawak

Collaborated with Malaysia Airlines Berhad to pioneer Malaysia's maiden flight using Sustainable Aviation Fuel (SAF)

Expanded PETRONAS AutoExpert beyond Klang Valley

Divested PDB's subsidiary in Thailand, PETRONAS International Marketing (Thailand) Co. Ltd.

Life Simpler An



LPG

Our LPG Business is the market leader in Malaysia, offering LPG to the Household, Commercial and Industrial segments. Our products are designed to meet safety standards and supplied through the nation's largest LPG supply and distribution network. This comprises eight terminals and bottling facilities as well as more than 300 LPG Channel Members consisting of premier dealers, dealers and bulk dealers.

As Malaysia's No. 1 Cooking Gas in the Household segment, we strive to remain ahead of the curve by providing greater convenience to our customers, by expanding the availability of LPG gas cylinders at selected PETRONAS stations and mini markets nationwide.

For the Commercial and Industrial segments, we are passionate about creating value for our customers through our fully integrated LPG product offerings while providing technical solutions to support their business.

Household
- 12kg cylinders
- 14kg cylinders

Industrial
- Bulk LPG

Commercial
- 14kg cylinders for commercial usage
- 14kg cylinders for forklift industry
- 50kg cylinders

2022

March
Signed sponsorship deal with the Badminton Association of Malaysia

May
Completed divestment of LPG business in Sarawak to PETROSNiaga Sdn. Bhd. (PNiaga) that demonstrating PDB's support for Sarawak's aspiration to become the oil and gas hub in the region

June
Collaborated with Malaysia Airlines Berhad to fly first passenger flight using SAF

July
Launched Café Mesra, PDB's new venture in the food and beverage (F&B) business

August
Celebrated PDB's 40th anniversary

Launched PETRONAS Shop, a one-stop e-commerce platform available on the Setel app offering a wide range of PETRONAS-branded products, including PETRONAS lubricants and merchandise from PETRONAS Twin Towers Gift Shop and Petrosains

November
Entered into two tripartite Memoranda of Understanding (MoUs) with Gentari Green Mobility Sdn. Bhd., EP Blueshark Sdn. Bhd., Blueshark Holding Limited and Handal Indah Sdn. Bhd. to roll out battery swap stations for electric two-wheelers and charging infrastructure for electric buses at PETRONAS stations

December
Launched the first electric vehicle (EV) charging hub at PETRONAS Station Bandar Baru Ayer Hitam, the first-of-its-kind at a petrol station in Malaysia

Recorded highest retail sales performance in PDB's history

d Better



Lubricant

Our Lubricant Business offers premium lubricant products developed through PETRONAS Fluid Technology Solutions™ including Passenger Car Motor Oils, Motorcycle Oils, Commercial Vehicle Lubricants as well as Industrial and Marine Lubricants that cater to consumers and commercial customers, via three flagship brands, PETRONAS Syntium, PETRONAS Sprinta and PETRONAS Urania.

We have also expanded PETRONAS AutoExpert, a full-fledged automotive service centre that offers top-end products and quality services, to grow our Lubricant business and capture new customers.

Key Strategic Brands
- PETRONAS Syntium with CoolTech+™
- PETRONAS Sprinta with UltraFlex™
- PETRONAS Urania with Strongtech™ Technology

Passenger Car Motor Oils
- Fully Synthetic
- Semi Synthetic
- Mineral
- OEM Genuine Oil

Motorcycle Oils (4T, 2T and Scooter)
- Fully Synthetic
- Semi Synthetic
- Mineral
- OEM Genuine Oil

Automotive Functional Fluids and Oils
- Auto Transmission and Gear
- Greases
- Radiator Coolant
- Brake

Industrial and Marine Lubricants Fluids and Oils
- Hydraulic
- Compressor
- Turbine
- Agriculture
- Marine
- Metal Working
- Fishing Boat
- Industrial Gear

Commercial Vehicle Lubricants
- Heavy Duty Diesel Engine Oil

Other Services
- AutoExpert

Basis of This Report



ONLINE VERSION
The Previous Annual and Integrated Reports are available on our corporate website at www.mymesra.com.my and Bursa Malaysia's website

40 YEARS OF GROWTH: MOVING FORWARD TOGETHER

From starting our first service station in Taman Tun Dr Ismail, PETRONAS Dagangan Berhad (PDB) has become integral to Malaysians' lives by developing the largest petroleum retail network in the country. As we celebrate our 40th anniversary, we do not just offer top-grade fuels, we also make available daily essentials at our *Kedai Mesra*, food and drinks at our eateries, ATM machines for cash withdrawals, and even car spa facilities. And we have not stopped there. Living up to our promise of Making Your Everyday Life Simpler and Better, we are Moving Forward Together to provide services that our communities need. Our steady progression over the years has been achieved by working hand-in-hand with our stakeholders. For 40 years, we have supported each other and grown together. Looking beyond, we realise that to thrive tomorrow, we need to change the way we live today. Hence, we are part of the transition to a low-carbon economy. We are redefining ourselves to create a better future for everyone.

This integrated report presents a concise review of PDB's financial and non-financial performance, indicating how the Company's business and strategies have been structured to take into account risks and opportunities presented by our operating context. The report is intended primarily for providers of capital, but is also relevant to all stakeholders who would like to understand how we seek to create sustainable value through good governance, balancing our vision for growth against environmental and social imperatives.

OUR REPORTING SUITE

The PDB Integrated Report <IR> is our primary report to stakeholders, aimed at providing a balanced assessment of the Group's ability to create sustainable value based on our short, medium and long-term strategy whilst supported by our six strong capitals.

The Annual Financial Statements (AFS) is a comprehensive report of the Group's financial performance for the year.

REPORTING SCOPE AND BOUNDARY

In this report, we disclose material information relating to the Group – comprising our subsidiaries, joint ventures and associates – covering the year from 1 January 2022 to 31 December 2022. Any material events that take place up to the Board's approval date of 22 February 2023 are also included. Subsidiaries included are pursuant to Malaysian Financial Reporting Standards (MFRS) 10 Consolidated Financial Statements.

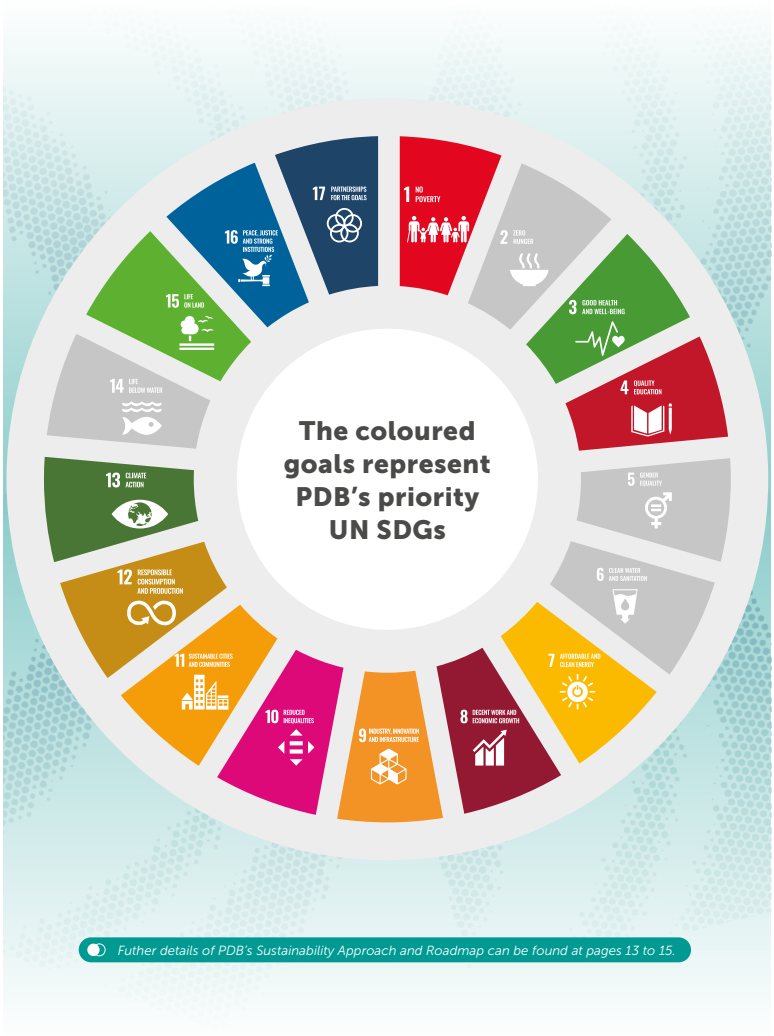
REPORTING FRAMEWORK

PDB's Integrated Report is guided by, and makes reference to the following statutory bodies:

- Bursa Malaysia's Main Market Listing Requirements (MMLR)
- Value Reporting Foundation's International Integrated Reporting Council (IIRC) framework
- MSWG's ASEAN Reporting Scorecard
- Malaysian Code on Corporate Governance (MCCG) 2021
- Malaysian Financial Reporting Standards (MFRS)
- Companies Act 2016
- Corporate Governance Guide (4th Edition) issued by Bursa Malaysia and Securities Commission Malaysia

Our Sustainability Report meanwhile, is prepared in accordance with:

- MMLR relating to Sustainability Statement in Annual Report
- Bursa Malaysia's Sustainability Reporting Guide, 3rd Edition 2022, referencing the GRI Standards
- United Nations' Sustainable Development Goals (SDGs)



Futher details of PDB's Sustainability Approach and Roadmap can be found at pages 13 to 15.

MATERIAL MATTERS

This <IR> provides information that is relevant to the current and prospective investment community, and to any other stakeholder who wishes to make an informed assessment of PDB's ability to create value. In 2022, we undertook a thorough process to refresh our materiality matters due to significant changes in our operating landscape over the last two years. These matters reflect the Group's commitment to enhancing our economic, environmental, social and governance (EESG) performance, and have been guided by the United Nations' Sustainable Development Goals, among other sustainability standards.

ASSURANCE

Our financial statements are independently audited while the development of our non-financial reports are supported by robust internal processes and good governance practices.

FORWARD-LOOKING STATEMENTS

This <IR> contains certain forward-looking statements that are subject to uncertainties that could cause actual results to differ materially from those expressed. The forward-looking statements indicated are as at the publishing date of this report and it is not the Company's obligation to update and will not necessarily do so. Readers are cautioned not to construe the forward-looking statements as guarantees or predictions of future performance.

STATEMENT OF ACKNOWLEDGEMENT ON RELIABILITY AND COMPLETENESS OF PDB'S <IR2022>

PDB's Board of Directors acknowledges its responsibility in ensuring the integrity of this Integrated Report, which in the Board's opinion addresses all the issues that are material to the Group's ability to create value and fairly presents the integrated performance of PDB Group. This report has been prepared in accordance with the IIRC <IR> Framework and was approved by the Board on 22 February 2023 and signed on behalf of the Board:

DATUK ANUAR AHMAD
Chairman

AZRUL OSMAN RANI
Managing Director/Chief Executive Officer

NAVIGATION ICONS

OUR CAPITALS

- Financial
- Manufactured
- Intellectual
- Human
- Social and Relationship
- Natural

MATERIAL MATTERS

- Economic Growth and Performance
- Climate Change and GHG Emissions
- Human Capital
- Customer-Centricity
- Environmental Management
- Capability Building
- Health and Well-being
- Capability Building
- Ethics and Corporate Governance
- Community Investment
- Data Privacy and Security

OUR STAKEHOLDERS

- Investors
- Customers
- *Rakan Niaga*/ Dealers
- Employees
- Contractors/Suppliers/ Business Partners
- Authorities/Regulators/ Financial Institutions
- Communities
- Media

STRATEGIC PILLARS

- VALUE
- GROWTH
- SUSTAINABILITY

What You will Find in This Report

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Through prudent decisions that ultimately help us to achieve our goals

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How We Performed in 2022

BUSINESS HIGHLIGHTS

VALUE

RETAIL-FUEL

Operationalised

10 new stations

Launched

Tiptop Enterprise App
for better station operations management

COMMERCIAL

Capitalised on

aviation market recovery
from the reopening of borders and resumption of international flights

Accelerated

adoption of electric mobility (E-Bus)
through MoU signing with Gentari Green Mobility (Gentari) and Handal Indah Sdn. Bhd.

LPG

Operationalised

91 Gas PETRONAS @Station

160 Gas PETRONAS @Mini Market

Maintained
overall market leadership in

Household and Commercial segments

LUBRICANT

Launched

PETRONAS Syntium with CoolTech+™
and
PETRONAS Urania with StrongTech™

Operationalised

32 new PETRONAS AutoExpert outlets

SUSTAINABILITY HIGHLIGHTS

SUSTAINABILITY

Strengthened

sustainability governance
through Board Sustainability and Risk Committee

Launched

first EV charging hub
at PETRONAS station Bandar Baru Ayer Hitam

Installed

solar panels at **6** PETRONAS stations

Installed

21 fast DC Chargers
at PETRONAS stations across Malaysia

GROWTH

MESRA

Operationalised

41 Café Mesra outlets

Expanded
Mesra own-label offerings
to more than
80 SKUs

VENTURE BUILDER

SETEL

Expansion of
Setel ecosystem
with new use cases such as EV charging, parking, motor insurance, road tax renewals and roadside assistance via Setel app

Expanded
wallet touchpoints
to approximately
5,500 merchants

PRYSM

Introduction of
badminton and cycling segments
while anchoring on existing partnership with
Formula One™ and MotoGP™

ROVR

Expansion to
Melaka and Kuantan

Launched
first Community Drumming site
in Sarawak

Piloted

2 Reverse Vending Machines
at selected PETRONAS stations

Contributed

30,000 litres of diesel
and
10,000 litres of petrol
during flood crisis

Continuous

support of SEEd.Lab
in enriching lives and creating positive social impact

FINANCIAL HIGHLIGHTS

Revenue
RM36,748.9 million

Profit Before Tax
RM1,135.0 million

Profit After Tax
RM787.8 million

Dividend Declared
76.0 sen

Dividend Payout Ratio
100%

How We Performed in 2022

AWARDS AND ACCOLADES

BRAND AND MARKETING

Association of Accredited Advertising Agents Malaysia (4As)

PUTRA BRAND AWARDS

Gold

- Automotive Fuel, Lubricants and Accessories

Lighthouse Independent Media

LOYALTY AND ENGAGEMENT AWARDS

Gold

- Best COVID-19 Response in a Loyalty Campaign - *Mesra-Visa Kasih Bonanza*
- Best Use of Contests/Promotions
- Best COVID-19 Response in Relationship Marketing

Silver

- Best COVID-19 Response in Engagement and CX
- Best COVID-19 Response in a Loyalty Campaign - Food Bank Programme

MARKETING EXCELLENCE AWARDS

Silver

- Excellence in Data-Driven Marketing
- Excellence in Consumer Insights/Market Research





GOVERNANCE

Minority Shareholders Watch Group

MSWG-ASEAN CORPORATE GOVERNANCE AWARD 2021

- Excellence Award for CG Disclosure
- Industry Excellence Award for CG Disclosure

INNOVATION

Indonesia Quality Management Association

INTERNATIONAL CONVENTION ON QUALITY CONTROL CIRCLES (ICQCC) 2022

- 3 Gold Awards







INVESTOR RELATIONS

Alpha Southeast Asia

12TH INSTITUTIONAL INVESTOR CORPORATE AWARDS 2022

- Best Senior Management IR Support
- Most Consistent Dividend Policy
- Top 5 for Strongest Adherence to CG

Bursa Malaysia Berhad, Malaysian Institute of Accountants and The Malaysian Institute of Certified Public Accountants

NACRA 2022

Gold

- Special Award – Best Designed Annual Report

Australasian Reporting Awards Limited

AUSTRALASIAN REPORTING AWARDS

Gold

- General Award

MerComm Inc.

ARC AWARDS

Bronze

- Specialised A.R.: Integrated AR and CSR: Traditional Format
- Financial Data: Retailer and Marketer of Downstream Petroleum Products

Finance Derivative Magazine

FINANCE DERIVATIVE AWARDS 2022

- Most Outstanding Energy Solutions Providing Company Malaysia 2022

HSE

National Council for Occupational Safety and Health

NATIONAL COUNCIL FOR OCCUPATIONAL SAFETY AND HEALTH (NCOSH) AWARD 2020/2021

- Kategori Kemudahan Gas
- Kategori Perdagangan Borong dan Runcit
- Kategori Pengangkutan

Malaysian Society for Occupational Safety and Health

MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH (MSOSH) AWARDS 2022

Gold Merit

- Kerteh Fuel and LPG Terminals
- Bayan Lepas Aviation Fuel Terminal
- Langkawi Fuel Terminal
- Bintulu LPG Terminal
- Sandakan Fuel Terminal
- Labuan Fuel Terminal

Gold Class 1

- Prai Fuel and LPG Terminals
- Kuantan Fuel Terminal
- Lumut Fuel Terminal

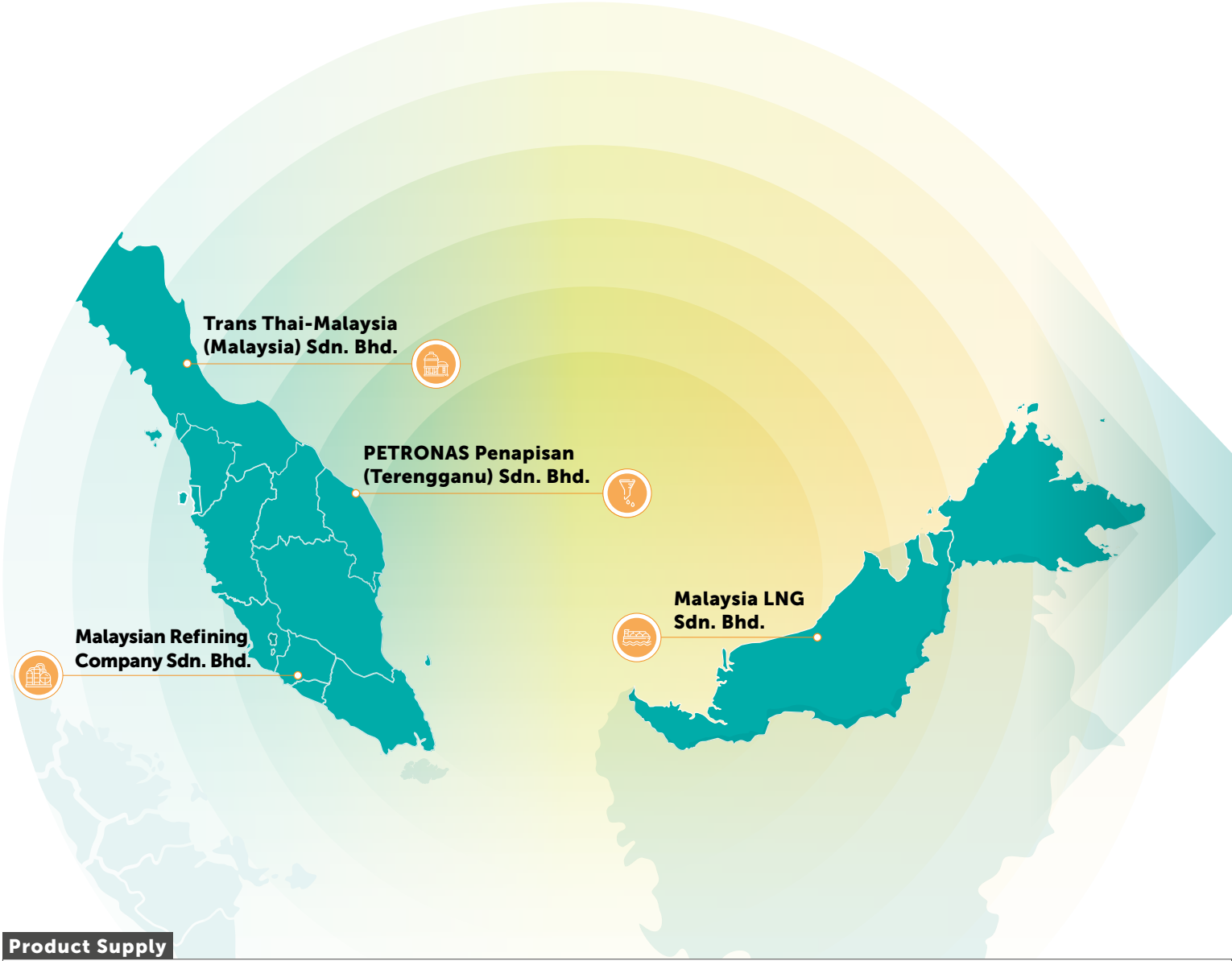
Royal Society for the Prevention of Accidents (RoSPA)

RoSPA HEALTH AND SAFETY AWARDS

Gold

- Achievement Award
- Fleet Safety Award

Our Value Chain



Product Supply

IMPORT

PETRONAS

PETRONAS Lubricants International Sdn. Bhd.

PETRONAS Trading Corporation Sdn. Bhd.

3RD PARTY SUPPLY

Hospitality Arrangement

Term Purchase/ Spot Purchase

For further info on PDB's Group Corporate Structure refer to pages 21 to 22.

Primary Distribution



Vessels

Direct from Refinery and Gas Plant

- Melaka
- Kertih
- Bintulu

Multi-product Pipeline

- Kuala Lumpur International Airport
- Klang Valley Distribution Terminal

Terminals and Facilities



Fuel Terminals

LPG Terminals and Bottling Facilities

Aviation Terminals

Bunkering Facilities

Lubricant Warehouse

Secondary Distribution



Fuel Road Tanker

Dispenser

Bowser

LPG Pallet Truck

LNG Road Tanker

ROVR

Customers



RETAIL-FUEL

COMMERCIAL

LPG

LUBRICANT

Our Strategic **Alliances**

BUSINESS PARTNERS

CUSTOMERS

BANKING FACILITIES

AUTHORITIES

Our Strategic **Alliances**





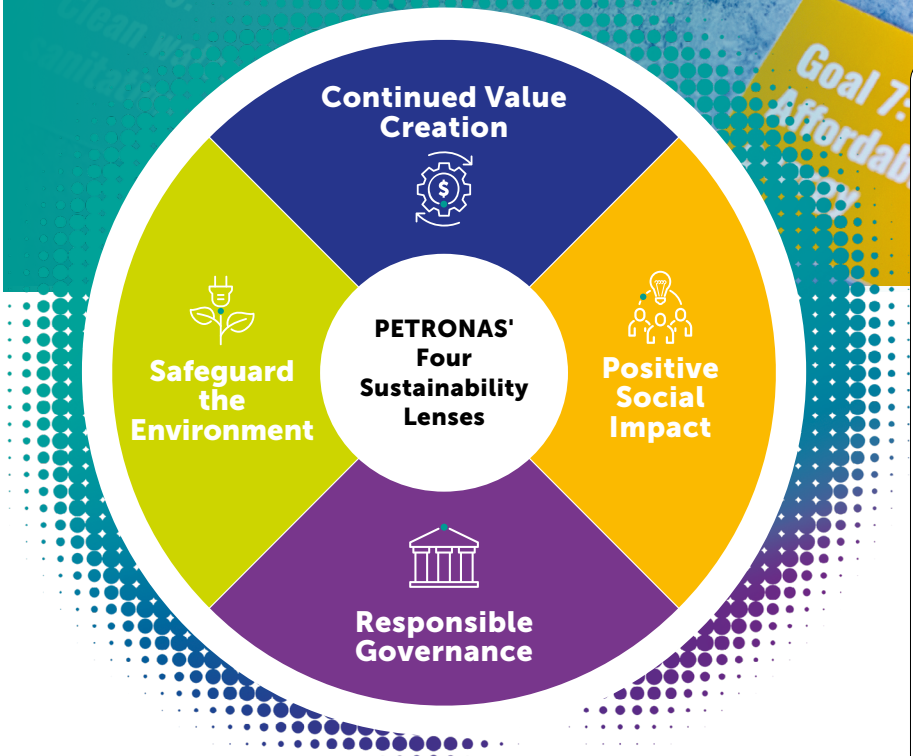




Our Sustainability Approach and Roadmap



In 2021, we took our first steps towards developing a strategic Sustainability Roadmap, guided by PETRONAS' four sustainability lenses of Continued Value Creation, Safeguard the Environment, Positive Social Impact, and Responsible Governance, which are aligned with the United Nations' Sustainable Development Goals 2030 and our promise of Making Your Everyday Life Simpler and Better.





Lens 1: Continued Value Creation
Drive long-term business value creation through responsible investments.

Lens 2: Safeguard the Environment
Collaboratively reduce environmental impact by transitioning to lower carbon energy solutions and deploying innovative operations and technologies.

Lens 3: Positive Social Impact
Create positive alliances with the communities in which we operate by protecting and adding value to the well-being of employees, partners and society.

Lens 4: Responsible Governance
Safeguard the organisation's commitment through strong governance mechanisms and ethical business practices.

The five-year blueprint focuses on six pillars which together guide us towards growing our business in a manner that is respectful of the needs and interests of our stakeholders – namely our suppliers, business partners, employees, shareholders and the community at large – while causing minimal impact on the environment. Our objective is for Environmental, Social and Governance (ESG) imperatives to become ingrained into the culture at PDB such that everything we do takes into consideration the consequences on our ecosystem. Through the Roadmap, moreover, we ensure alignment of our sustainability initiatives with PETRONAS' statement of purpose.

STATEMENT OF ASSURANCE

As part of our commitment in providing meaningful disclosures to our stakeholders, we strive to build trust through a rigorous and transparent reporting process. For our current year's reporting, we have engaged an independent firm to provide limited assurance for selected disclosures and sustainability indicators that are included in this Report. The exercise is presently underway and we are actively working to ensure its successful completion.

The following is an overview of PDB's Sustainability Roadmap

Entrepreneurship and growth

Aim:
To provide further opportunities and support MSME/SME growth and expansion

SDGS:



Cleaner energy solutions

Aim:
To support the aspiration and drive towards Net Zero 2050/carbon neutral position through cleaner energy solutions

SDGS:



Sustainable supply chain

Aim:
To contribute to the circular economy by mitigating our environmental footprint along our value chain

SDGS:



Human rights

Aim:
To have in place an effective system and processes that ensure full compliance and adherence to applicable Human Rights and Labour standards and requirements

SDGS:



Targeted community investment

Aim:
To establish a flagship community investment programme that is recognisable, targeted and long-term, based on social impact assessment

SDGS:



Sustainability governance and ESG risk management

Aim:
To further reinforce our system/process of sustainability governance and be recognised among best practices

To identify, assess and integrate relevant ESG indicators into ERM and be recognised among best practices

SDGS:



Sustainability Dashboard

Entrepreneurship and Growth

Highlights:

- Directly and indirectly supporting employment of approximately 13,300 individuals
- 99.4% of suppliers/contractors are local
- 46 PETRONAS AutoExpert outlets in operation

Material Matter:

- Economic Growth and Performance
- Capability Building

Cleaner Energy Solutions

Highlights:

- Eight flights were refuelled with SAF via long-term commitments with MAG
- A preliminary Climate Strategy Framework was prepared as a foundation for future alignment with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Identified key risks and opportunities for PDB associated with physical impacts of climate change

Material Matter:

- Climate Change and GHG Emissions

Sustainable Supply Chain

Highlights:

- 6.9 tonnes of recyclable items collected via community recycling
- Our Reverse Vending Machine (RVM) installation at PETRONAS Jalan Kolam Ayer Lama had the second highest collection rate amongst 26 KLEAN-supplied RVM machines installed around the country.
- Conducted a situational assessment on Responsible Sourcing to strengthen the sustainability of our supply chain

Material Matter:

- Customer-Centricity
- Climate Change and GHG Emissions
- Environmental Management
- Sustainable and Ethical Supply Chain
- Community Investments

Human Rights

Highlights:

- Zero major human rights violation or incident recorded
- Introduced Human Rights MeetSpace, a communication platform for suppliers and contractors
- Enhanced the procedures to manage Labour and Working Conditions in line with increasing concern with regard to these areas in our business and operation

Material Matter:

- Health and Well-being
- Human Capital
- Sustainable and Ethical Supply Chain

Targeted Community Investments

Highlights:

- Benefitted a total 169,009 individuals through various community initiatives
- The communities in six villages benefitted from Mini Portable Container System (PCS) in rural areas of Sabah and Sarawak
- PDB spent 81 voluntary man-hours to help accelerate the journey of SEEd.Lab's social enterprises through business and leadership mentorship, market testing and commercialisation

Material Matter:

- Community Investments
- Economic Growth and Performance

Sustainability Governance and ESG Risk Management

Highlights:

- Strengthen our sustainability governance through Board Sustainability and Risk Committee (BSRC) and Sustainability Action Council (SAC)
- Security Operation Centre has been established that has the visibility to monitor cyber security threats
- 97.3% of PDB staff have completed the Data Privacy and Protection online training module

Material Matter:

- Ethics and Corporate Governance
- Data Privacy and Security

Our **Investment Case**

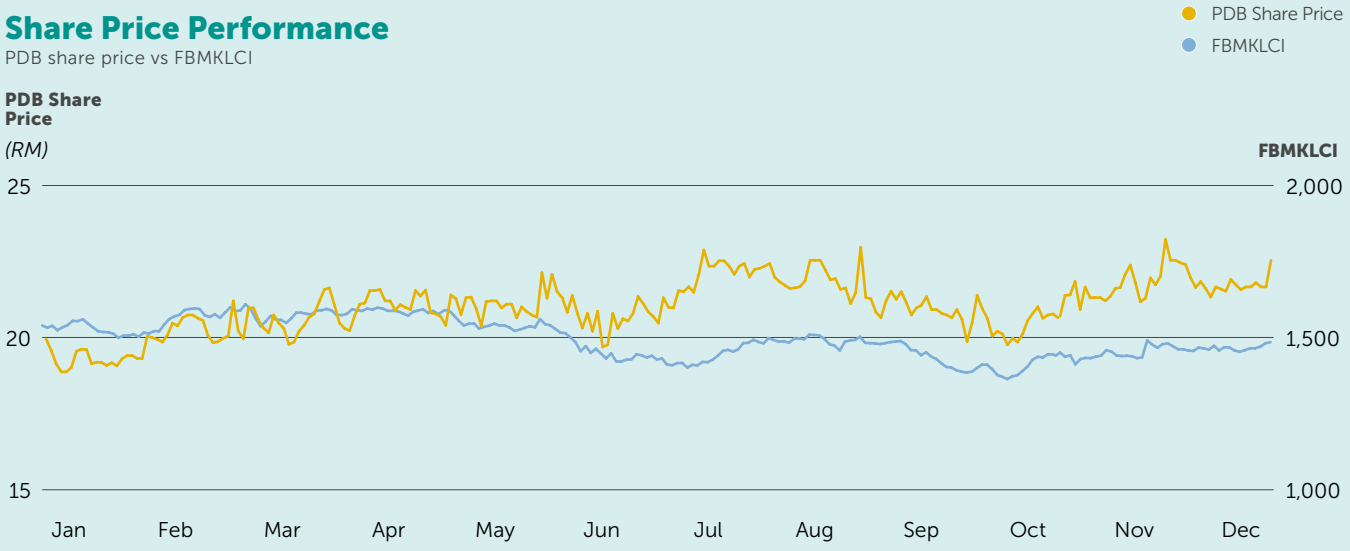


WHY INVEST WITH **PETRONAS DAGANGAN BERHAD?**

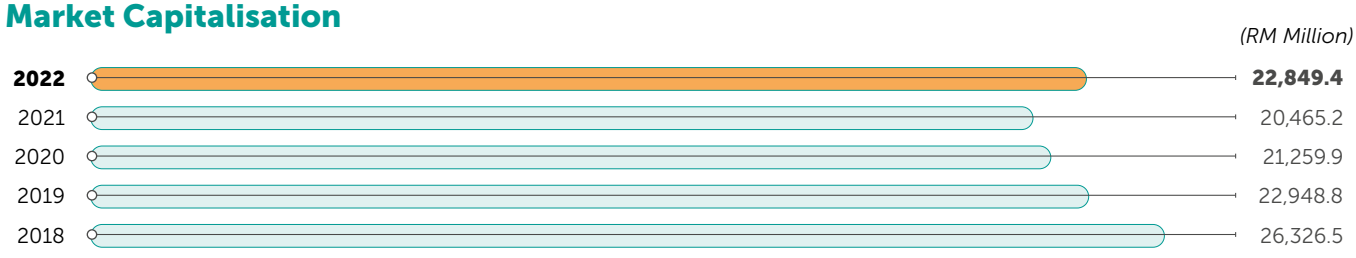


Share Price Performance

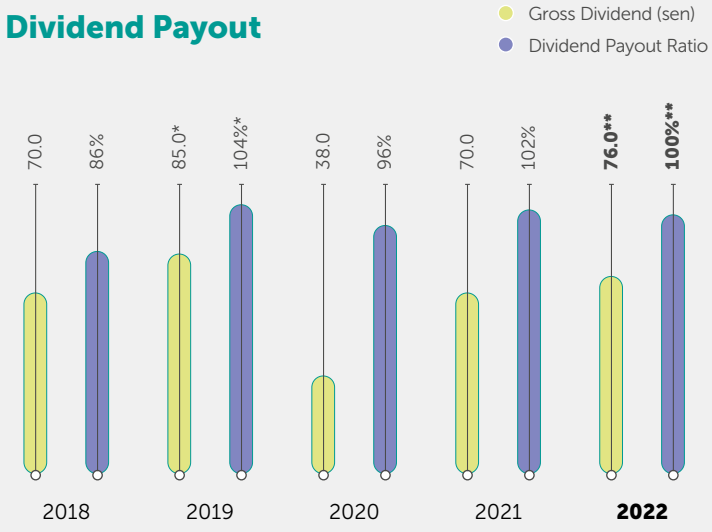
PDB share price vs FBMKLCI



Market Capitalisation



Dividend Payout

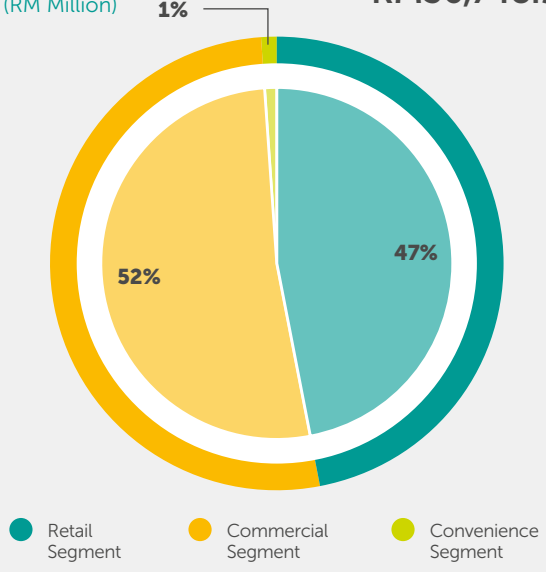


* Includes special dividend of 15 sen per ordinary share
** Includes special dividend of 14 sen per ordinary share

Revenue

(RM Million)

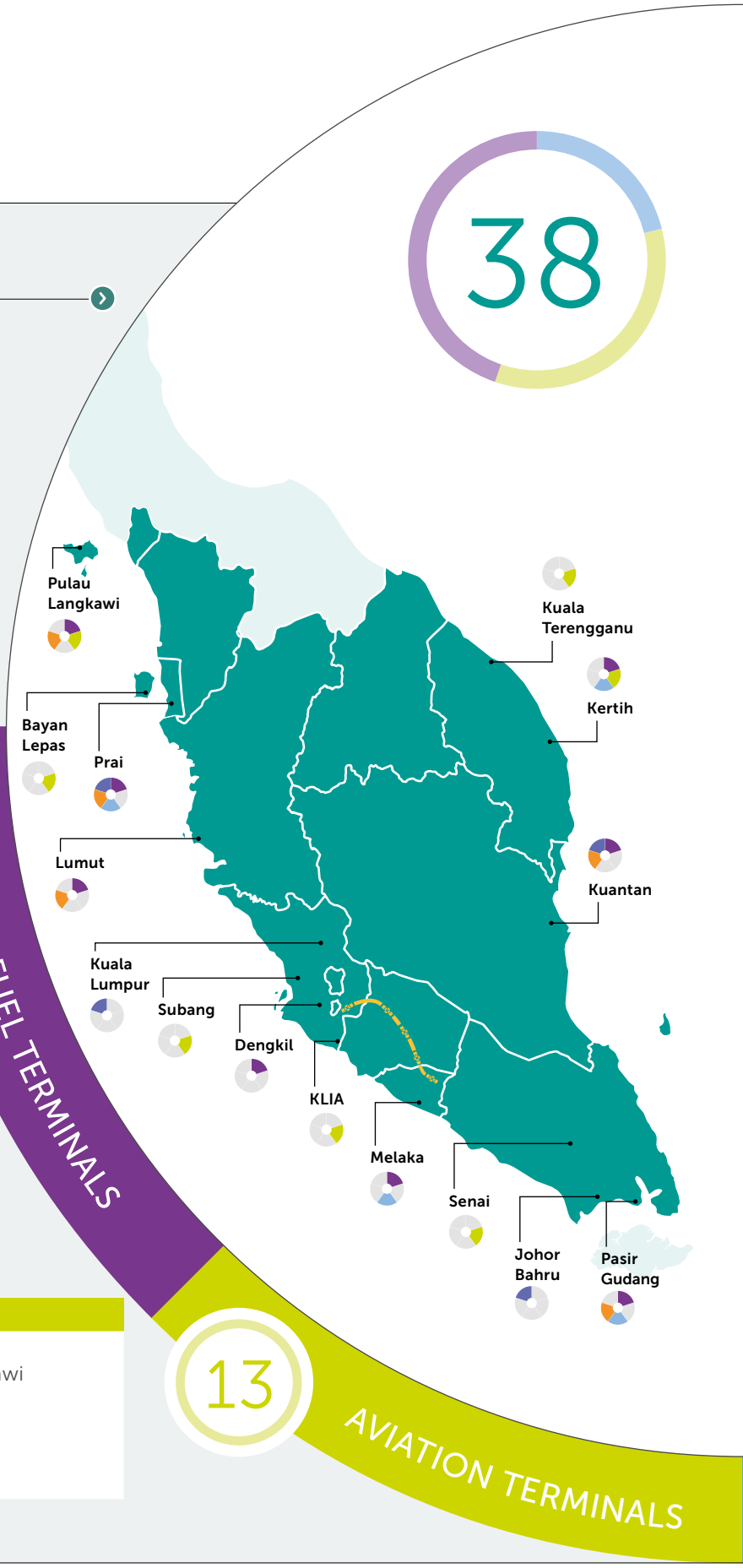
2022
RM36,748.9



Where We Operate

Legends

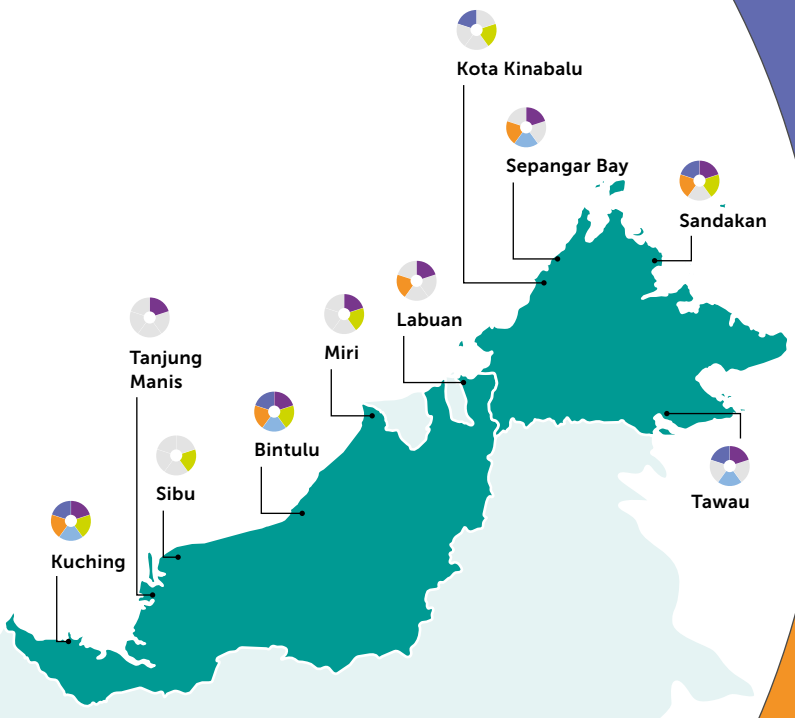
- Fuel Terminals
- Aviation Terminals
- LPG Terminals and Bottling Facilities
- Bunkering Facilities
- Offices
- Multi-Product Pipeline



FUEL TERMINALS	
1	ASB Labuan
2	PST Bintulu (JV)
3	KVDT Dengkil (JV)
4	Kertih
5	Kuantan
6	IOT Kuching (JV)
7	Labuan
8	Lumut
9	Melaka
10	Miri
11	Pasir Gudang
12	Prai
13	Pulau Langkawi
14	Sandakan
15	Sepangar Bay
16	CODT Tanjung Manis (JV)
17	PST Tawau (JV)

AVIATION TERMINALS			
1	Bayan Lepas	8	Miri
2	Bintulu	9	Pulau Langkawi
3	Kertih	10	Sandakan
4	KLIA	11	Senai
5	Kota Kinabalu	12	Sibu
6	Kuala Terengganu	13	Subang
7	Kuching		

Terminals



9 OFFICES

10 BUNKERING FACILITIES

8 LPG TERMINALS AND BOTTLING FACILITIES

OFFICES	
1	Bintulu
2	Johor Bahru
3	Kota Kinabalu
4	Kuala Lumpur
5	Kuantan
6	Kuching
7	Prai
8	Sandakan
9	Tawau

BUNKERING FACILITIES	
1	PST Bintulu (JV)
2	Kuantan
3	IOT Kuching (JV)
4	Labuan
5	Lumut
6	Pasir Gudang
7	Prai
8	Pulau Langkawi
9	Sandakan
10	Sepangar Bay

LPG TERMINALS AND BOTTLING FACILITIES			
1	Bintulu	5	Pasir Gudang
2	Kertih	6	Prai
3	IOT Kuching (JV)	7	Sepangar Bay
4	Melaka	8	PST Tawau (JV)

Group Corporate **Structure**

Petroliam Nasional Berhad (PETRONAS)

63.94%

PETRONAS Dagangan Berhad (PDB)

NETHERLANDS

PDB (NETHERLANDS) B.V
PDB: **100%**

To hold activities and hold investment in any business of marketing and distributing lubricants

MALAYSIA

MESRA RETAIL & CAFE SDN. BHD.
PDB: **100%**

Managing and oversee the operations of Mesra C-stores, food and beverage and PDB's petrol station

MALAYSIA

SETEL EXPRESS SDN. BHD.
PDB: **100%**

Engaged in the business of courier services, general carriers, forwarding agents and sales of PETRONAS merchandise

MALAYSIA

PETRONAS LUBRICANTS MARKETING (MALAYSIA) SDN. BHD.
PDB: **100%**

To market and distribute petroleum products

MALAYSIA

P S PIPELINE SENDIRIAN BERHAD
PDB: **50%**
Shell Malaysia Trading Sdn. Bhd.: **50%**

To maintain and operate the Multi-Product Pipeline and Klang Valley Distribution Terminal (MPP-KVDT) and the associated facilities for the transportation of petroleum products on behalf of the MPP-KVDT users

MALAYSIA

P S TERMINAL SENDIRIAN BERHAD
PDB: **50%**
Shell Timur Sdn. Bhd.: **50%**

To operate, manage and maintenance of joint facilities – terminal, depot, warehouse, equipment, machinery, pipelines, tanks and associated facilities in Tawau and Bintulu on behalf of the owners, PDB and Shell Timur Sdn. Bhd.

Group Corporate **Structure**

Subsidiary Joint Ventures Associate

MALAYSIA

PETRONAS AVIATION SDN. BHD. (PAV)
PDB: **100%**

To provide technical consultancy services

SAUDI ARABIA

UNITED FUEL COMPANY LIMITED LIABILITY COMPANY
PDB: **40%**
Asyad Holding Company LLC: **60%**

To provide support, maintenance and operation services for airport facilities and gas fuel and storage equipment and stations in the airports of the Kingdom of Saudi Arabia

MALAYSIA

IOT MANAGEMENT SDN. BHD.
PDB: **20%**
Shell Timur Sdn. Bhd.: **10%**
Senari Synergy Sdn. Bhd.:**70%**

To engage in the business of managing independent oil terminals at Senari, Kuching

MALAYSIA

TANJUNG MANIS OIL TERMINAL MANAGEMENT SDN. BHD.
PDB: **20%**
Shell Timur Sdn. Bhd.: **20%**
Senari Synergy Sdn. Bhd.:**70%**

To engage in the business of managing oil terminals at Tanjung Manis

MALAYSIA

KUALA LUMPUR AVIATION FUELLING SYSTEM SDN. BHD.
PDB: **65%**
Malaysia Airports (Properties) Sdn. Bhd.: **20%**
Malaysia Airlines Berhad: **15%**

To operate, maintain and manage an Aircraft Fuelling System (AFS) at Kuala Lumpur International Airport and to provide aviation fuelling services related to the AFS to fuel suppliers

MALAYSIA

SETEL VENTURES SDN. BHD.
PDB: **100%**

To provide a seamless payment solution

MALAYSIA

SETEL PAY SDN. BHD.
PDB: **100%**

To issue and operate electronic money (e-money)

MALAYSIA

PETROSNIAGA SDN. BHD.
PDB: **49%**
Petroleum Sarawak Berhad: **51%**

To supply industrial bulk, commercial and residential LPG

Chairman's Statement

I am proud to be part of PDB celebrating its 40th anniversary in 2022, a company which I have been associated with since its inception. In the last four decades, PDB has grown to have the largest network of petrol stations in the country along with the most extensive supply and distribution facilities to serve customers nationwide. We are also the largest marketer of petroleum products under the brand PETRONAS, which is well-recognised and trusted by Malaysians.

Notwithstanding these successes, we at PDB acknowledge that market needs and customer demands are ever-changing. Thus, all efforts to future-proof our organisation by remaining relevant and sustainable must continue unceasingly. In this regard, I am glad to share that our Convenience segment, through Setel and Café Mesra, is rapidly gaining traction to become a key driver of our Moving Forward Together (MFT) journey.



DATUK ANUAR AHMAD
Chairman

DIVIDEND PER SHARE
76.0 sen

DIVIDEND PAYOUT RATIO
100%

Our Retail-Fuel business recorded its highest sales volume ever, whilst Mesra Retail & Cafe Sdn. Bhd. (MESRA) and our other businesses achieved commendable returns and significant year-on-year growth.

COMMENDABLE PERFORMANCE

Buoyed by a recovering economy, all our core businesses performed very well in 2022. Our Retail-Fuel business recorded its highest sales volume ever, whilst Mesra Retail & Cafe Sdn. Bhd. (MESRA) and our other businesses achieved commendable returns and significant year-on-year growth. This outstanding performance enabled us to register a Profit Before Tax of RM1,135.0 million.

Accordingly, the Board has declared a dividend of 76 sen per share for the year, inclusive of a special dividend of 14 sen per share, exceeding our payout policy of 50% of the Company's Profit After Tax (PAT). The fact that PDB has always met our dividend policy affirms our unrelenting commitment to rewarding our shareholders.

FOCUS ON SUSTAINABILITY

We believe strongly that the Company will do well by doing good and we live up to our ideals by continuously reinforcing our sustainability framework, integrating sustainable matters into our business strategy and operations.

In 2022, we strengthened our formal sustainability governance by implementing our newly-established Sustainability Roadmap. We expanded the scope of the existing Board Risk Committee (BRC) to include sustainability matters, and changed its name to the Board Sustainability and Risk Committee (BSRC). To ensure a focused execution of sustainability initiatives within our operations, the BSRC is assisted by a Sustainability Action Committee (SAC), chaired by the MD/CEO.

Along with greater focus on sustainability, we are making steady progress in many areas especially in clean energy ventures. Together with our strategic partners, we have expanded the network of electric vehicle chargers at our stations. We also pioneered the use of Sustainable Aviation Fuel (SAF) in the country.



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Chairman's Statement

As part of our sustainability journey, we are enhancing our reporting. To strengthen the credibility of our Sustainability Report, we will be engaging the services of an independent expert to perform limited assurance on a range of sustainability indicators.

CARING FOR THE COMMUNITY

Being a responsible organisation, our caring is not limited to customers but extends to the community and society. We support the community by working with small suppliers to introduce Mesra own-label products and local delicacies at our stores. Together with institutions such as MARA, Perbadanan Usahawan Nasional Berhad (PUNB) and SME Bank, we encourage locals to participate in our AutoExpert network, an automotive maintenance and repair programme.

Beyond business and financial support, we make full use of our assets to alleviate the suffering of people during any crisis including natural disasters. Following the recent floods, for instance, we deployed ROVR to supply fuel to affected locations.

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GOOD GOVERNANCE

As part of ongoing efforts to strengthen our governance and compliance, in 2022, PDB strengthened its internal controls by adopting PETRONAS CoBE and PETRONAS ABC Manual in line with the Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act. In addition, we also sanctioned an independent review to ensure adequate procedures are well embedded within the organisation leading to the continuous enhancement of Prevention, Detection and Response (PDR) initiatives. PDB's aspiration, ultimately, is to nurture a Generative Ethics and Integrity Culture, in which ethical behaviour is deeply entrenched within PDB's business and operations.

During the year, PDB Compliance Universe was launched as the official communication channel reaching out to internal stakeholders by disseminating the latest knowledge and initiatives focusing on compliance with five Critical Legal Areas. In further reinforcing our compliance culture, we also introduced the Anti-Bribery and Corruption e-learning module for our external stakeholders including our Retail-Fuel, Commercial and LPG Dealers to enhance their understanding of the fundamental principles and application of PETRONAS ABC Manual throughout their business relationships with PDB.



In safeguarding PDB's data privacy and protection, we developed and deployed the Data Privacy Manual (DPM) to ensure that PDB's personal data collection, processing and retention are in full compliance with the prevailing laws and regulations. Additionally, we also enhanced the Data Secrecy Manual (DSM) to incorporate the latest requirements in the Management of Customer Information and Permitted Disclosures (MCIPD) Policy Document issued by Bank Negara Malaysia with regards to PDB's measures and controls in handling customer data for SmartPay business.

ACKNOWLEDGEMENTS

Credit for PDB's remarkable performance in 2022 goes to the entire team, and I would like to thank everyone in the organisation for their hard work and dedication. Specifically, I would like to express my appreciation for the sound counsel and guidance by the Board, the capability of our Leadership Team, and the commitment of all employees.

This year saw a strengthening of our Board composition with the addition of three new Directors – Datuk Sazali Hamzah, Mohd Yuzaidi Mohd Yusoff and Tunku Alizakri Raja Muhammad Alias. Each brings invaluable expertise and experience, adding immensely to the Board's intellectual capital. On behalf of the Board, I would like to warmly welcome our three new Directors. I am also pleased to share that, with their appointments, 60% of our Directors are independent. At the same time, we would like to record our appreciation for the contributions of Ahmad Adly Alias who resigned during the year.

It would be remiss not to acknowledge the immense contributions of our external stakeholders. And I would like to take this opportunity to thank all our customers, shareholders, business partners and suppliers for contributing to what PDB is today.

Credit for PDB's remarkable performance in 2022 goes to the entire team, and I would like to thank everyone in the organisation for their hard work and dedication.



MD/CEO'S Statement



Dear Shareholders,

After two years of pandemic-related restrictions, 2022 was a welcome reprieve. As engines of economic recovery were re-ignited, demand for fuel increased and we capitalised on the opportunity to meet this demand as we pursued our Moving Forward Together (MFT) strategy. Though certain challenges persisted, we were also presented with various opportunities. Capitalising on these, we have achieved some amazing results. Indeed, it gives me great pleasure to share that we ended the year with one of PDB's best performances in history.

AZRUL OSMAN RANI
Managing Director/Chief Executive Officer

The Group's volume increased by 28% to 15,033.7 million litres, with Retail-Fuel recording its highest ever sales. This was complemented by a 26% increase in revenue from our Convenience segment, with *Kedai Mesra* recording higher sales and our newly-launched Café Mesra contributing a new income stream. Together with a strong showing from all our other businesses, the Group's Profit Before Tax (PBT) increased by 53% year-on-year to hit RM1,135.0 million which was higher than our pre-pandemic PBT in 2019. Comparatively, our Profit After Tax (PAT) also saw an increase of 48% against 2021 to RM787.8 million. Excluding the one-off inclusion of *Cukai Makmur* in 2022, our numbers reflect the strength of our business, with PAT exceeding 2019 figures when considered against normal operating conditions.

Of note, we have grown our core businesses safely, protecting our people and assets while living up to our promise of making everyday life simpler and better through our expanded offerings. We are also taking small yet sturdy steps towards the transition to a low-carbon economy, contributing to national and international agendas in managing and mitigating climate change for environmental sustainability.

The fact that we achieved all of this in a year that marked PDB's 40th anniversary was an added bonus. Hitting milestone anniversaries is always a cause for introspection. Upon reflecting, it is clear that our successes today are the result of four decades of strategic investments and decisions made by previous leadership. Thanks to the legacy they have created, we are in a strong position to move forward. However, to do so successfully we need to keep evolving to remain relevant. Today, perhaps more than ever, we are in an environment of great flux. The energy transition that began some years back is gaining momentum. Meanwhile, our customers seek increasing convenience. Recognising these systemic shifts, PDB is investing significantly into transforming our business and the way we create value for our customers.

In 2022 itself, we have made good progress in our new direction and I am pleased to provide an account of what we have achieved as well as what we plan to do to carve even greater successes in the years to come.

Through the three pillars of Value, Growth and Sustainability, we are ensuring continued growth of our core businesses as we adapt to customers' increasingly digital lifestyles, while meeting Environmental, Social and Governance (ESG) imperatives.

OUR OPERATING LANDSCAPE

After a sharp recovery in 2021, the global economy slowed down in 2022, mainly as a result of the Russia-Ukraine conflict, continued COVID-19 lockdowns in China, continuing supply chain disruptions and the interest rate hikes by the U.S. Federal Reserve. Along with most of ASEAN, fortunately, Malaysia was largely immune to these headwinds, buffered by domestic as well as external demand, together with an improved labour market. This was supported by marked recovery in the services, construction and manufacturing sectors, which led to the country registering a Gross Domestic Product (GDP) of 8.7% compared to 3.1% in 2021.

The most significant impact of the macroeconomic factors outlined above on PDB has been the price of oil. Already increasing in the first quarter of 2022 along with economic recovery and supply restrictions by OPEC+, the price peaked in the second quarter due to a shortage following the war in East Europe exacerbated by a spike in travel during the summer months. Although demand subsequently decreased in the third and fourth quarters of the year in tandem with inflationary pressure, the average Brent price jumped by 43% from USD71 per barrel in 2021 to USD101 per barrel in 2022.

In addition to the increase in oil price, Bank Negara Malaysia (BNM) raised the Overnight Policy Rate (OPR) four times in 2022 ending the year at 2.75%. Nevertheless, fuel sales in the retail and commercial sectors in Malaysia remained strong. This enabled PDB to increase its average selling price by 26% year on year. Indeed, heightened demand and price of fuel during the year were among the most salient contributors to our outstanding performance.

OUR ONGOING TRANSFORMATION

The economic recovery in 2022 presented an ideal environment to press ahead with our MFT journey, which we embarked on in 2021. Specifically, through the three pillars of Value, Growth and Sustainability, we are ensuring continued growth of our business as we adapt to customers' increasingly digital lifestyles, while meeting Environmental, Social and Governance (ESG) imperatives.

Our core businesses will always define us; PDB was established to supply fuel to various sectors, and will continue to perform this critical service to the best of our ability. However, due to climate change, we need to re-look the types of fuels that we supply. And, given increasing competition, it is imperative that we meet the broader needs and expectations of our customers to sustain their loyalty. These considerations are encapsulated in MFT which is guiding us to diversify from carbon-based to cleaner forms of energy, and to win our customers' hearts by listening to them intently, using insights gained to guide our product and service development.



MD/CEO'S Statement

Three Strategic Pillars

Value

Sustain PDB Core Businesses

Growth

Diversification Through Convenience

Sustainability

Creating Positive Environmental, Economy and Social Impact

Value: Sustain PDB's Core Business

During the year, we leveraged the surge in demand for fuel prompted by the economic recovery to operationalise 10 new PETRONAS stations. Meanwhile, continuing to delight our customers in every way possible, we have fully digitalised our stations, transforming them into highly efficient one-stop centres that meet every Retail-Fuel customer's need. We also launched the latest iteration of our signature *Mesra Bonanza Lagi Onz!* campaign, offering customers the chance to win exciting prizes. Our efforts were substantiated by **Retail-Fuel Business**' achievement in recording its highest ever revenue with over 40% increase in volume.

In the **Commercial Business**, our volume increased by 19% as we focused on high-value segments. Along with targeted sales, we also enhanced our customer relationships by focusing more intently on catering to their needs. Recognising that some of our customers were struggling to meet the surge in demand for their products and services amid supply bottlenecks, we stepped in to fill the gaps where possible such as via product importation to make up for the domestic supply shortfall. In addition, we reviewed our customers' credit limits to support them as they started ramping up operations. In return, revenue from the Aviation sector quadrupled while revenue from Construction and Agriculture grew by strong double digits.

Despite challenges in the eateries segment, with restaurants hampered by a manpower shortage, our **LPG Business** maintained its market leadership with a 2% growth in sales volume as the manufacturing, hospitality and retail sectors picked up. This was further complemented by growing our commercial customer base and expanding the network of Gas PETRONAS@Station as well as Gas PETRONAS@Mini Market nationwide. We have also appointed new dealers to serve currently underserved markets.

Meanwhile, the **Lubricant Business** was able to capitalise on a confluence of factors, including amplified demand from OEM and B2B clientele, as well as the burgeoning expansion of PETRONAS AutoExpert outlets. While the Market Execution Partners (MEP) were impeded by financial constraints and experienced a downturn in revenue, we were able to offset these losses through robust growth in other areas. We also made noteworthy advancements to our product portfolio with the successful launch of two products, namely PETRONAS Syntium with CoolTech+™ and PETRONAS Urania with StrongTech™. This was accompanied by a series of highly effective brand campaigns and a strategic promotional partnership with Formula One™ and MotoGP™, which collectively bolstered customer perception of our brand. As a result of these efforts, we were pleased to observe a 3% increase in total domestic volume for the year.

Growth: Diversification Through Convenience

Key developments in our non-core business this year were the rollout and expansion of our very own F&B brand Café Mesra, and the introduction of more Mesra own-label products. Officially launched on 7 July 2022 at PETRONAS station USJ 20, by year end we had a total of 41 Café Mesra outlets – inclusive of cafes in PETRONAS stations, standalone outlets/kiosks and mobile trailers. More than their financial contribution, Café Mesra is symbolic of a new culture that we are creating in PDB – one in which our people are challenged to step out of their comfort zones and to face competition head on. The early successes we are enjoying is immensely gratifying because it indicates a real mindset shift. Meanwhile, we expanded our range of Mesra own-label products, from just 41 at the end of 2021 to 85 in 2022.

Catering to digital lifestyles, we continued to re-invent and enhance our Setel app with more features and functions to create an increasingly better customer experience. Customers purchasing conventional fuel at stations can do so with just one tap on the app. Owners of electric vehicles (EV) can use the app to locate and activate EV charges, from the comfort of their vehicles. Beyond fuel, customers can purchase insurance and request for various auto-related services, from battery replacement to towing cars. We also introduced PETRONAS Shop, an e-commerce platform for all PETRONAS products including merchandise from PETROSAINS and the PETRONAS Twin Towers Gift Shop in addition to our own brands such as PRYSM.

Beyond developing MESRA and Setel, we have diversified our business by venturing into alternative cleaner fuels. Given the urgency to mitigate and manage climate change, there has been a marked increase in investments into research and development on low-carbon and no-carbon fuels, accompanied by growing demand for them. As a result, green technologies are becoming more affordable. EV batteries, for example, cost about 90% less than they did 12 years ago, prompting greater adoption of zero-emission cars. Playing our part, we launched our first EV charging facilities in 2017 and by end 2022, had equipped more than 60 PETRONAS stations with EV chargers. This included our first EV hub at PETRONAS station Bandar Baru Ayer Hitam along the North-South Expressway where

we have installed three direct current (DC) fast chargers and two alternating current (AC) Gentari EV chargers. Of note, we now have a total of 21 DC chargers in 19 stations across our network in the country.

In the aviation sector, having launched Sustainable Aviation Fuel (SAF) in 2021, we trialled its use in passenger flights operated by Malaysia Airlines, Firefly and MASwings. Our partnership with Malaysia Aviation Group (MAG) places us on a strong footing to supply the national aviation group with its SAF requirements once the fuel becomes economically viable.

Sustainability: Creating Positive Environmental, Economy and Social Impact

Our foray into cleaner fuels is indicative of PDB's commitment to incorporating sustainability into the DNA of the organisation. We no longer look at sustainability as a nice add-on to what we do, but as being integral to our operations. In addition to our alternative fuel business, we are transitioning into a low-carbon organisation via reduced emissions from our own operations. Over the years, we have adopted various initiatives to reduce our carbon footprint, such as installing solar panels and LED lights at our stations and terminals. In 2022, Gentari installed solar panels at another six PETRONAS stations and we look to solarise even more of our network in the near future.

As a measure of our carbon reduction commitment, we have begun the process of assessing our Scope 3 emissions. With this data, we will be in a position to adopt the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and respond more effectively to climate-related risks and opportunities.

DIVERTED
12,562
bottles and cans from landfills

AS OF END
2022
we had more than 1,800 SMEs registered to supply our Kedai Mesra.

We believe strongly that those who are differently-abled should be given the opportunity to be part of mainstream economic activity.

147 staff
were employed across the 41 cafés that had been established



Another focus area for PDB, as a retailer of consumer goods is responsible waste management. In addition to ongoing initiatives, in 2022 we embarked on a pilot programme with strategic partners to collect used plastic bottles and aluminium cans for recycling using reverse vending machines (RVMs). Two machines were installed at PETRONAS stations in November 2022, which helped to divert 12,562 bottles and cans from landfills by the end of the year.

We also contribute significantly to socioeconomic upliftment by nurturing an expanding ecosystem of suppliers and partners. As of end 2022, we had more than 1,800 SMEs registered to supply our *Kedai Mesra*. Through the PETRONAS AutoExpert network, we support automotive entrepreneurs, who also have access to affordable financing and various development programmes offered by MARA, PUNB and SME Bank, with whom we have partnerships. During the year itself, we added 32 new PETRONAS AutoExpert outlets to our network. With the launch of Café Mesra, we are providing yet another platform that will create more job opportunities. As at end 2022, 147 staff were employed across the 41 cafés that had been established.

We believe strongly that those who are differently-abled should be given the opportunity to be part of mainstream economic activity, hence we are in support of Enable OKU (ENOKU), a social enterprise under SEEd.Lab, by providing structured pathways to facilitate our dealers in hiring persons with disabilities (PwDs).

MD/CEO'S **Statement**

DIGITALISATION @PDB

At PDB, we embrace digitalisation not only to make the lives of our customers simpler and better, but also to enhance our own operational efficiencies and effectiveness. Our digital journey is guided by a Digital Blueprint, namely a roadmap that ensures the timely delivery of digital modernisation and automation which is expected to help us realise business value, drive growth and contribute to the sustainability of our business operation.

As we transform into a data-driven organisation, we are enhancing our data literacy by upskilling our employees. We fully recognise the power of data and are working to equip everyone across the Group with the skills necessary to leverage the data available to them for optimum business outcomes. With the maturity of our data platform, PDB is set to explore the use of AI and advanced analytics that will future-proof our organisation.

Digitalisation at PDB is also contributing to our sustainability agenda through reduced carbon emissions. Migration of most of our applications to cloud platforms, which look to utilise sustainable energy sources and upgraded network connectivity in all PETRONAS stations has enabled centralised monitoring, resulting in greater energy efficiency and a reduction in our digital carbon footprint. At the same time, we are also empowering our employees with the flexibility of working from home which helps to lower the impact of daily commutes.



The more we digitalise our services and operations, the more important it is to protect all the data within our systems and platforms. Therefore, we ensure our cyber security governance and controls are strengthened and up to date while creating better awareness among employees of risks related to data privacy and security.

SAFETY, ALWAYS OUR PRIORITY

Given the nature of our business, the safety of PDB's extended community is our top priority. We have in place a very secure safety framework which is continuously reviewed and strengthened as we seek to achieve zero incidents. Despite our best efforts, however, accidents will happen; but when they do, we use the incidents as learnings to further reinforce our safety nets.

During the year, there were injury cases within our offices and terminals, as well as two incidents involving our road tankers. In response, we conducted a hazard hunt in our offices to identify unsafe acts or conditions and put in place mechanisms to prevent incidents. We also initiated a PDB I-Role Model and a Generative Culture Intervention at our terminals to remind everyone to take responsibility for their own safety as well as that of others. In 2023, we will be conducting a Zero is Possible rally involving all staff and contractors.

To enhance the safety behaviours of our hauliers, we have revised our Land Transport Operations Model for simpler and more effective management. In addition, we assessed the safety parameters at 20 of our hauliers' parking bays, and drafted action plans to rectify gaps identified. Subsequently, I personally met with the CEOs of the haulier companies for updates on their remedial actions.

Having mainstreamed sustainability, we seek to make it an increasingly bigger part of our business, as we believe it is important not only for the sustainability of the planet but also the long-term sustainability of PDB.

CULTURAL TRANSFORMATION

As noted by our Chairman, the successes we enjoyed in 2022 boil down to our people. Similarly, the success of our ongoing transformation depends on them. We therefore have a parallel transformation going, focused on bringing out the best in our people. Our objective is to empower and inspire our employees to become change agents – to keep looking for different ways of doing things to make a real difference. We have embarked on building an Empowered, Enabled & Agile (EMAN) workforce. This requires our people to be proactive in delivering solutions; and supported by leaders providing psychologically safe space for our people to practice "Progress over Perfection".

Through EMAN and other initiatives, we are building competencies and confidence. Both are important in order to achieve true disruption – the first to develop potentially powerful ideas, and the second to be able to accept that failure is part of any recipe for success.

At the same time, we keep reinforcing PETRONAS' Cultural Beliefs, which are about personal accountability in achieving the organisation's goals. Anchored on these beliefs, our people have a sense of purpose which will drive them to be enterprising and innovative as they contribute to PDB's onward journey.

OUR OUTLOOK

The outlook for Malaysia in general is looking positive. Amid fears of inflation and a global recession, the economy is expected to grow at 4.0% in 2023, driven by private spending as construction projects are revived and the unemployment rate further reduces to 3.5%.[1] Malaysians will also be relieved by stabilising oil prices, with the price of Brent expected to average USD89 per barrel, about 13% lower than in 2022.

In addition to the economic recovery, business and leisure tourism into the country is expected to surge along with the government's revocation of quarantine and testing requirements in Malaysia starting from 1 August 2022. International air passenger arrivals in Malaysia is anticipated to hit 9.6 million in 2023 from an estimated 2.5 million a year ago on the back of the reopening of international borders.[2] This will catalyse further demand for fuel, not just from the aviation sector but also hospitality, F&B and transport.

PDB is committed to leveraging this demand by continuing to grow our core businesses in line with customers' evolving preferences, while at the same time enhancing our revenue stream from the non-fuel segment. More Café Mesra outlets will be launched in 2023 at various locations outside of PETRONAS stations. We will also expand the range of PRYSM merchandise offered on PETRONAS Shop via the Setel App.

Committed to supporting Malaysia's aspiration to become a low-carbon nation, we will ensure that our growth is sustainable. Following the launch of our first EV charging hub, we will not only expand our EV charging network but will ensure a seamless customer experience by integrating our EV charging facilities with the Setel App. Within PDB itself, we will install more solar panels at PETRONAS stations and look for other ways to lower our carbon footprint. Our efforts will not be confined to environmental initiatives, but will include various ESG practices for the benefit of our communities. We will be guided towards this end by various standards including the FTSE4Good.

Having mainstreamed sustainability, we seek to make it an increasingly bigger part of our business, as we believe it is important not only for the sustainability of the planet but also the long-term sustainability of PDB.

ACKNOWLEDGEMENTS

In celebrating our 40th anniversary, it is only fitting to acknowledge not just our current but all previous Board of Directors and Leadership Team of PDB and PETRONAS Group, as well as employees who have played a role in shaping the organisation as it stands today. My heartfelt gratitude goes to all of you, as well as to all our external stakeholders – our customers, shareholders, *Rakan Niaga*, dealers, partners, suppliers and contractors – for your varied and highly valuable contributions over the years.

A special mention goes to the appointment of Khalil Jaffri Muhammad Muri as our Chief Operating Officer (COO). To accelerate our onward journey, the Board and Leadership Team felt it was judicious to have a COO to overlook our diverse businesses and create synergies for their synchronised growth. Khalil, previously Head of Retail Business, is replaced by Norazlan Subaha as our new Head of Retail-Fuel. We also welcome Anton Salleh Hashim, who replaced Pramela Vallinayagan as Head of LPG; Cheok Yen Kwan, Head of Marketing Strategy and Communication; P Sujatani Poosparajah, Head of Strategic Communications; Ahmad Yusmadi Mohamed Yusoff, who replaced Suria Kamarul Baharin as Head of Legal; and Ian Malcolm Cruddas, Chief Executive Officer of Mesra Retail & Café Sdn. Bhd. Meanwhile, we would like to express our gratitude to Mohd Imran Mohd Ashraf, Head of Technical Services and Rosnan Hamzah, Head of Safety and Environment for their contributions throughout their stints as part of the Leadership Team.

With our strengthened Leadership Team, guided by the Board and supported by our employees, PDB is now fully geared in Moving Forward Together to achieve more successes and create greater value for everyone.

[1] *Malaysia Economics Monitor, World Bank Group, February 2023*
[2] *Kenanga Research, 30 January 2023*

Chief Financial Officer's Review



PDB's financial performance in 2022 was a reflection of great collaboration and robust efforts to remain strong on our core business and on track with our growth agenda. Despite various challenges which include the volatility of petroleum pricing, escalating costs and inflation, we achieved historic results with Profit Before Tax (PBT) increasing 53% to RM1,135.0 million.

FARZLINA AHMAD MURAD
Chief Financial Officer

FINANCIAL PERFORMANCE REVIEW

For the year under review, the Group's revenue increased by 62% against 2021 to RM36,748.9 million as a result of higher sales volume of 28%, driven by increased travel domestically and internationally as well as higher average selling price of 26%.

The Group's increase in OPEX was mainly attributable to dealers' commission, in line with higher sales volume. Nevertheless, cash balance remains healthy at RM2,889.2 million on the back of increased business activities and prudent spending on CAPEX. These factors contributed to the Group's PBT growing by 53% to RM1,135.0 million, and our Profit After Tax (PAT) increasing by 48% to RM787.8 million, taking into the consideration the one-off inclusion of *Cukai Makmur*.

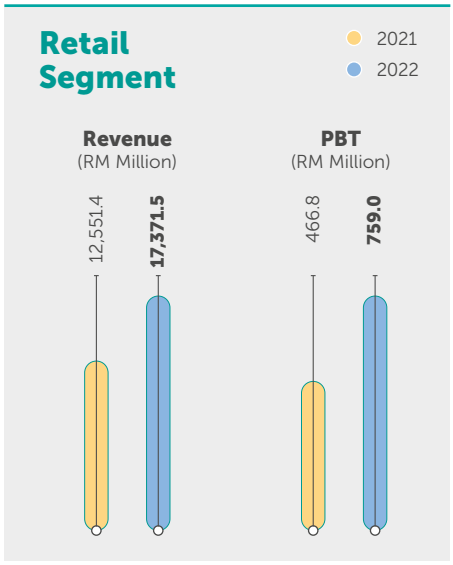
REVENUE
RM36,748.9 million

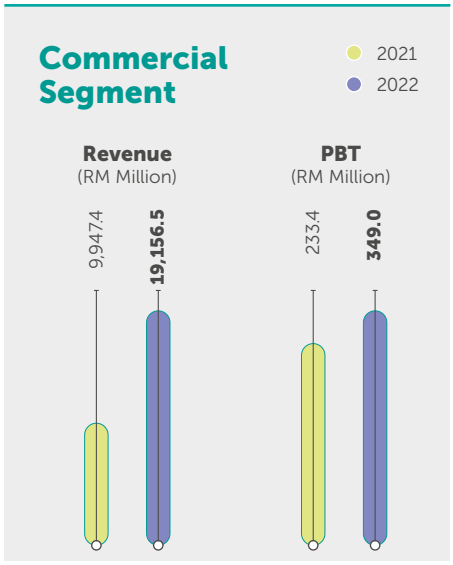
PROFIT BEFORE TAX
RM1,135.0 million

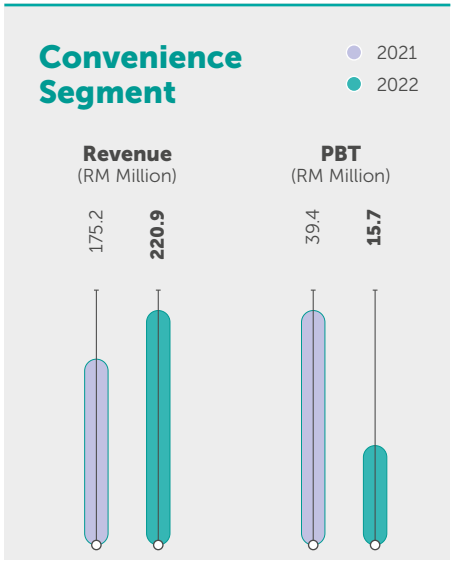
TOTAL ASSETS
RM11,257.5 million

DIVIDEND DECLARED
76.0 sen

DIVIDEND PAYOUT RATIO
100%







SEGMENTAL REVIEW

From the first quarter of 2022, we have been reporting on the three segments of Retail, Commercial and Convenience Businesses in providing clear focus and clarity on the performance. Following this new structure, Retail is focused on the sale and purchase of petroleum products in the retail sector; Commercial drives the sale and purchase of petroleum products and provision of services to the commercial sector while the Convenience segment focuses on our non-fuel business.

Retail Segment

Retail segment's revenue increased by RM4,820.1 million, or 38%, mainly as a result of a 33% growth in sales volume in tandem with demand as well as a 4% hike in average selling price. The segment recorded a RM292.2 million increase in PBT against 2021 to RM759.0 million. This stemmed mainly from higher gross profit from Mogas and Diesel in line with sales volume, and other income following a one-off gain on the disposal of our LPG business in Sarawak.

Commercial Segment

Our Commercial segment recorded RM9,209.1 million, or 93%, increase in revenue, contributed by higher average selling price and sales volume of 61% and 20% respectively. Meanwhile, its PBT increased by RM115.6 million to reach RM349.0 million due to higher gross profit from favourable Diesel prices and sales volume of Jet A-1, offset by an increase in OPEX.

Convenience Segment

Our Convenience segment saw its revenue increase by RM45.7 million, or 26%, mainly from higher sales at *Kedai Mesra* coupled with the new revenue stream from the launch of Café Mesra along with a substantial growth in demand as COVID-19 entered its endemic phase. Setel also expanded its features to include new non-fuel offerings such as EV charging, on-street and off-street parking, road tax renewal, motor takaful and insurance, auto assistance and paying with Setel at retail partners. While higher gross profit was registered from store sales, the segment was impacted by OPEX in line with strategic prioritisation and business expansion. This resulted in a RM23.7 million decrease in PBT against 2021 to RM15.7 million.

GROUP FINANCIAL POSITION

Total Assets

The Group's total assets increased by RM1,656.7 million, or 17%, from RM9,600.8 million to RM11,257.5 million. This was due to higher receivables in line with increase in business activities and average selling price.

Total Liabilities

The Group's total liabilities increased by 37% from RM3,985.4 million to RM5,470.2 million mainly due to higher trade and other payables resulting from higher purchase costs, in line with an increase in prices.

CASH FLOW

Continued prudence and discipline in cash flow management yielded positive results in 2022 with a 51% increase in cash and cash equivalents despite an increase in CAPEX.

Net cash from operating activities increased by RM1,797.8 million, in-line with increase in profit and higher receipt of subsidies. Net cash used for investing was RM23.8 million higher due to an RM60.6 million increase in CAPEX mainly from PETRONAS stations asset-refresh programmes and stations network expansion, offset by RM40.0 million in proceeds from the disposal of the LPG business in Sarawak. Net cash used in financing was RM13.3 million higher against 2021, mainly due to higher financing cost and repayment of revolving credit facilities.

Chief Financial Officer's **Review**

SHAREHOLDER RETURNS

For the financial year ended 31 December 2022, our total dividends declared amounted to 76 sen per ordinary share, inclusive of a special dividend of 14 sen per share, translating into a payout ratio of 100%. This is in line with our dividend policy of 50% of our PAT. As a measure of our steady performance and commitment to shareholders, we have consistently exceeded this policy.

5.0 sen
per ordinary share amounting to
RM49,672,700
on 24 June 2022

11.0 sen
per ordinary share amounting to
RM109,279,940
on 22 September 2022

20.0 sen
per ordinary share amounting to
RM198,690,800
on 27 December 2022

40.0 sen
per ordinary share amounting to
RM397,381,600
on 23 March 2023

COST DISCIPLINE AND SPENDING

During the year, we continued to monitor our OPEX to ensure cost optimisation across all areas of operations. Tracking our priorities and affordability, we ensured sufficient cashflow to capture market volume when domestic travel restrictions were lifted, targeting high-value clients for optimum margins despite volatile global market conditions.

Meanwhile, our CAPEX continues to be subjected to rigorous evaluation framework and close monitoring via the Investment Review Committee. CAPEX is prioritised and approved based on their criticality to HSE needs and meeting PDB's regulatory obligations, or strategic fit to our growth strategy and projected returns. The 2% increase in CAPEX for the year includes investment in new ventures to diversify our income base while ensuring profitable returns. Key priority areas included our Convenience segment offerings such as expanding our Setel ecosystem and Café Mesra roll out as well as investments into digital infrastructure to future-proof our business. Additionally, we remain committed to invest in asset-refresh programmes and expansion of the PETRONAS station network.

MANAGEMENT OF WORKING CAPITAL AND LIQUIDITY

The Group monitors our cash flow closely to ensure an adequate cash balance and optimal working capital position, as well as to provide a robust reserve against liquidity risks. Despite a lower average cash balance during the year, we were able to finance all our working capital and CAPEX requirements internally supported by the drawdown of a revolving credit facility in May 2022.

Meanwhile, we are benefitting from the New Operating Model implemented since 2021, with PETCO Trading Labuan Company Ltd. taking ownership of all inventories that entails planning and primary supply and distribution at selected PDB terminals, eliminating the inventory holding impact and improving the overall working capital management in PDB.

LEVERAGING TECHNOLOGY TO DRIVE PERFORMANCE

PDB Group has been investing increasingly over the years into technology to enhance operational efficiencies, drive better customer experience and support our digital venture, Setel. With added features such as Setel Share, One-Tap Fuelling, Pay with Apple Watch as well as new mobility use cases, Setel is becoming an app of choice with commendable ratings at Google Play Store and Apple App Store. During the year, with the inclusion of PETRONAS Shop on the platform, its gross merchandise value (GMV) grew by approximately 80% to an all-time high of RM1.8 billion.

Additionally, we continue to deliver company-wide productivity improvement through digitalisation with the launch of TipTop Enterprise App (TEA) and automation of fuel stock management forecasting, capitalising on real-time and enhanced data integration to manage operations seamlessly.

As we expand our digital touch points, we are also safeguarding the integrity of our network in line with regulatory requirements and industry standards. To improve our cyber security resilience, we continue to allocate resources for cyber security solutions covering identity access management and end point security for our PETRONAS stations, terminals, infrastructure, data and network components.

RISK MANAGEMENT

The challenges to our strategy, performance and growth are dynamic and complex. We continue to build our strength and resilience towards achieving our vision to be a progressive energy and solutions partner, enriching lives for a sustainable future. We navigated our year at PDB with our well-established risk and financial policy as well as its related frameworks. These management frameworks in various work processes have proven to ensure the organisation remains resilient amid the uncertainties and changes from recovery of the economy.

The key risks identified during the year are aligned with our business strategies in ensuring all economic, environmental and social aspects are delivered in a

The Group monitors our cash flow closely to ensure an adequate cash balance and optimal working capital position, as well as to provide a robust reserve against liquidity risks.

sustainable manner underpinned by our strong governance practices. In response to post pandemic recovery, we continuously perform a comprehensive review of our risk profile, including periodic assessments impacting PDB based on the scanning, assessment and monitoring of latest events.

We continue to strengthen our risk management practices and accelerated our efforts to inculcate a strong culture of risk awareness among our people whilst supporting the Group's sustainability efforts.

For more information on PDB's Risk Management, please refer to our Statement on Risk Management and Internal Control (SORMIC) on page 211 and our Key Risks and Mitigation on page 61.

GOVERNANCE AND COMPLIANCE

Good governance remains as an important area for the Group in ensuring sound internal control and decision making. During the year, we have enhanced the Company's Limits of Authority (LOA) in supporting the roles and responsibilities of the Chief Operating Officer (COO), a newly-created leadership position. In addition, PDB and its subsidiaries' LOAs were also revised to strengthen control, reflect business requirements and ensure alignment with other governing documents.

Since its establishment, Compliance Department is responsible to oversee the compliance level and implementation of initiatives pertaining to five Critical Legal Areas which include Ethics and Integrity, Data Privacy, Competition, Sanction and Export Control for PDB Group. A key development has been the establishment of the Data Privacy Officer (DPO) function under Compliance Department with the responsibility of overseeing the data privacy and protection matters which have been identified as one of the key non-financial risks that PDB faced in 2022. Through the sound understanding of PDB's operations and continuous collaboration with Group Legal and Digital Division, the DPO function shall facilitate business growth by enabling secure data transfer across PDB Group and driving governance to ensure full compliance with prevailing laws and regulations, namely Personal Data Protection Act (PDPA) 2010 as well as relevant company policies such as PETRONAS Corporate Privacy Policy (PCPP) and Master Guidelines to the Corporate Privacy Policy (MGCPP).

In line with our efforts to safeguard data privacy and protection of our employees and counterparties, PDB developed and deployed the Data Privacy Manual (DPM) in 2022 with the purpose of ensuring that the personal data collected by PDB is processed safely and in compliance with applicable personal data protection and privacy laws. In addition, PDB also enhanced the Data Secrecy Manual (DSM) to incorporate the latest requirements in the Management of Customer Information and Permitted Disclosures (MCIPD) Policy Document issued by Bank Negara Malaysia with regard to PDB's measures and controls specifically in handling SmartPay customer data throughout the information life cycle.

The Group also continues to conduct First Line Assurance via Integrated Assurance with the aim to provide reasonable assurance to stakeholders on the risk management and internal control effectiveness.

For more information on PDB's Risk Management, Governance and Compliance, please refer to our Statement of Risk Management and Internal Control (SORMIC) on page 211 and our Key Risks and Mitigation on page 61.

INTEGRATING SUSTAINABILITY

In the last few years, PDB has seen a shift in its approach to sustainability which form integral components to our business and operations. This is clearly reflected in our heightened investment into greener and cleaner fuels while promoting electric mobility. During the year, we expanded our network of DC chargers and launched the first EV charging hub in Malaysia in collaboration with our strategic partner. We are also enhancing the environmental sustainability of our operations through solarisation and elevating the use of SAF for passenger flights, while continuing to play our part in supporting our local communities through strategic corporate social investments.

OUTLOOK

The Malaysian economy is expected to continue to grow at a healthy pace in 2023, supported by domestic demand, accelerated revival in the tourism industry, and the resumption of infrastructure projects. 2022 ended with the Consumer Sentiment Index higher than the threshold, which lends reason to believe that consumer spending will be healthy in the year ahead.

The scenario paints a positive outlook for PDB and will spur us to continue to grow our Core as well as Convenience business. Increased economic activity will be a boon for all our business segments, while the recovery of the aviation industry from relaxation of Malaysia's travel requirements and China's recent re-opening will greatly boost our Commercial business.

To build on the momentum of growth in our Convenience segment, we seek to continuously enhance customer experience by refining and introducing increasingly innovative digital products in line with the Group's aim of making life simpler and better. Tapping on the evident popularity of Café Mesra, we will expand its network with more stand-alone outlets in various locations, ensuring more customers get to benefit from its strategically curated offerings.

At the same time, we will continue to promote electric mobility by installing more EV chargers nationwide, while pursuing other e-mobility solutions and infrastructure at PETRONAS stations. Investments will also be made to reduce PDB's own carbon footprint. We believe the cost and that the long-term returns serve to enhance PDB's value and the value we create for our stakeholders.



Chief Financial Officer's **Review**

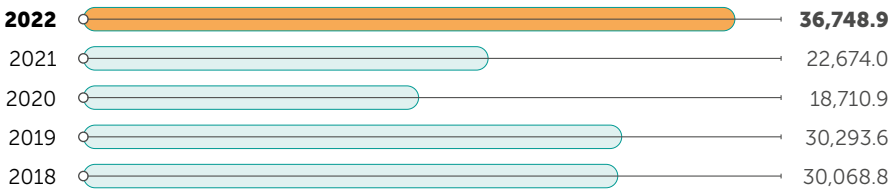
5-YEAR GROUP FINANCIAL HIGHLIGHTS

	FY2018	FY2019	FY2020	FY2021	FY2022
OPERATING RESULTS (RM MILLION)					
Revenue	30,068.8	30,293.6	18,710.9	22,674.0	**36,748.9**
Operating profit	1,178.1	1,146.8	402.5	751.2	**1,148.9**
Profit before taxation	1,177.0	1,128.9	386.4	740.8	**1,135.0**
Net profit attributable to shareholders of the Company	849.8	829.5	276.0	529.8	**776.6**
Profit after taxation	861.5	837.6	272.4	531.2	**787.8**
KEY BALANCE SHEET DATA (RM MILLION)					
Property, plant and equipment	3,335.6	4,134.9	4,067.0	4,017.5	**4,115.3**
Total assets	9,170.8	9,996.3	8,359.6	9,600.8	**11,257.5**
Total borrowings	55.0	334.2	178.2	116.4	**184.3**
Total liabilities	3,233.5	3,984.9	2,684.0	3,985.4	**5,470.2**
Share capital	993.5	993.5	993.5	993.5	**993.5**
Equity attributable to shareholders	5,897.1	5,975.9	5,643.7	5,582.1	**5,742.7**
SHARE INFORMATION PER SHARE (SEN)					
Basic earnings	85.5 sen	83.5 sen	27.8 sen	53.3 sen	**78.2 sen**
Gross dividend	70.0 sen	85.0 sen	38.0 sen	70.0 sen	**76.0 sen**
Share price as at financial year end (RM)	26.50	23.10	21.40	20.60	**23.00**
FINANCIAL RATIOS					
Return on revenue	2.9%	2.8%	1.5%	2.3%	**2.1%**
Return on equity	14.4%	14.0%	4.8%	9.5%	**13.7%**
Return on total assets	9.4%	8.4%	3.3%	5.5%	**7.0%**
Debt to equity ratio	0.9%	5.6%	3.1%	2.1%	**3.2%**
Dividend payout	86.0%	104.0%	96.0%	102.0%	**100.0%**

5-YEAR GROUP FINANCIAL SUMMARY

Revenue
(RM Million)

RM36,748.9
million



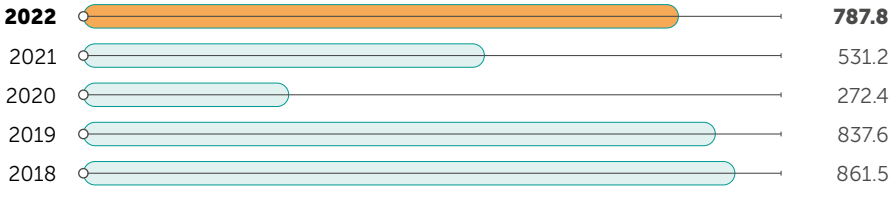
Profit Before Tax
(RM Million)

RM1,135.0
million



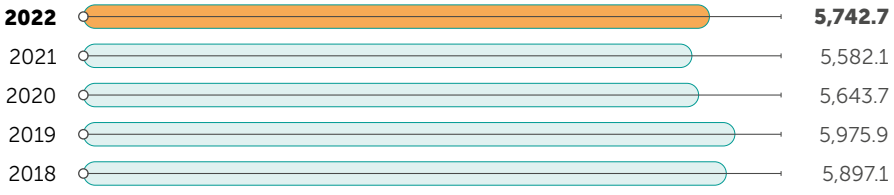
Profit After Tax
(RM Million)

RM787.8
million



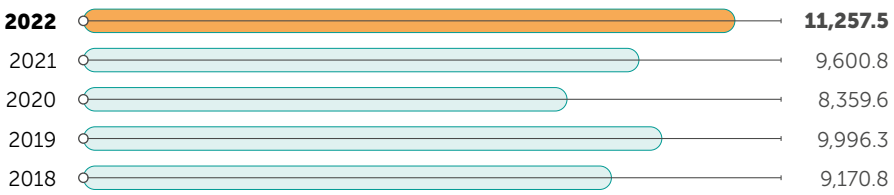
Equity Attributable to Shareholders
(RM Million)

RM5,742.7
million



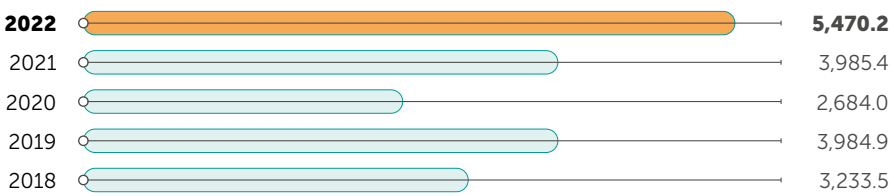
Total Assets
(RM Million)

RM11,257.5
million



Total Liabilities
(RM Million)

RM5,470.2
million



Earnings Per Share
(Sen)

78.2
sen



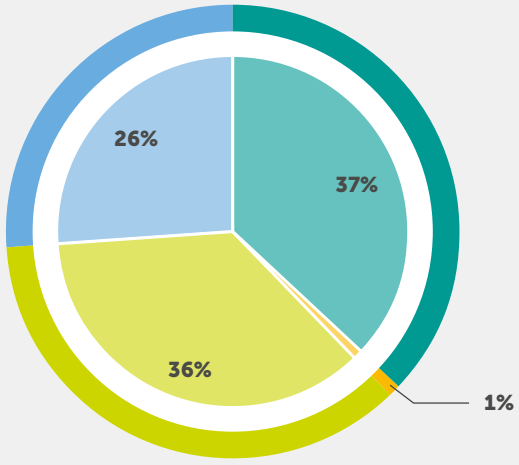
Chief Financial Officer's Review

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS

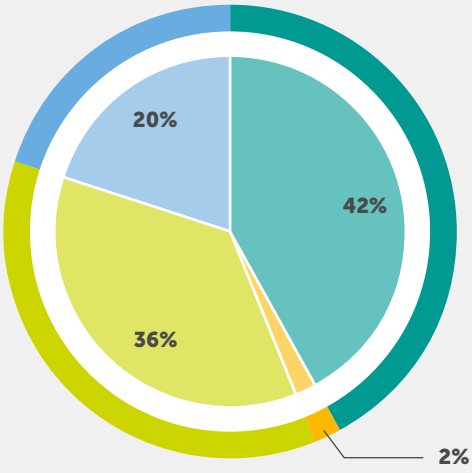
2022 (RM Million)

Total **RM11,257.5**



2021 (RM Million)

Total **RM9,600.8**

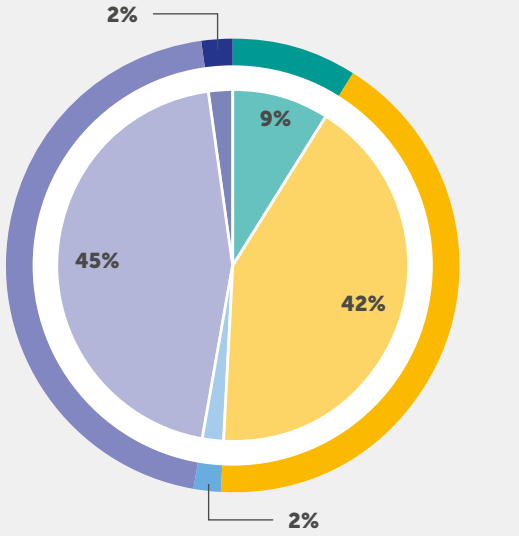


Non Current Assets | Trade and Other Inventories | Trade and Other Receivables | Cash and Cash Equivalents

TOTAL EQUILITY AND LIABILITIES

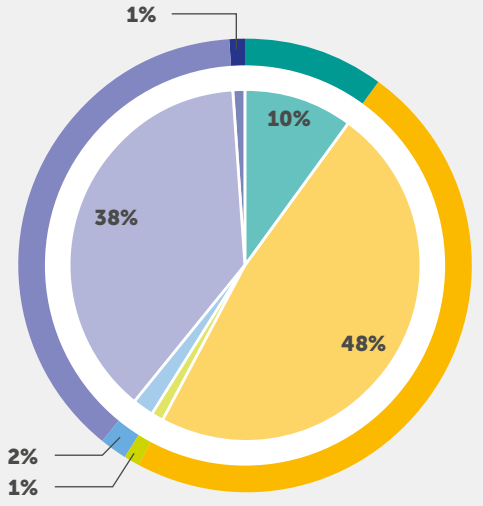
2022 (RM Million)

Total **RM11,257.5**



2021 (RM Million)

Total **RM9,600.8**



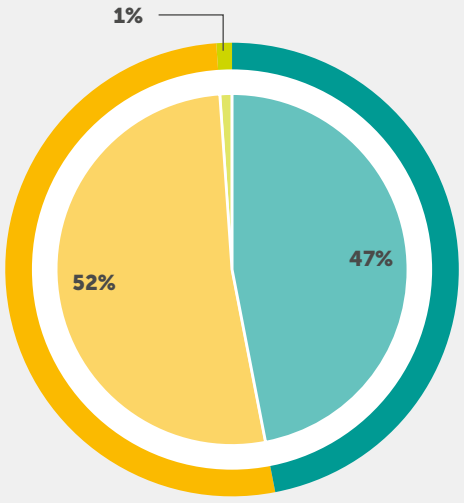
Share Capital | Reserves | Non-Controlling Interests | Non-Current Liabilities | Trade and Other Payables | Other Current Liabilities

SEGMENTAL ANALYSIS

TOTAL REVENUE

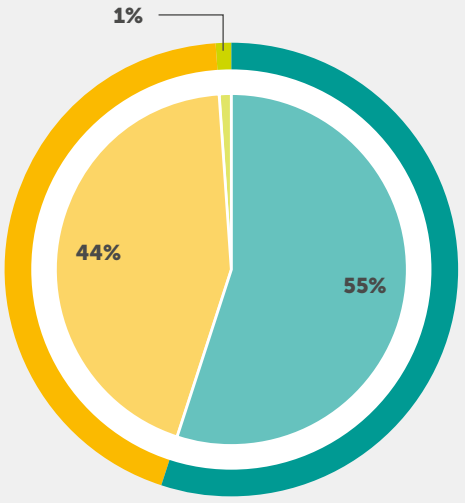
2022
(RM Million)

Total
RM36,748.9



2021
(RM Million)

Total
RM22,674.0



Retail Commercial Convenience

GROUP QUARTERLY FINANCIAL PERFORMANCE

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2022
Revenue	7,618.3	9,501.1	10,130.7	9,498.8	**36,748.9**
Operating profit	180.7	317.1	403.1	248.0	**1,148.9**
Profit before tax	178.7	315.5	399.1	241.7	**1,135.0**
Profit after tax	120.4	239.4	279.4	148.6	**787.8**
Earning per share (sen)	11.9	23.9	27.9	14.5	**78.2**
Dividend per share (sen)	5.0	11.0	20.0	40.0	**76.0**

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2021
Revenue	5,142.4	5,182.4	5,237.4	7,111.8	**22,674.0**
Operating profit	287.8	92.4	167.6	203.4	**751.2**
Profit before tax	285.5	90.0	165.5	199.8	**740.8**
Profit after tax	191.2	82.4	119.5	138.1	**531.2**
Earning per share (sen)	19.2	8.3	12.0	13.8	**53.3**
Dividend per share (sen)	14.0	10.0	20.0	26.0	**70.0**

Chief Financial Officer's Review

KEY INTEREST BEARING ASSETS AND LIABILITIES

	2022			2021		
	As at 31 December (RM mil)	Effective Interest Rate (%)	Interest Income/ (Expenses) (RM mil)	As at 31 December (RM mil)	Effective Interest Rate (%)	Interest Income/ (Expenses) (RM mil)
Interest earning assets						
Cash and cash equivalents	**2,817.1**	**1.7-3.0**	**69.6**	1,899.3	1.7-2.0	61.3
Interest bearing liabilities						
Islamic financing facilities	**-**	**-**	**-**	-	2.8-3.6	0.1
Revolving credit	**0.0**	**2.6-3.4**	**10.2**	16.0	2.8-2.9	0.4
Lease liabilities	**184.3**	**3.5-8.4**	**11.0**	100.4	3.2-8.4	9.0

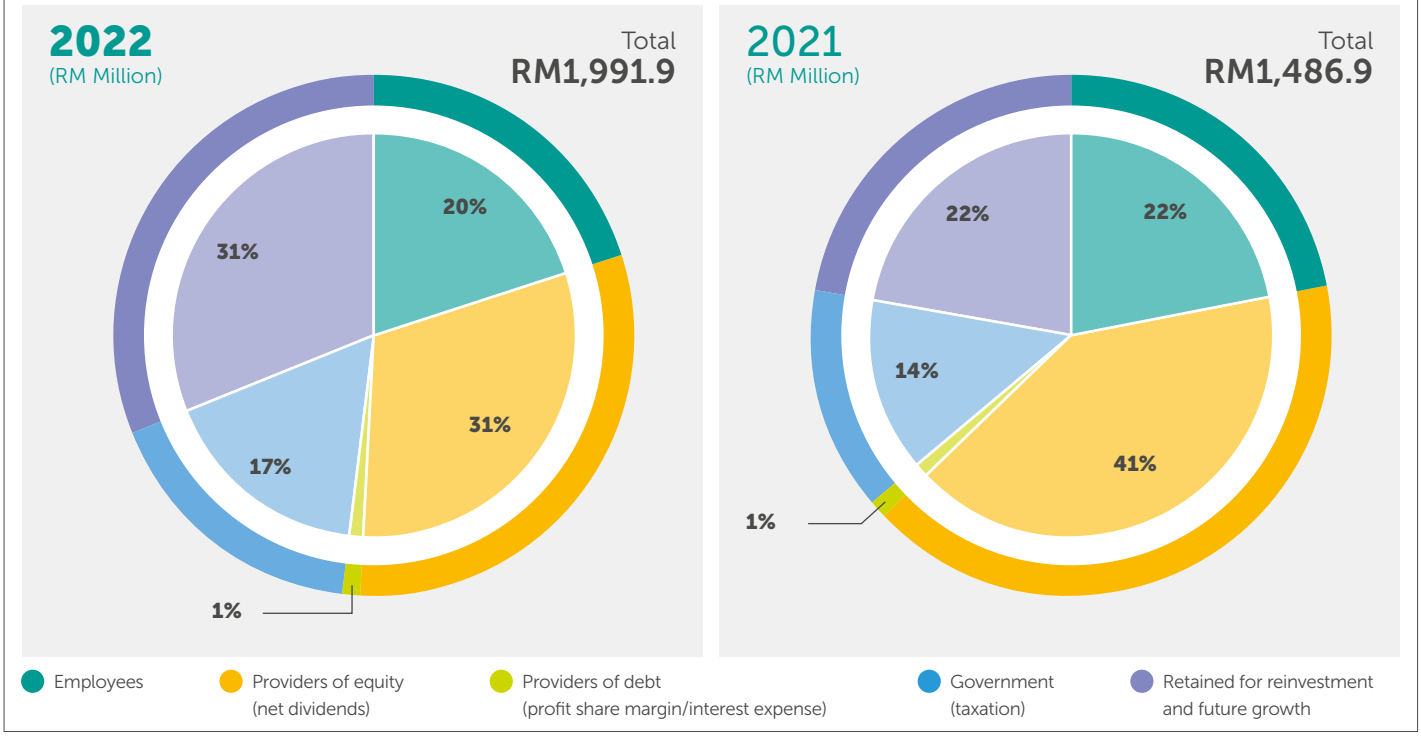
STATEMENT OF VALUE ADDED/DISTRIBUTION OF VALUE ADDED

Value added is defined as the value created by the activities of a business and its employees and in the case of PDB is determined as revenue less the cost of goods and services. The value added statement reports on the calculation of value added and its application among the stakeholders in the Group. This statement shows the total wealth created and how it was distributed, taking into account the amounts retained and reinvested in the Group for future growth.

Group	2022 RM'000	2021 RM'000
Revenue	**36,748,896**	22,674,049
Less: Cost of goods and services	**(35,135,015)**	(21,350,036)
Value added	**1,613,881**	1,324,013
Other income	**391,908**	173,288
Financing costs	**(25,203)**	(11,640)
Share of net profit of associates and joint ventures	**11,333**	1,221
Value Created	**1,991,919**	1.486,882

Group	2022 RM'000	2021 RM'000
Distributed to:		
Employees	**392,821**	322,319
Providers of equity (net dividends)	**615,942**	606,007
Providers of debt	**25,203**	11,640
Government (taxation)	**347,197**	209,537
Retained for reinvestment and future growth:		
Depreciation and amortisation	**438,860**	412,155
Unappropriated profit/(loss)	**171,896**	(74,776)
Value Distribution	**1,991,919**	1,486,882

VALUE DISTRIBUTED



Our Approach to Value Creation

Our value creation journey is deeply rooted in our purpose to enrich lives for a sustainable future, which is reflected in our promise to make our stakeholders' everyday lives simpler and better.

HOW WE FORMULATE OUR BUSINESS STRATEGY

Analyse Operating Context

Our performance and ability to create value is impacted by various factors in our operating environment, especially economic, regulatory, social, environmental and competitive dynamics. We therefore constantly monitor our operating context, and identify trends that could affect us.

For more information on the Operating Environment and Market Outlook, please refer to page 45 of this <IR>

Identify And Manage Risks

We identify all the operational, financial, regulatory, market, digital and sustainability risks that could impact our businesses, and integrate them into our risk register. These risks are monitored and managed to ensure they remain within our risk appetite and do not prevent PDB from attaining our corporate objectives.

For more information on the Key Risks and Mitigation, please refer to page 61 of this <IR>

Strengthen Relationships

Our stakeholders – namely our suppliers, dealers, partners, shareholders, investors, employees and the community – play a part in our sustainable growth. Recognising their importance, we strive to build strong relationships with them by understanding and consistently meeting their needs and expectations.

For more information on Stakeholder Engagement, please refer to page 49 of this <IR>

Define Our Material Matters

Our material matters are those that are important to PDB as well as to our stakeholders. We seek to understand what our material matters are in order to generate optimum value for us and our stakeholders. The process involves intense engagement with our stakeholders, which contributes to a better understanding of their expectations.

For more information on Material Matters, please refer to page 53 of this <IR>

Implement Our Strategy

We take into consideration our operating context, risks, the expectations of our stakeholders and our own corporate objectives to define our strategy. This is aligned with PETRONAS Group's Moving Forward Together 50.30.0, anchored on Value, Growth and Sustainability. These three pillars serve as a foundation for PDB to fulfil our promise of Making Your Everyday Life Simpler and Better.

HOW WE ALLOCATE OUR RESOURCES

Resource allocation at PDB depends on the interplay of our six key capitals, namely:

6 capitals

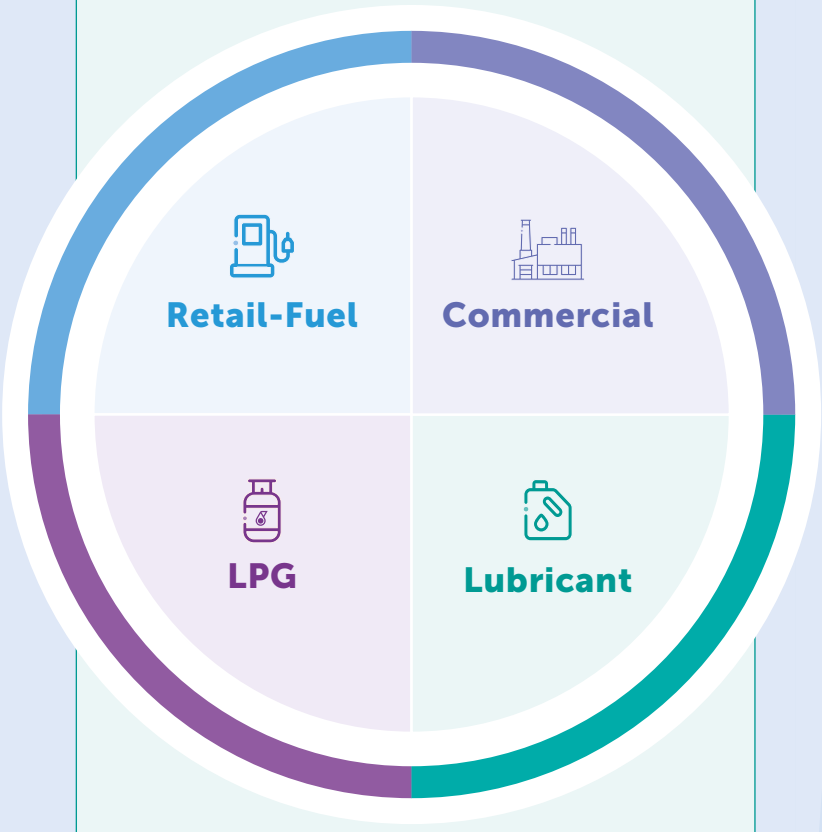
- Financial
- Manufactured
- Intellectual
- Human
- Social and Relationship
- Natural

This entails adopting an end-to-end integrated approach to value creation, from analysing our operating context to identifying risks and opportunities, engaging our stakeholders, defining our material matters and implementing the right strategies. Our value creation process informs the way we do business to ensure the stakeholders in our ecosystem grow together hand in hand with us.

OUR INTEGRATED BUSINESS MODEL

Customers at the heart of innovation, integrity and sustainability.

Leveraging technology, we drive a culture of innovation to create an unparalleled customer and brand experience across all our businesses. Our empowered employees live our values, ensuring we meet our business objectives while enriching our local ecosystem of suppliers, dealers and vendors. Our growth is underlined by sound governance through which we maintain transparency and integrity in everything we do.



OUR PROMISE

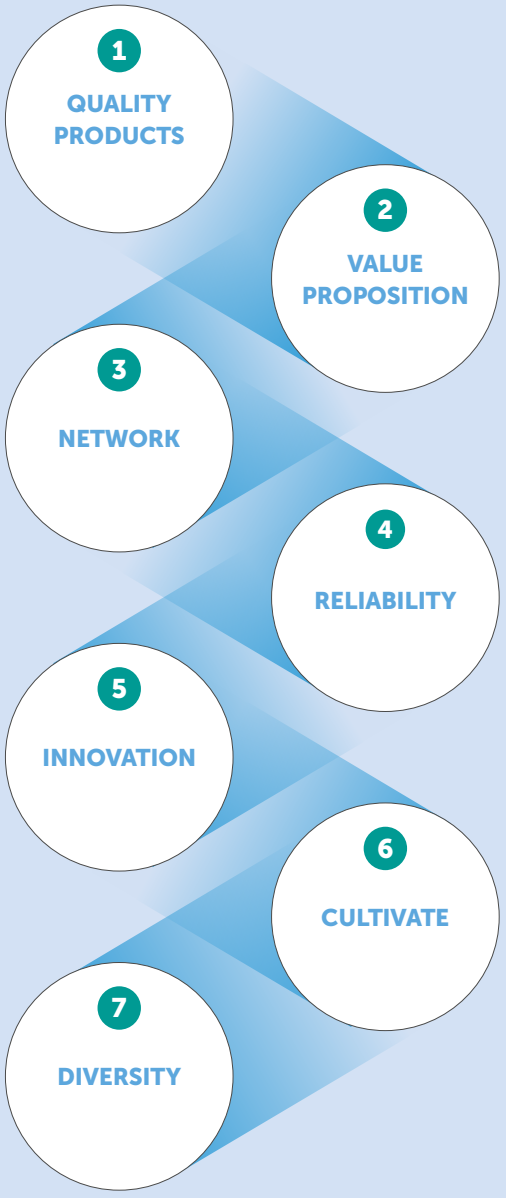
Making Your Everyday Life Simpler and Better

For more information on Our Value Creating Business Model, please refer to page 57 of this <IR>

HOW WE CREATE VALUE AND DELIVER A POSITIVE IMPACT

Our ultimate purpose is to create sustainable value for our stakeholders.

Pursuant to this, we constantly measure our performance via identified Key Performance Indicators. Our values are designed towards optimising the following key areas:



Our Operating Environment and Market Outlook



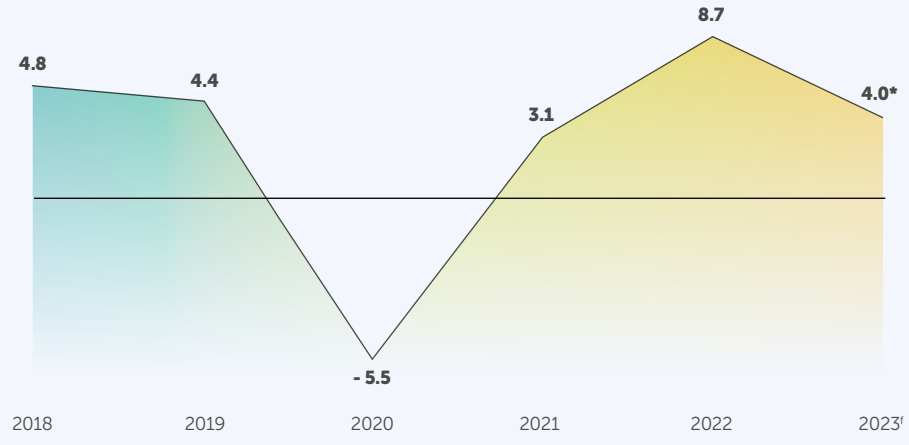
The macroeconomy and other trends in our operating landscape influence our businesses and have an impact on our ability to create value for the short, mid and long term. We therefore closely monitor these factors and incorporate them into our strategies as well as decision making. Key trends in 2022 included Malaysia's strengthening economy, global oil price volatility and increasing momentum in the energy transition.

POSITIVE DOMESTIC ECONOMIC GROWTH

Despite a sharp global economic slowdown in 2022 due to Russia's invasion of Ukraine, lingering COVID-19 and a higher cost of living, Malaysia's Gross Domestic Product (GDP) picked up significantly, from 3.1% in 2021 to 8.7% for the year, according to Bank Negara Malaysia. This was driven by private sector activity, supported by private sector consumption and investment.

Malaysia's performance was stronger than other countries in East Asia and the Pacific region, partly as labour market conditions improved, supported by government policy measures such as the increase in minimum wage and cash assistance programmes.

Real GDP Annual Change



f forecast
Source:
*Department of Statistics, Malaysia, Economic Outlook 2023 (Ministry of Finance Malaysia), *Malaysia Economic Monitor, World Bank Group*

Our Operating Environment and Market Outlook

Malaysia's performance was stronger than other countries in East Asia and the Pacific region, partly as labour market conditions improved, supported by government policy measures such as the increase in minimum wage and cash assistance programmes.

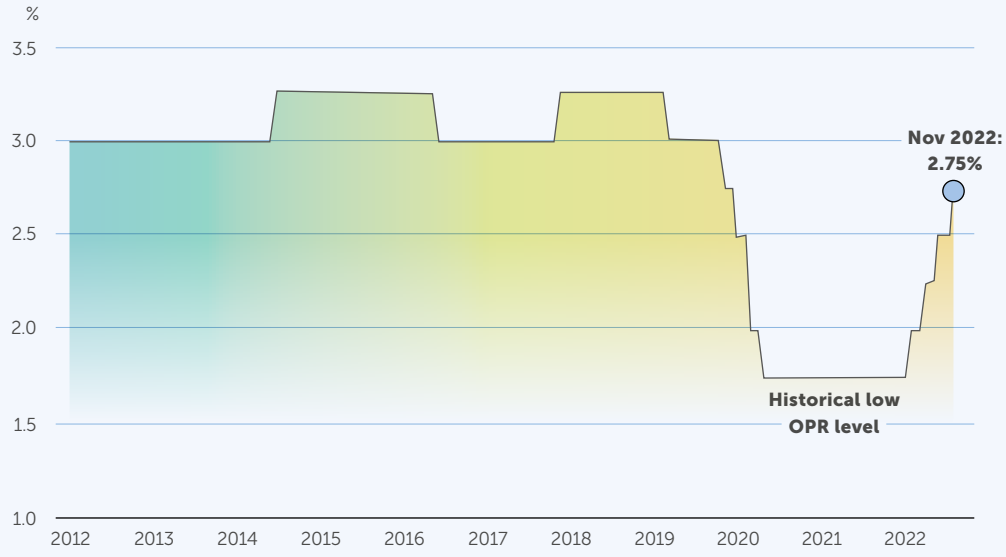
Property developers, meanwhile, have seized the opportunity to resume commercial, mixed-development and even small-scale projects that had been put on hold for some two years. At the same time, electrical and electronic, petroleum, chemicals as well as food and beverage manufacturers have ramped up production rapidly to make up for lost time.

The Consumer Sentiment Index (CSI) has been increasing, albeit in a jagged manner, since it fell sharply in Q1 2020 when the MCO was implemented. It crossed the 100-point threshold in Q1 2022, dipped in Q2 and Q3 along with three increases in the Overnight Policy Rate (OPR) between May and September, but increased again to 105.3 in Q4. Positive consumer sentiment in the last quarter of the year was in line with an increase in the employment rate and higher disposable income. Along with economic recovery, the labour market has strengthened, with the unemployment rate decreasing from 4.6% in 2021 to 3.8% in 2022.

In tandem with positive domestic economic growth, and to tighten the country's monetary policy along with the US Federal Government's rate hikes, Bank Negara Malaysia (BNM) reversed its stance during the pandemic of reducing the Overnight Policy Rate (OPR). The year 2022 saw the OPR increase four times, from a historic low of 1.75% at end 2021 to 2.75% at end 2022.

As social and economic activities started returning to pre-pandemic levels, there was a marked increase in demand for all types of fuel for transport, commercial and industrial purposes. This contributed to PDB's total sales volume increasing by 28% year on year. That this growth was achieved in a higher interest rate regime demonstrates the relative inelasticity of energy demand.

Overnight Policy Rate, OPR



Source: Bank Negara Malaysia

Our Response

- PDB continued to drive product sales while enhancing our brand via campaigns such as *Mesra Bonanza Lagi Onz!*, PETRONAS Malaysia Open 2022, PETRONAS Cup Prix 2022 and PETRONAS Ride and Menang
- Along with higher footfall in PETRONAS stations, we are expanding our Mesra own-label offerings at *Kedai Mesra* and growing the F&B segment through Café Mesra to optimise profitability
- To develop loyalty, we are delivering on our promise to make our customers' lives simpler and better by enhancing the Setel app with added features including Setel Motor Insurance, Setel Auto Assistance and cardless SmartPay. We also launched the PETRONAS Shop on the app, enabling customers to purchase items from the entire PETRONAS Group retail ecosystem
- Leveraging the demand for lubricants, we are rapidly expanding the PETRONAS AutoExpert network to support SMEs and further promote the local economy

Outlook

Malaysia's economy is expected to grow at 4.0% in 2023,[1] supported by firm domestic demand, further improvement in tourism-related activities, and a revival of infrastructure projects. Although this represents a moderation from 2022, such growth is still strong within the global context, and will offer a broadly supportive business environment for PDB over the near and medium terms. Nevertheless, PDB will remain cautious and continue to monitor global headwinds as well as any changes to government policy, ensuring these are reflected in our strategies.

[1] *Malaysia Economic Monitor, World Bank Group, February 2023*

Our Operating Environment and Market Outlook

OIL PRICE VOLATILITY

The price of oil was volatile in 2022, mainly as a result of the Russia-Ukraine war and the decision by OPEC+ to manage supply. The dated Brent crude rose sharply in the first half of the year due to a sudden increase in demand for oil arising from a re-opening of the global economy, coupled with supply restrictions by OPEC+ and fears of a shortage from Russia. In the second half of the year, however, the price started to decline, pushed down by decreasing demand as fears of a recession gripped the global market. For the year as a whole, the Brent price averaged USD101 per barrel, the highest in three years and a 43% increase from the average of USD71 per barrel in 2021.

Brent Crude Oil Price Movement in 2022



Source: Platts

Impact

The overall increase in oil price coupled with our effective pricing strategy contributed to a very strong performance for PDB in 2022 with revenue improving by 62% against the preceding year.

Our Response

PDB has been able to capitalise on the increase in oil price by:

- Opening another 10 PETRONAS stations to optimise returns from the Retail-Fuel business and achieving its highest Net Promoter Score in 2022
- Maximising cash generation from our Retail-Fuel and Commercial businesses to support our expansion in the non-fuel and cleaner energy segments, specifically MESRA and our electric vehicle (EV) charger network

Outlook

The price of oil is expected to stabilise in the earlier part of 2023 and then to slowly rise again in tandem with a recovery in demand.[2] For the year as a whole, the price is forecasted to average USD89 per barrel. Though lower than the 2022 average, this is still within the favourable range for PDB. Nevertheless, Retail demand may be impacted by any changes in the government's policy on subsidies.

[2] *Woodmac Macro Oils Short-Term Outlook: February 2023, Date of Publications: 9 February 2023*

Our Operating Environment **and Market Outlook**

ENERGY TRANSITION

The reality of global warming is becoming more evident, with hotter summers, colder winters, and an increasing incidence of extreme climate events such as floods, droughts and typhoons. This stark reality plus commitments made by developed nations to achieve net zero carbon emissions by 2050, is driving a gradual yet perceptible transition to low-carbon and no-carbon forms of energy. Recent volatilities in the energy market have further fuelled the cause. Industries being targeted in this transition, naturally, are those that currently contribute the most to emissions. According to BloombergNEF, they include the power industry followed by the transport and industrial sectors.

Recognising the importance of transforming the transport sector, the Malaysian Government in its recently unveiled National Energy Policy 2022-2040 (NEP 2040) has set the following targets:

1. Increase the urban public transport modal share from 20% in 2018 to 40% in 2040;
2. Increase EV's share in the total vehicle market to 38% by 2040 from less than 1% in 2018; and
3. Establish B30 as the default fuel standard for heavy transport in 2040 instead of B5.

Impact	Our Response
As Malaysia works towards the NEP 2040 goals, demand for fuels such as gasoline and diesel could decrease, impacting PDB's core businesses, especially Retail-Fuel, Commercial and Lubricant.	• In recent years, we have been greening our core businesses while building a business portfolio focused on providing cleaner energy solutions to our existing and future customers and business partners • In 2020, we made available B20 biodiesel (diesel containing 20% biofuel) at PETRONAS stations in Langkawi, Labuan and Sarawak (except Bintulu); and are now working closely with the relevant ministries and government agencies to expand B20 implementation across the country • Under our Commercial business, we are pioneering Sustainable Aviation Fuel (SAF) in the country in collaboration with Malaysian Aviation Group (MAG) • Promoting EV, we are expanding our network of EV chargers in Malaysia. In 2022 itself, we installed 21 DC chargers at PETRONAS stations and launched our first EV charging hub at the Bandar Baru Ayer Hitam PETRONAS Station. We also signed MOUs on the development of electric buses and a swap business for batteries used by electric two-wheelers

Outlook

The government's commitment to transitioning to a low-carbon economy has been further underlined in Budget FY2023, which contains major climate change and ESG initiatives, including:

1. Bank Negara will provide RM2 billion in funding for sustainable technology start-ups and help small and medium enterprises implement low-carbon practices as part of measures to encourage green practices among local businesses.
2. Green Technology Financing Scheme (GTFS) will be improved by increasing the guarantee value to RM3 billion until 2025.
3. Extending the period of the Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) until end 2025.

These initiatives will support all green activities currently being undertaken by PDB while creating more opportunities for us to further develop our renewable and cleaner fuels segments.

Stakeholder Engagement

Stakeholders are groups or individuals that can affect an organisation's business activities, outcomes, or its value creation abilities over time. It is important to engage with our stakeholders to understand their expectations of PDB, and to shape our strategies accordingly. The manner in which we engage with our stakeholders, how we impact each other, and how PDB addresses their concerns are described below.

Stakeholder Groups	Why We Engage	Engagement Platforms
Investors 	We provide fair, balanced and timely material updates to maintain investors' trust and confidence as well as to allow informed decision-making by our investment communities.	• Quarterly results announcements and analyst briefings • Group and one-on-one meetings • NDRs and corporate conferences • MyMesra website • Periodic reports – Integrated and Sustainability Reports • Bursa Link under IR's Events and Announcements on MyMesra website
Customers 	We listen to and engage with our customers to understand their needs and behaviours in order to deliver meaningful solutions for them, befitting our role as a customer-centric organisation.	• Events, campaigns, roadshows and engagements • Mesralink Customer Experience Centre • Mainstream and digital media (television, radio, newspapers, PETRONAS brands social media accounts and MyMesra website) • Email • Customer surveys and/or feedback system via QR code at PETRONAS stations and mobile applications
***Rakan Niaga*/Dealers** 	We regularly engage Rakan Niaga/ Dealers, who are our critical business partners and an extension of our network, to ensure our strategies and business plans are aligned.	• Dealer conferences, events, dialogues, roadshows and engagements • Training sessions • Email • MyMesra website • Mesralink Customer Experience Centre • Retail dealers' MyStation website
Employees 	We cascade business direction and performance while enabling open communication to ensure employees are engaged and highly motivated.	• Townhalls and roadshows • Group and one-on-one engagement sessions • Webinars • Training sessions • Union management • Employee surveys • Messages through videos, newsletter, intranet and email

MATERIAL MATTERS

- Economic Growth and Performance
- Customer-Centricity
- Ethics and Corporate Governance
- Data Privacy and Security
- Climate Change and GHG Emissions
- Environmental Management
- Sustainable and Ethical Supply Chain
- Health and Well-being
- Human Capital
- Capability Building
- Community Investment

CAPITALS

- Financial
- Manufactured
- Human
- Intellectual
- Social and Relationship
- Natural

Key Areas of Concern For Stakeholder Groups	Our Actions	Link to: Material Matters	Link to: Capitals
• Strategic direction, business growth, performance and opportunities • Cash utilisation and dividends • Corporate governance and business ethics • Environment, Social and Governance (ESG) practices	• Maintain business excellence for optimised financial performance • Establish strong corporate governance policies • Ensure compliance with relevant requirements and standards • Embed ESG elements in business strategy		
• Product pricing, safety and quality • Innovative products and services • Loyalty programme privileges and benefits • Sustainability practices	• Offer improved hydrocarbon offerings and innovative customer solutions for unparalleled customer experience • Develop and execute targeted marketing campaigns • Digitalise Mesra loyalty programme through the Setel app • Establish partnerships with prominent brands for Mesra loyalty programme • Develop and implement sustainability-related initiatives		
• Strategic direction, business growth, performance and opportunities • Workforce development • HSE management and compliance • Governance and business ethics • Human rights in supply chain	• Implement effective strategies for business growth, enhancing performance and leveraging opportunities • Provide structured development programmes • Develop and update HR policies • Enforce Code of Conduct and Business Ethics (CoBE) • Develop Business and Human Rights (BHR) model		
• Strategic direction, business growth, performance and opportunities • Employee well-being • Employee volunteerism • Diverse and inclusive career development	• Offer flexible working arrangement • Establish regular, open and transparent communication • Provide structured development programmes • Monitor employee well-being and organise programmes and initiatives		

Stakeholder **Engagement**

Stakeholder Groups	Why We Engage	Engagement Platforms
Authorities/Regulators/ Financial Institutions 	We operate in accordance with all regulatory requirements to ensure our operations are safe and not disrupted.	• Formal meetings and briefings • One-on-one engagement sessions • Site visits • Periodic reports • Bursa Link under IR's Events and Announcements on MyMesra website
Contractors/Suppliers/ Business Partners 	We engage with our partners and supply chain providers to ensure effective business collaboration, including upholding our safety standards and compliance.	• Formal meetings and briefings • Group and one-on-one engagement sessions • Signing ceremonies • Email • Mesralink Customer Experience Centre • Periodic reports • Annual dealer conferences • Training sessions
Communities 	We engage with the communities we operate in with the aim of enriching their lives and protecting the environment, in line with our purpose and long-term business sustainability.	• Community briefings and engagements • CSR and outreach programmes • Mainstream and digital media (television, radio, newspapers, PETRONAS brands social media accounts and MyMesra website) • Mesralink Customer Experience Centre
Media 	We engage with the media as they are an important medium between our business and the intended stakeholders.	• Social engagements • Media statements • Press releases and interviews

Stakeholder **Engagement**

Key Areas of Concern for Stakeholder Groups	Our Actions	Link to: Material Matters	Link to: Capitals
• Legal and regulatory compliance • HSE management and compliance • Corporate governance and business ethics • Human rights • Nation-building initiatives	• Strengthen governance policies, standards and frameworks • Comply with legal and regulatory requirements and standards • Organise site visits by authorities • Conduct regular internal and external audits • Establish regular, open and transparent communication		
• Strategic direction, business growth, performance and opportunities • Fair opportunities, negotiation and contracts • HSE management and compliance • Sustainability/ESG elements across the supply and value chain • Cyber security • Mutual understanding of business expectations, purposes and goals • Corporate governance and business ethics	• Establish open and transparent tender and procurement processes • Conduct regular engagement and communication with partners • Incorporate HSE/sustainability/ESG elements in procurement processes • Strengthen cyber security system and culture		
• Community welfare and well-being • Potential health, safety and environmental impacts • Inclusive socio-economic development	• Invest in various flagship and tactical CSR initiatives • Provide support for communities' welfare and well-being • Establish open and transparent communication		
• Strategic direction, business growth, performance and opportunities • Sustainability/ESG initiatives • New offerings	• Ensure timely response to media enquiries • Organise effective rapport-building activities		

Material Matters

PDB's sustainability approach and strategies are based on what is material to the organisation. These are the factors that have the strongest impact, either positive or negative, on our ability to create and maintain value while meeting our stakeholders' expectations. By correctly identifying and strategically managing our material matters, PDB aims to continue generating sustainable value for our stakeholders.

The process of deriving our material matters comprises the following three steps:



IDENTIFICATION

We conduct a thorough review of our operating environment and expectations of our key stakeholders, and benchmark our current position against relevant standards and frameworks (such as GRI, SASB, SDGs and FTSE4Good) as well as the practices of industry peers and sustainability leaders. This allows us to identify gaps and areas for improvement, as well as to revise our existing material matters if needed.



PRIORITISATION

We conduct internal assessments with key personnel at PDB including the Leadership Team, and engage with external stakeholders (via surveys and multiple channels), to rank our material matters according to their potential impact on our strategy and performance as well as relevance to stakeholders' expectations. We then validate our ranking via workshops held with key focal persons across various functions within PDB, and prioritise them according to the EESG pillars.



INTEGRATION

The prioritised material matters are integrated into all areas of our corporate strategy and embedded into our business planning and operations. These material matters underpin the delivery of PDB's promise of Making Your Everyday Life Simpler and Better.

In 2021, we applied the EESG lens to undertake a comprehensive materiality assessment, incorporating the impact of COVID-19, rapid technological change and continuing shifts in the energy demand landscape, resulting in the identification of 12 material matters. In 2022, these 12 material matters were reviewed to ensure their continued relevance. As a result of the review, the following changes were made:

- "Ethics and Corporate Governance", "Data Privacy and Security" and "Human Capital" were introduced as new material matters, to reflect ongoing importance placed on the issues
- "Innovation" and "Data Solutions" were subsumed under "Customer-Centricity"
- "Sustainable Supply Chain" and "Climate Change" have been renamed into "Sustainable and Ethical Supply Chain" and "Climate Change and GHG Emissions"
- "Human Rights" is now discussed as an element under "Human Rights" and "Sustainable and Ethical Supply Chain" whilst "Sustainability Governance" is considered under "Ethics and Corporate Governance"

Material Matters

Economic Growth and Performance

Definition

The ability to maintain sustainable business performance in the short, medium and long term whilst contributing to national growth by engaging and helping to develop the capacity and capabilities of local suppliers, and aiding in their further expansion locally and regionally.

Why is it important to us?

Strong economic performance enables us to meet our growth objectives and fulfil our financial commitments, strengthening our relationships with investors, shareholders, financiers, business partners, customers and the many suppliers we support. Ultimately, economic growth is important to PDB's sustainability, underpinning our ability to create value for our stakeholders in the long term.

Cross Reference

- 5-Year Group Financial Highlights and Summary - *Page 37*
- Statement of Value Added/Distribution of Value Added - *Page 41*
- Segmental Analysis - *Page 40*
- Our Approach to Value Creation - *Page 43*
- Stakeholder Engagement - *Page 49*
- Sustainability Highlights - *Page 5*
- Sustainability Report: Economic Growth and Performance - *Page 87*

LINK TO *SDGs:* *Stakeholder:* *Capitals:* *Strategic Pillars:*

Customer-Centricity

Definition

Enhancing the customer experience by evolving along with their needs and preferences through innovative solutions.

Why is it important to us?

As competition in the retail fuel industry intensifies, it is important to maintain the trust and confidence of customers and gain their loyalty.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Stakeholder Engagement - *Page 49*
- Sustainability Report: Customer-Centricity - *Page 97*

LINK TO *SDGs:* *Stakeholder:* *Capitals:* *Strategic Pillars:*

Ethics and Corporate Governance

Definition

Implementation of a robust corporate governance mechanism and ethical business practices, based on the principles of accountability and stewardship.

Why is it important to us?

Sound corporate governance is key to ensuring that we respect the interests of our stakeholders and create value for them, while increasing our market reputation as an organisation that can be trusted always to deliver.

Cross Reference

- Stakeholder Engagement - *Page 49*
- Board Audit Committee Report - *Page 199*
- Board Sustainability And Risk Committee Report - *Page 205*
- Corporate Governance Overview Statement - *Page 159*
- SORMIC - *Page 211*
- Sustainability Highlights - *Page 5*
- Sustainability Governance - *Page 161*

LINK TO *SDGs:* *Stakeholder:* *Capitals:* *Strategic Pillars:*

Material Matters

Data Privacy and Security

Definition

Implementation of robust systems to ensure the security of our customers' data and of our digital infrastructure.

Why is it important to us?

As we digitalise more of our operations and product solutions, it is imperative to protect our digital platforms from cyberattacks which could result in costly loss of data, and the loss of stakeholders' trust.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Sustainability Report: Data Privacy and Security - *Page 95*

LINK TO

SDGs:

Stakeholder:

Capitals:

Strategic Pillars:

Climate Change and GHG Emissions

Definition

Contribute towards climate change mitigation via energy efficiency and investment in renewable energy, while outlining adaptation measures.

Why is it important to us?

It is important to be part of the energy transition to safeguard the environment; continue to be relevant hence protect our business sustainability; as well as to meet stakeholder expectations.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Sustainability Highlights - *Page 5*
- Sustainability Report: Climate Change and GHG Emissions - *Page 101*

LINK TO

SDGs:

Stakeholder:

Capitals:

Strategic Pillars:

Environmental Management

Definition

Ensure the sustainable management of water resources, emissions, pollution, spills and waste to prevent any environmental degradation and encourage circularity.

Why is it important to us?

The sustained availability of natural resources and a healthy natural environment are conducive to our business and operations in the long term.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Sustainability Report: Environmental Management - *Page 107*

LINK TO

SDGs:

Stakeholder:

Capitals:

Strategic Pillars:

Sustainable and Ethical Supply Chain

Definition

Ensure our partners, suppliers and contractors uphold the same principles of ESG as PDB, especially in highly-regulated areas.

Why is it important to us?

Sustainability along our entire value chain increases our credibility as an ESG-centric organisation that is genuinely interested in creating stakeholder value.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Corporate Integrity and Ethics - *Page 208*
- Stakeholder Engagement - *Page 49*
- Sustainability Highlights - *Page 5*
- Sustainability Report: Sustainable and Ethical Supply Chain - *Page 91*

LINK TO

SDGs:

Stakeholder:

Capitals:

Strategic Pillars:

Material Matters

Health and Well-being

Definition

Provide a safe working environment throughout our operations, whether in the office or at our terminals or facilities, to protect our employees and our assets. At the same time, ensure the mental and physical well-being of our employees.

Why is it important to us?

The health and well-being of our employees and partners is critical to uninterrupted operations, hence our business performance, while strengthening our partners' and suppliers' confidence in doing business with us.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Sustainability Highlights - *Page 5*
- Sustainability Report: Health and Well-being - *Page 111*

LINK TO *SDGs*  *Stakeholder:* 

Capitals:  *Strategic Pillars* 

Human Capital

Definition

Create a work culture that respects diversity and inclusion, looks after employees' welfare through benefits and fair employment practices, and that engages employees through our values and culture.

Why is it important to us?

An inclusive, rewarding and engaging work environment brings out the best in employees, creates a sense of ownership of their responsibilities, and motivates them to perform to the best of their abilities – all of which enhance our performance and support the achievements of our corporate goals.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Sustainability Report: Human Capital - *Page 117*

LINK TO *SDGs*  *Stakeholder:* 

Capitals:  *Strategic Pillars* 

Capability Building

Definition

Invest in our people through development programmes to achieve a high-performance, competent and talented workforce that adds value to the organisation.

Why is it important to us?

Having highly-trained, competent employees and a high-performance culture are critical in driving PDB's ongoing transformation to achieve sustainable growth and outcomes.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Stakeholder Engagement - *Page 49*
- Sustainability Highlights - *Page 5*
- Sustainability Report: Capability Building - *Page 127*

LINK TO *SDGs:*  *Stakeholder:* 

Capitals:  *Strategic Pillars:* 

Community Investment

Definition

Strengthen our position in local communities by developing targeted community investment programmes that address societal needs in a meaningful way.

Why is it important to us?

The community is a natural extension of our customer base; hence by caring for the community we not only enhance our market reputation but are able to ensure steady and sustainable demand for our products and services.

Cross Reference

- Our Approach to Value Creation - *Page 43*
- Stakeholder Engagement - *Page 49*
- Sustainability Highlights - *Page 5*
- Sustainability Report: Community Investment - *Page 131*

LINK TO *SDGs*  *Stakeholder:* 

Capitals:  *Strategic Pillars* 

Our Value Creating Business Model

Guided By:
PETRONAS Shared Values

- LOYALTY
- INTEGRITY
- PROFESSIONALISM
- COHESIVENESS

OPERATING ENVIRONMENT ▶ **Positive Domestic Economic Growth** ▶ **Oil Price Volatility**

CAPITAL INPUT

Financial
Pool of funds that enable us to carry out our business, including our shareholders' equity and income from operations

Manufactured
Our network of PETRONAS stations, Café Mesra, terminals and bottling facilities,PETRONAS AutoExpert outlets, as well as our fleet of vehicles

Intellectual
Our brand and franchise value, research and development capabilities, innovation capacity, reputation as well as strategic partnerships

Human
The collective knowledge, skills and experience of over 2,000 employees and our Board of Directors

Social and Relationship
The strong relationships which we have developed with all the stakeholders who have contributed towards our 40-year success story

Natural
The electricity, fuel, water and other natural resources required to deliver our products and services to customers

OUR VALUE CREATING ACTIVITIES



STRATEGIC PILLARS

VALUE | GROWTH | SUSTAINABILITY

MATERIAL MATTERS

- Economic Growth and Performance
- Climate Change and GHG Emissions
- Human Capital
- Customer-Centricity
- Environmental Management
- Capability Building
- Ethics and Corporate Governance
- Sustainable and Ethical Supply Chain
- Community Investments
- Data Privacy and Security
- Health and Well-being

OUR RISKS

HSE RISK | FINANCIAL RISK | OPERATION RISK
TECHNOLOGY AND CYBER SECURITY RISK
MARKET RISK | TALENT RISK
LEGAL AND REGULATORY RISK
STRATEGY RISK | SUSTAINABILITY RISK

SUPPORTED BY ROBUST GOVERNANCE FRAMEWORK

Statement of Purpose

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

Our Promise

Making Your Everyday Life Simpler and Better

Underpinned By:

PETRONAS CULTURAL BELIEFS

- Customer Focused
- Innovate Now
- Be Enterprising
- Speak Up
- Courage to Act

Energy Transition

OUTPUTS → **OUTCOMES FOR STAKEHOLDERS** → **RELATED STAKEHOLDERS**

PRODUCTION AND SALES

- Total Volume
- Property, Plant and Equipment

ENVIRONMENT

- Emissions reduction in PDB operations
- Partnership with 3rd parties in offering circular proposition to customers

INNOVATION AND TECHNOLOGY

- Company-Owned, Company-Operated (COCO) station
- EV Charging Hub
- Cardless SmartPay
- PETRONAS Syntium with CoolTech+™
- PETRONAS Urania with StrongTech™
- Setel ecosystem enhancement
- Café Mesra
- Mesra own-label SKUs
- TipTop Enterprise App

Financial

- Revenue: **RM36,748.9 million**
- Profit After Tax: **RM787.8 million**
- Dividend per share: **76.0 sen**
- Dividend payout ratio: **100%**

Manufactured

- **>1,000** PETRONAS stations
- **>800** *Kedai Mesra* outlets
- **38** Terminals
- **36** ROVR Trucks
- **6** LNG Trucks
- **>11** million LPG cylinders
- **>60** EV charging facilities
- **14** solar panels at PETRONAS stations
- Depreciation and Amortisation of **RM438.9 million**

Intellectual

- Launched and operationalised **41** Café Mesra
- First EV charging hub with **3** DC and **2** AC chargers at PETRONAS station Bandar Baru Ayer Hitam, Johor
- Setel enhancement such as fuel and mobility use cases
- **85** Mesra own-label SKUs
- Operationalised **1** COCO station

Human

- **RM296.4 million** salaries paid to employees
- **Zero** fatality rate in 2022
- Recruited **54** fresh graduates under PETRONAS Group's Protege programme
- Maintained good gender balance on our Board and Leadership Team
  - **38%** female representation in LT
  - **30%** of Board members are female
- **60%** of Board members are independent

Social and Relationship

- **RM306.7 million** taxes paid to the Government
- **RM48,902.3 million** paid to contractors/business partners/ suppliers
- Provided structured internships to **104** students from **19** universities in 2022
- **9** CSI programmes

Natural

- Continued inclusion in the FTSE4Good Bursa Malaysia Index for the **8th** consecutive year
- **149.8kt CO_2e** GHG emissions avoided from use of solar energy
- Diverted **12,562** bottles and cans from landfills
- **80.9m³** water withdrawal from harvested rainwater

CORPORATE GOVERNANCE AND BUSINESS ETHICS

Our Strategy

PDB's approach to value-creation is driven by our material matters, which address the needs and concerns of our consumers and other stakeholders while managing our own business risks.



STRATEGIC PILLAR	2022 KEY INITIATIVES	2022 ACHIEVEMENTS
VALUE – Sustain PDB core businesses	• Maximising profitability riding on the economic recovery in 2022 • Strengthening core business with operational and customer excellence	**Retail** • Operationalised 10 new PETRONAS Stations • Retail-Fuel recorded highest sales performance in PDB's history **Commercial** • Optimised PDB cost-to-serve via Cardless PETRONAS SmartPay for prepaid customers • Revisions on credit limit and conversion of aviation customers MOPS basis to minimise lag loss exposure and effectively improved Commercial's profitability **LPG** • Expansion of 91 Gas PETRONAS@Station and 160 Gas PETRONAS@Mini Market **Lubricant** • Expansion of AutoExpert network to 46 outlets
GROWTH – Diversify through Convenience	• Expansion of product segment through Mesra Retail & Café Sdn. Bhd. (MESRA) • Commercialisation and scale-up of disruptive Ventures through Setel	**MESRA** • Intensive expansion of Café Mesra at various PETRONAS stations • Acceleration of Mesra own-label offerings at *Kedai Mesra* to 85 SKUs compared to 41 in 2021 • Highest chargeable sales in history for *Kedai Mesra* of more than RM1 billion **Setel** • Expanded wallet touch-points to approximately 5,500 merchant outlets • Reinventing e-commerce digital solutions for a better retail experience for customers via new features on Setel app such as: a) PETRONAS Shop b) In-app EV charging c) In-app motor insurance purchase d) Auto assistance e) One-tap fuelling f) Cardless SmartPay
SUSTAINABILITY – Remains committed to creating positive Environmental, Economic and Social impacts	• Strengthening sustainability governance through PDB Sustainability Roadmap	**Economy** • Boosted the growth of local SMEs through collaboration with MARA, SME Bank and PUNB on the expansion of PETRONAS AutoExpert to 46 outlets in 2022 • Relaunched the Love Local Campaign in tandem with the Ministry of Domestic Trade and Cost of Living Buy Malaysian Products Campaign • Relaunched the Love Local Campaign at *Kedai Mesra* and participated in "*Kempen Belilah Barang Malaysia*" with Ministry of Domestic Trade and Cost of Living. The products are sourced from local SMEs **Environment** • 21 fast DC chargers had been installed at PETRONAS stations across Malaysia to provide cleaner energy solutions for customers • 6 solar panels installed at PETRONAS stations • PDB solar-powered rainwater harvesting at Kuching Aviation Fuel Terminal won Gold Award at the International Quality Control Circle Convention, Jakarta 2022 • Fuelled the first international and domestic passenger flight, operated by MAS and Firefly, with Sustainable Aviation Fuel • Piloted 2 Reverse Vending Machines (RVMs) at selected PETRONAS stations in Klang Valley for the recycling of plastic bottles and aluminium cans • Growing selections of eco-friendly merchandise by PRYSM **Social** • Targeted community investment through the sponsorship of Badminton Association Malaysia (BAM) • Giving back to community through CSR activities such as: > Inaugural Nationwide StreetSmart Design Thinking Challenge, involving 200 students from 40 schools > Delivery of 8 new Mini Portable Container System (PCS) to rural communities in Sabah and Sarawak, together with the Ministry of Domestic Trades and Cost of Living > Emergency support to front-liners during floods in the East Coast by donating 30,000 litres of diesel and 10,000 litres of petrol for rescue tasks and post-flood cleaning activities

Guided by our material matters, in 2021, we embarked on a Moving Forward Together strategy anchored on the goal of future-proofing our organisation amid an increasingly challenging business landscape. The aim is to focus on 3 Strategic Pillars to achieve our vision of being a progressive energy and solutions partner, enriching lives for a sustainable future.

2023 PRIORITIES	LINK TO
Retail • Outpacing industry by defending and growing PETRONAS market share **Commercial** • Continuous collaboration with key partners while driving growth from High Value Segments **LPG** • Sustaining household market leadership and driving growth for commercial segment **Lubricant** • Focuses on delivering value through differentiation via Building Power Brands, Availability and Visibility • Expansion of AutoExpert remains top priority	Material Matters Capital Stakeholders
• Intensifying the growth of Café Mesra by increasing the number of outlets opened through other business models such as at stand-alone shop lots and via mobile kiosks • Maximising income for existing Retail-Fuel business and continue redefining customer experience with better product offerings at *Kedai Mesra* • Continue redefining customer experience with more variety for Mesra own label offering that resonates with the emerging consumer's trend	Material Matters Capital Stakeholders
• Pave the way towards greater inclusivity at work by empowering persons with disabilities (PWDs) through targeted training • Lead customers towards cleaner fuel solutions with the expansion EV network charger and promoting Sustainable Aviation Fuel • Continue exploring environmentally-friendly supply chain scope with Café Mesra and PRYSM suppliers • Complying with ESG standards by closing FTSE gaps on sustainable supply chain initiatives and gap closure in complying with TCFD recommendations	Material Matters Capital Stakeholders

CLIMATE RELATED RISKS AND OPPORTUNITIES TO PDB STRATEGY

To avert potentially catastrophic climate events including extreme and more frequent heatwaves, floods, droughts and other weather-related natural disaster, scientists have called for a reduction in global greenhouse gas emissions Recognising the need for global action, heads of government attending the Conference of the Parties (COP) 21 in Paris held in 2015 adopted the Paris Agreement, committing to limit the average temperature increase to well below 2.0 degrees Celsius, preferably to 1.5 degrees Celsius.

At the Paris Conference, the Malaysian Government pledged to reduce the nation's carbon intensity per GDP to 45% below 2005 levels, by the end of the decade.

PDB fully supports the Government's pledged aspiration, duly recognising our responsibility as a corporate citizen to balance the issue of climate change with the challenge to ensure access to affordable and reliable energy.

We are committed to reducing our GHG emissions by employing the following strategy:

Biodiesel B10 to B20
- > B20 was introduced and made available at PETRONAS stations in Langkawi, Labuan and Sarawak (except Bintulu) in 2020. PDB is working closely with the relevant ministries and government agencies to expand B20 implementation across the country.
- > We have helped to reduce as much as 616,000 tonnes of CO_2e emissions through PDB biodiesel sales in 2021.

LNG as a lower carbon fuel
- > Following the launch of the Virtual Pipeline System via the Regasification Terminal in Johor, PDB has emerged as the first LNG supplier to use trucks fitted with cryogenic tanks to serve industries in Peninsular Malaysia that are not connected to the natural gas infrastructure. We are also marketing LNG as bunker fuel for vessels.
- > In 2021, with more customers converting from diesel or marine gasoil to LNG as a cleaner fuel option, GHG emissions have been cut by approximately 18,000 tonnes of CO_2e, equivalent to CO_2 sequestration by three million mangrove trees in one year.

Sustainable Aviation Fuel
- > PDB has partnered with Malaysia Aviation Group (MAG) to explore green opportunities, including the supply and adoption of Sustainable Aviation Fuel (SAF) at Kuala Lumpur International Airport.
- > PDB fuelled the first domestic and international passenger flights using SAF operated by MAS, Firefly and MASwings:
  - June 2022 – MAS flight from Kuala Lumpur to Singapore, in conjunction with World Environment Day
  - September 2022 – Firefly flight from Subang to Penang
  - December 2022 – MASwings flight from Labuan to Miri

Solar installation at PETRONAS stations
- > PDB installed 6 solar panels at our PETRONAS stations in 2022.

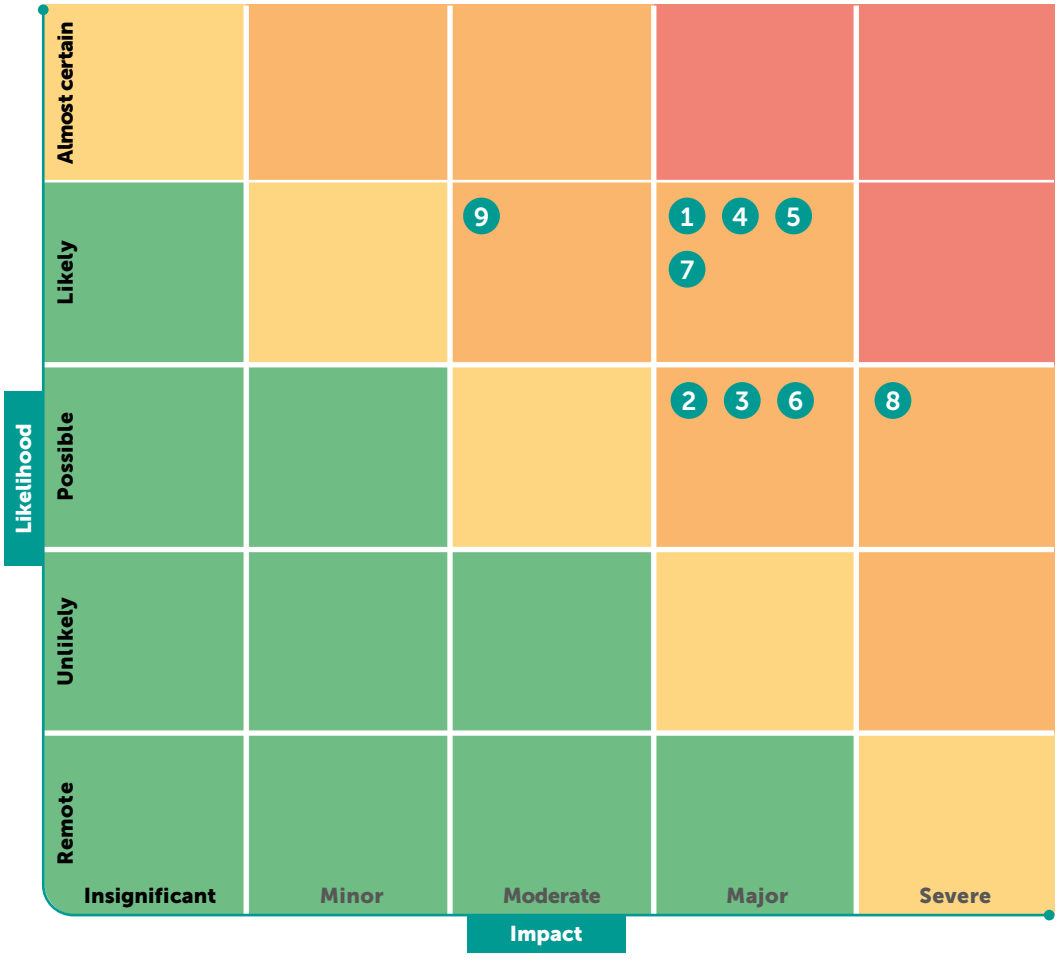
Expansion of EV charging network
- > Guided by our vision to provide cleaner energy solutions to customers, 21 DC chargers were installed at PETRONAS stations in 2022 in collaboration with key industry players in Malaysia.
- > Launched the first EV charging hub at PETRONAS Ayer Hitam.
- > Sign MOUs on the development of electric bus and electric two-wheeler battery swap businesses in Malaysia. The participating parties will collaborate on the installation of battery swap stations at PETRONAS stations in the Klang Valley, and installation of DC fast EV chargers at PETRONAS stations by Gentari to serve electric buses in Johor.

Key Risks and Mitigation

Amidst a challenging operating landscape and economic slowdown in 2022 with global oil price volatility due to Russia's invasion of Ukraine, increasing cost of living and stakeholders' expectation on energy transition, we continue to manage our risks through effective risk management processes in driving growth as well as enhancing shareholder value while maintaining PDB's competitive advantage.

We periodically review our key risks based on Enterprise Risk Management (ERM) framework and guidelines which considers various inputs such as our business key focus areas, our Sustainability Roadmap, previous risk profile, risk monitoring, scanning reports, industry risk reports and audit findings. The identified risks are evaluated and rated based on their probability of occurrence and severity of impact which are subsequently mapped onto a risk matrix. Risks rated as either "very high" or "high" will be escalated into the Corporate Risk Profile (CRP) and reported to the Management as well as Board on a quarterly basis. We deliberate on specific mitigation plans to ensure that the identified risks are addressed and assigned to risk owners for implementation.

For more information on how we manage our risk, please refer to Enterprise Risk Management on SORMIC, page 213 of this <IR>.



1 HSE
2 Financial
3 Operation
4 Technology and Cyber Security
5 Strategy
6 Market
7 Talent
8 Legal and Regulatory
9 Sustainability

Low
Medium
High
Very High

RISK MOVEMENT

Stable:
The risk is stable as identified mitigations are in place and effective.

Increase:
The risk is increasing based on the higher risk impact.

Decrease:
The risk is decreasing based on the lower risk impact.

SUSTAINABILITY LENSES

Continued Value Creation

Positive Social Impact

Safeguard the Environment

Responsible Governance

HSE RISK

RISK DESCRIPTION

The nature of PDB's operating activities covering spectrum of geographic range, operational diversity and technical has exposed us to a wide range of health, safety and environmental risks such as incidents associated with operating facilities, flammable products, transportation hazards.

Inability to provide safe environments for our workforce and the public while at our facilities, premises and its surrounding areas or during transportation could cause major issues if a major risk materialises, impacting financial, people, environment, assets and reputation.

IMPLICATION

- Injuries and health issues to employees, contractors and/ or surrounding communities
- Asset damage leading to business disruption
- Potential penalty, legal litigation and suspension of license to operate
- Fuel spillage/explosion/fire affecting the environment

MITIGATION STRATEGIES

- Addressed risks on potential hazards through identified control and preventive measures especially on station operation, transport safety, process safety as well as contractor and supplier management
- Assurance activities and close monitoring of high HSE risk projects carried out to ensure safety standards are upheld and maintained
- Heightened safety and compliance culture among employees and Rakan Niaga/ dealers/contractors/hauliers to achieve and sustain Generative HSE Culture
- Continuous upgrading of ageing assets at PETRONAS stations

LINK TO *Capitals:* *Strategic Pillars*

For more information on Health and Well-Being, please refer to Sustainability Report on page 111 of this <IR>

FINANCIAL RISK

RISK DESCRIPTION

Credit Risk

PDB's diverse business makes us vulnerable to the credit worthiness of our customers. The risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance with the agreed terms. Credit risk exposes PDB to potential losses in the event of non-payments by customers.

Liquidity Risk

Liquidity risk is the risk that PDB will not be able to meet its financial obligations as they fall due. PDB's exposure to liquidity risk arises principally from its trade and other payables, and borrowings. In managing its liquidity risk, PDB maintains sufficient cash and liquid marketable assets and a balance between continuity of funding and flexibility through use of stand-by credit facilities. PDB's current credit rating enables it to access banking facilities in excess of current and immediate future requirements.

IMPLICATION

- Insufficient cash flow
- Decrease in profit margin
- Bad debt, impairment and/or write-off

MITIGATION STRATEGIES

- Assessed credit worthiness of all potential customers and Rakan Niaga/Dealers as well as performing credit reviews on existing customers in accordance with Credit Risk Framework and Guidelines
- Close monitoring and reporting of Trade Accounts Receivables to ensure payments are received in a timely manner
- Availability of financing to bridge any liquidity gaps due to late payment by debtors

LINK TO *Capitals:* *Strategic Pillars*

For more information on Credit Risk Framework and Guidelines, please refer to SORMIC on page 223 of this <IR>

Key Risks and Mitigation

OPERATION RISK

RISK DESCRIPTION

Operational excellence is paramount for uninterrupted end-to-end supply chain stretching from sourcing to reliable delivery of products to customers for both fuel and non-fuel whilst ensuring superior customer experience.

Supply chain disruption and unexpected increase in demand due to unprecedented post-pandemic recovery, further aggravated by bad weather impacting PDB's value chain.

IMPLICATION

- Financial loss
- Poor product quality
- Litigation/Penalty
- Increase in cost

MITIGATION STRATEGIES

- Boosted our fleet to ensure uninterrupted product supply and sourced supply from other points
- Introduced MissionZeroOOS to closely monitor daily delivery operations during peak volume period
- Conducted timely maintenance and inspection programme
- Activation of Business Continuity Plan when there is prolonged business disruption

LINK TO *Capitals:* *Strategic Pillars*

For more information on Supply and Distribution – Key Initiatives, please refer to Business Review on page 79 of this <IR>.
For more information on BCP Testing, please refer to SORMIC on page 217 of this <IR>.

TECHNOLOGY AND CYBER SECURITY RISK

RISK DESCRIPTION

PDB is exposed to disruption of digital infrastructure as well as cyber security which may adversely impact our business operations and customer experience.

Cyber attacks continue to increase with the evolution of modern technologies as well as growing cyber security threat with potential to disrupt system and business operations.

Enhanced digitalisation of systems and technologies brings the opportunity of convenience and efficiency to promote new business models, revenue streams and value creation opportunities.

Rapid technology advancement has heightened the importance of the PDB IT systems to keep up with the pace of digital adoption. Failure to be at the technological forefront may affect our competitive position and expose PDB to system vulnerability.

IMPLICATION

- Business disruptions
- Opportunity loss
- Inability to operate effectively
- Reputational damage
- Financial loss
- Penalty and fines

MITIGATION STRATEGIES

- Delivered digital operational excellence through harnessing business and operational data on a single platform
- Continuous modernisation with the adoption of new technologies and updating existing systems to be more efficient as well as effective
- Upgraded our cyber defence capability with vulnerability scanning, active monitoring and real time alerts at our facilities, as well as reinforced identity access management

LINK TO *Capitals:* *Strategic Pillars*

For more information on Digital – Key Initiatives, please refer to Business Review on page 81 of this <IR>.

RISK MOVEMENT

Stable:
The risk is stable as identified mitigations are in place and effective.

Increase:
The risk is increasing based on the higher risk impact.

Decrease:
The risk is decreasing based on the lower risk impact.

SUSTAINABILITY LENSES

Continued Value Creation

Positive Social Impact

Safeguard the Environment

Responsible Governance

STRATEGY RISK

RISK DESCRIPTION

The competitive operating landscape and changes in customer preference require PDB to diversify our business and offering beyond the core. Thus, delivery of growth projects and new business ventures are vital in ensuring PDB to effectively shift our business portfolio.

IMPLICATION

- Opportunity loss
- Loss of market competitiveness
- Financial loss
- Inability to meet strategic direction
- Tarnished reputation

MITIGATION STRATEGIES

- Expansion of Kedai Mesra offerings to cater for different customer preferences
- Intensify the number of Café Mesra launched
- Continue to reinvent and upscale venture business growth with continuous iteration of use case and product
- Increased Setel App features with new mobility use cases such as Motor Insurance, parking, roadtax renewal, EV charging as well as introduction of PETRONAS Shop, an e-commerce platform for all PETRONAS merhandise

LINK TO *Capitals:* *Strategic Pillars*

For more information on, Retail-Fuel, Convenience: MESRA, Convenience: Venture Builder and Enablers: Digital – Key Initiatives, please refer to Business Review on pages 67, 75,77 and 81 respectively of this <IR>.
For more information on Growth, please refer to Our Strategy on page 59 of this <IR>.

MARKET RISK

RISK DESCRIPTION

Changes in market landscape as a result of the economic recovery and strained supply chain after the COVID-19 pandemic, coupled with geopolitical uncertainty, our business profitability and financial resiliency is at risk.

PDB operates in a highly competitive and mature market. In order to sustain our performance, it is vital to differentiate our products and services as well as continuously outperform our competitors.

IMPLICATION

- Reduction in profit
- Loss of market competitiveness
- Financial loss
- Bad debt, impairment and/or write-off
- Insufficient cash flow

MITIGATION STRATEGIES

- Maximising sales through high value and performing market segments
- Widened market reach and elevate customer experience through digital, innovation and accelerated convenience footprint
- Strengthening brand awareness through continuous marketing programme
- Defending of existing market through consumer life cycle management

LINK TO *Capitals:* *Strategic Pillars*

For more information on Market Outlook, please refer to Operating Environment and Market Outlook on page 45 of this <IR>.
For more information on Our Business, please refer to refer to pages 67 to 84 of this <IR>.

Key Risks and Mitigation

TALENT RISK

RISK DESCRIPTION

PDB acknowledges the importance to attract, develop and retain talents in delivering business operations and strategies. In addition, we need talents with new and specific skill sets to achieve our growth aspiration.

Our people are at the core of PDB's competitive advantage. They provide us with strength for sustainable growth. We strive for a high performance culture by attracting the best talent and nurturing their capabilities through continuous investment in their development.

IMPLICATION

- Loss of competitive advantage
- Loss of intellectual capital

MITIGATION STRATEGIES

- Robust talent management strategies
- Enhanced talent and capability development
- Reviewed succession plan to ensure availability and readiness of suitable successors
- Organised training and development programmes

LINK TO *Capitals:* *Strategic Pillars*

For more information on Human Capital, please refer to Sustainability Report on page 117 respectively of this <IR>.

LEGAL AND REGULATORY RISK

RISK DESCRIPTION

The need to ensure PDB complies to relevant regulatory requirements such as anti money laundering, data protection, sanction, competition, export controls as well as Malaysian Anti-Corruption Commission (MACC) Act is essential where changing regulations could adversely impact the Group's competitive position and capacity to conduct business efficiently.

IMPLICATION

- Tarnished reputation
- Imprisonment and/or fines
- Decrease in stakeholder confidence

MITIGATION STRATEGIES

- Established Data Privacy Officer function
- Established Organisational Anti Corruption Plan (OACP)
- Continuous enforcement of internal controls
- Conducted awareness and training programmes at all levels

LINK TO *Capitals:* *Strategic Pillars*

For more information on Corporate Integrity and Ethics, please refer to page 208 of this <IR>.
For more information on Key Elements of Internal Controls Systems, please refer to SORMIC on page 218 of this <IR>.

RISK MOVEMENT

Stable:
The risk is stable as identified mitigations are in place and effective.

Increase:
The risk is increasing based on the higher risk impact.

Decrease:
The risk is decreasing based on the lower risk impact.

SUSTAINABILITY LENSES

Continued Value Creation

Positive Social Impact

Safeguard the Environment

Responsible Governance

SUSTAINABILITY RISK

RISK DESCRIPTION

As our business expands, various economic, environmental, social and governance issues will pose increasingly more critical challenges to our business and the energy-related industry generally. Thus, it is critical for us to understand and address these issues to ensure we deliver sustainable returns to our investors and shareholders, create positive outcomes for our local communities and all the while reducing our environmental footprint.

Among our key concerns are climate change which exposes us to both energy transition and physical risks to our businesses and assets in the medium to long term horizon; while respecting human rights is fundamental in ensuring sustainable operations and key to creating positive social impact.

IMPLICATION

- Environmental and social impact on surrounding communities
- Tarnished reputation
- Gradual loss of stakeholders' trust and ability to attract capital
- Opportunity loss

MITIGATION STRATEGIES

- Strengthened focus on sustainable development through improved oversight at Board and leadership level to ensure robust, structured and systematic approach in our sustainability focus
- Prepared for alignment with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations
- Yearly strategic initiatives from our Business Human Rights Framework to prevent and mitigate human rights issues

LINK TO *Capitals:* *Strategic Pillars*

For more information on Sustainability, please refer to Sustainability Report on page 85 of this <IR>.

OUTLOOK

Looking forward, the upcoming year remains challenging with strong headwinds and growing uncertainties. Key to progressing our strategies will lay in our ability to manage risks in view of endeavouring to increase our market share and grow shareholder value.

Retail-Fuel



NORAZLAN SUBAHA
Head,
Retail-Fuel Division

2022 has been a milestone year, with PDB recording our highest ever Retail-Fuel volume. This was achieved amidst a challenging post-pandemic market by leveraging the strengths of our 1,000+ stations and dealers, world-class fuel product offerings, innovative digital solutions and strong bonds with our communities. We have continued to put our customers at the centre of everything we do, launching our signature loyalty campaign *"Mesra Bonanza Lagi Onz!"* while implementing various safety and operational excellence initiatives to enhance the overall customer experience. Our efforts were rewarded with our highest NPS score in 2022, and 5-star cleanliness ratings by the local councils. On the sustainability front, we redoubled our efforts to support PETRONAS' Sustainability agenda by adding more stations with EV fast-charging facilities, solar panels and launched the PotAPlant campaign in conjunction with World Earth Day.



WHO WE ARE AND WHAT WE DO

Through our Retail-Fuel Business, we offer fuel products and services to consumers via a network of more than 1,000 PETRONAS stations across Malaysia.

- Fuel products comprise premium products developed in partnership with the Mercedes-AMG PETRONAS Formula One™ team. These include: PETRONAS Primax 97 with Pro-Race, PETRONAS Primax 95 with Pro-Drive, PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B7), PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B10) and PETRONAS Dynamic Diesel Euro 5 with Pro-Drive (B20).

- Majority of PETRONAS stations are operated by *Rakan Niaga*, who are appointed through a stringent selection process and provided with continuous training. Retail-Fuel Business manages PETRONAS stations via three categories of dealerships – Company-Owned, Dealer-Operated (CODO); Dealer-Owned, Dealer-Operated (DODO); and the recently launched Company-Owned, Company-Operated (COCO).

Key Focus Areas

1. **Fuel branding**
   Strengthen our brand and product quality
2. **Marketing programme**
   Integrated programmes targeting key customer segments
3. **Customer experience**
   Seamless and frictionless
4. **Safety**
   Provide a safe environment for our extended community

Value Created by Business Segment

Quality
World-class quality fuel solutions for our customers

Innovation
Seamless and frictionless customer experience leveraging digital technology

Value Proposition
Superior financial returns through effective cost management and strategic investments

Performance Review

	Key Initiatives	Achievements
Value	• Expansion of Retail-Fuel network	• Operationalised 10 new PETRONAS stations
	• Targeted marketing campaigns	• Launched *Mesra Bonanza Lagi Onz!* 2022 campaign that helped strengthen customer engagement and loyalty with exclusive deals and prizes which generated significant social media engagement, increased customer transactions for Retail-Fuel and drove business growth
	• Engaged 3rd party to conduct customer's assessment on PETRONAS stations	• Achieved highest Net Promoter Score in 2022
	• Introduced Triple C challenge at all stations nationwide to elevate station cleanliness, customer service and compliance	• Received multiple awards, Qiblat certification and recognition from local authorities for station facilities
	• Digitalised end-to-end station operations, from compliance to administration to sales	• Launched TipTop Enterprise App (TEA) providing dealers and sales teams a holistic view of station operations, thus enhancing their ability to manage operations seamlessly
Growth	• Expansion of Retail-Fuel business model	• Operationalised one COCO station
Sustainability	• Support PETRONAS' sustainability agenda	• Installed solar panels at 6 PETRONAS stations
		• Launched first EV charging hub at PETRONAS station Bandar Baru Ayer Hitam, Johor
		• Distributed more than 22,000 plants to customers using recycled materials at PETRONAS stations nationwide via the PotAPlant project in conjunction with World Earth Day
	• Collaboration with PDRM on Go-To-Safety-Point (GTSP) refresher programme	• All PETRONAS stations nationwide equipped with emergency assistance to ensure public feel safe when entering PETRONAS stations

Challenges and Our Response

Challenge	Our Response
Intense competition in a mature market	• Levaraged targeted marketing campaigns such as *Mesra Bonanza Lagi Onz!* to maintain customer loyalty
Maintaining consistency in efficient services and an energising environment for an excellent customer experience at our stations	• Continuous nationwide station upgrading with priority on HSE • Introduction of Retail Operational Excellence Assurance (ROXA) and Triple C to assess and elevate standard of PETRONAS station operations
Unprecedented post-pandemic high demand	• Supply and distribution readiness with additional road tankers to ensure uninterrupted product supply at our stations

OUTLOOK

As public transportation, ride hailing services and energy-efficient vehicles gain a stronger foothold in Malaysia, demand for conventional fuels may be affected. We are, however, prepared for these market disruptors as we continue to strengthen our product quality and branding while enhancing the customer experience at PETRONAS stations with reliable facilities and attractive lifestyle-based offerings all delivered at a consistently high level of service. Our products and services will be supported by our customer loyalty programme as well as a growing e-commerce and digital presence.

Commercial



RAMZULHAKIM RAMLI
Head,
Commercial Business Division

As Malaysia transitioned to COVID-19 endemicity along with the full resumption of economic activities, Commercial Business leveraged increasing demand for its products via effective turnaround strategy to strengthen our foothold in high-value market segments.

While focused on maximising sales, however, we did not lose sight of the need to maintain prudent credit risk management.





WHO WE ARE AND WHAT WE DO

Commercial Business drives the sales and marketing of bulk fuel products to B2B customers in various economic sectors such as Agriculture, Mining and Quarrying, Manufacturing, Construction, Services, Aviation and Bunker. Our products include Diesel, Aviation Fuels, Fuel Oil, Bitumen, Petroleum Coke, Sulphur, Mogas, Kerosene, Methanol, LNG, SmartPay and Solar.

We are entrusted to deliver value to customers by leveraging our strength of having the biggest nationwide distribution network which includes fuel storage terminals, road tankers and channel partners.

Key Focus Areas

1. Creating value through high value segment
2. Business growth and sustainability anchoring on value creation and synergistic partnerships
3. Leading customers towards cleaner fuel solutions

Value Created by Business Segment

Strategic Partnership
Maintained existing partnerships and developed new ones with key stakeholders to unlock value potential

Quality
Position Commercial Business as fuel solution partner by providing superior products and services to support customers' needs

Cultivate
Develop the capabilities of business partners through win-win collaborations and knowledge-sharing

Business Sustainability
Support the net zero carbon emissions aspiration by continuously providing cleaner energy solutions in B2B segment

Performance Review

	Key Initiatives	Achievements
Value	• Capitalise on the recovery of aviation market demand upon reopening of domestic and international border	• Aviation sales revenue grew by approximately 300%
	• Maximising sales to high value and performing market segments such as Agriculture and Construction	• Revenue from the agriculture and construction segments increased by approximately 34% and 15% respectively
	• Strengthened market position and customer base despite challenging market environment	• Solidified market leadership by securing more direct customers through offering of competitive pricing with attractive sales package
	• Focused on effective risk management whilst maintaining high standards of customer service	• Improved credit risk exposure from customers despite tough business landscape
Growth	• Embracing PDB brand promise of "Making Your Everyday Life Simpler and Better" by addressing customers' pain points	• Launch of Cardless PETRONAS SmartPay for prepaid customer
	• Pursued higher Share of Wallet for common customers with other oil companies via comprehensive offerings	• Fortified market position through attractive sales package
	• Aggressive sales activities in Marine segment to capture new demand	• Drove 5% growth in Marine sector via acquisition of new customers
Sustainability	• Grow clean energy solutions via net zero carbon emission initiatives	• Provided SAF to eight flights during the year, whilst securing long-term commitment from key aviation customers from 2024 onwards • Accelerated adoption of electric mobility (e-bus), signing Memorandums of Understanding with Gentari Green Mobility and Handal Indah Sdn. Bhd.

Challenges and Our Response

Challenge	Our Response
Volatility in product prices affected profitability	• Optimised sales to high-value market segments and reviewed customers' pricing mechanisms to improve profitability
Customers' financial positions continued to be affected by impact of the pandemic, limiting their ability to capitalise on market recovery	• Supported the recovery of key customers through a comprehensive credit limit review

OUTLOOK

Having recovered from a dented performance in 2021, Commercial Business will continue to strengthen our returns from high-margin segments and grow clean energy solutions in tandem with expected domestic growth in 2023.

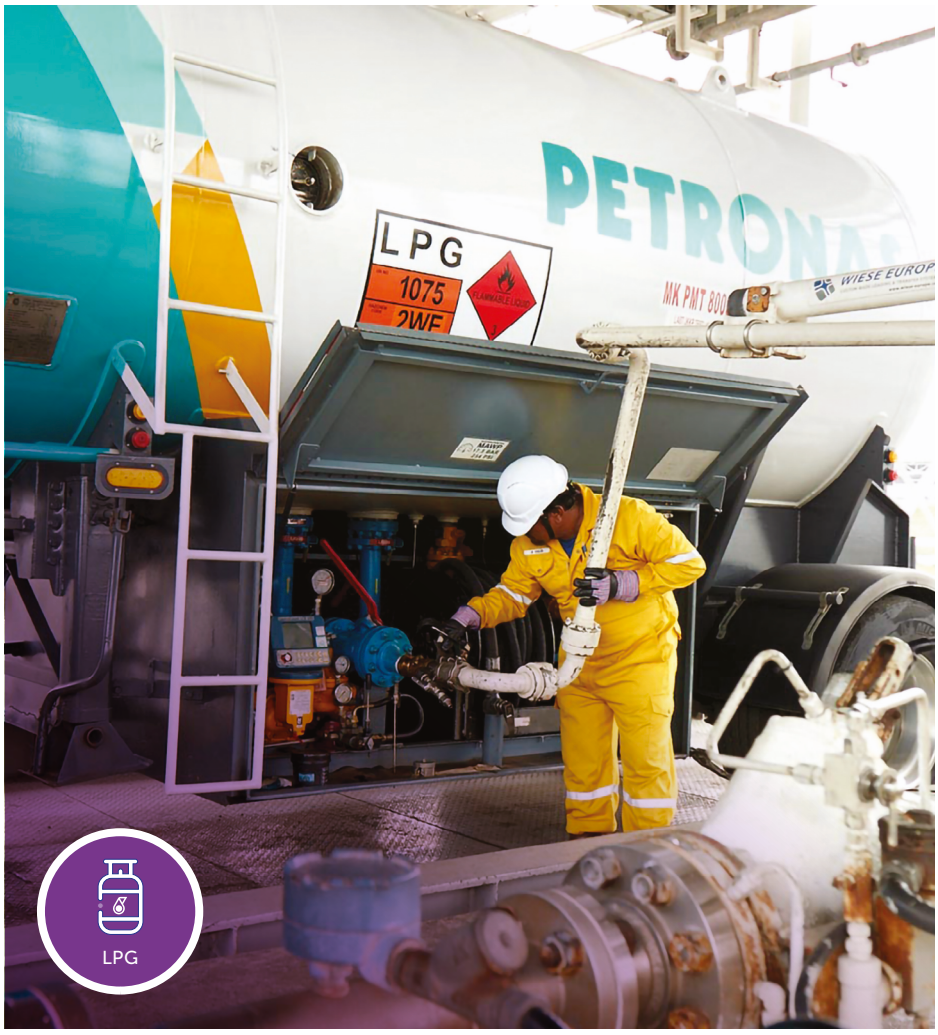
LPG



ANTON SALLEH HASHIM
Head,
LPG Business Division

The year 2022 saw LPG Business maintain its pole position as the leading retailer and marketer of LPG products. This was achieved by focusing on our growth strategy as we navigate through post-pandemic challenges and widespread uncertainties in the operating environment. While serving targeted customers, we drove our channel partners to enter the underserved market and strengthened operational efficiencies across our vast distribution network.





WHO WE ARE AND WHAT WE DO

We market LPG under the Gas PETRONAS brand, serving the Household, Commercial and Industrial segments. Our products are available in different cylinder sizes namely 12kg and 14kg, which are subsidised for household consumption. The non-subsidised 14kg and 50kg are also available for Commercial demand. We also offer LPG in bulk (requiring storage tanks at customers' premises ranging from 200kg to 32,000kg in size) for industrial customers.

Being a major player in the LPG industry, we have developed an extensive LPG supply and distribution network comprising eight terminals and bottling facilities, more than 300 channel partners and over 550 Gas PETRONAS@Station and Gas PETRONAS@Mini Market. We are committed to continuously enhancing our customer experience through new and innovative sales channels to further solidify our market leadership.

Key Focus Areas

1. Strengthen market leadership in the Household segment
2. Expand our presence in the Commercial segment
3. Drive operational efficiencies

Value Created by Business Segment

Availability
Ensure continuous product availability for domestic usage despite uncertainties and challenging environment while preserving value

Accessibility
Maintained and developed our channel partners to serve quality products nationwide

Performance Review

	Key Initiatives	Achievements
Value	• Expansion of Gas PETRONAS@Station and Gas PETRONAS@Mini Market	• Operationalised 91 Gas PETRONAS@Station and 160 Gas PETRONAS@Mini Market nationwide
	• Appointment and mobilisation of new dealers to serve the underserved market	• Maintained overall market leadership in both Household and Commercial segments
	• Intensified our marketing efforts in the Commercial segment	• Successfully secured more than 65 new Commercial customers
Growth	• Penetrated high-value markets via targeted incentives	• Sustained healthy profitablility in addition to volume growth of 2% against 2021
	• Embarked on online sales of LPG merchandise as a new revenue stream	• Received positive response via PETRONAS Shop for the sale of LPG merchandise such as aprons and kitchen towels
Sustainability	• Strengthen dealer capabilities through HSE activities/programmes	• Over 40 programmes were conducted nationwide to inculcate HSE Generative Culture among our channel partners and end users

Challenges and Our Response

Challenge	Our Response
Full recovery of eateries segment affected by the shortage of foreign workers post-pandemic	• Diversified into Commercial segment where growth was significantly better
Increase in cost of raw materials due to global logistics disruption	• Prudent spending to optimise cost while pursuing value-driven strategy
Saturated market with intense competition	• Maintain agility in product and service offerings, while ensuring supply reliability through our extensive distribution network





OUTLOOK

We remain committed to becoming a customer-centric organisation through trade marketing programmes, whilst remaining optimistic of our prospects in 2023. We are conscious of the uncertainties and challenges that could lead to a rise in the cost of living, dampen customer spending with limited growth in the F&B and tourism sectors.

Lubricant



HARDEEP SINGH KIRPAL SINGH
Chief Executive Officer,
PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd. (PLMM)

The economic recovery in 2022 was a boost for PETRONAS Lubricants Marketing Malaysia (PLMM), although it was dampened slightly by the increase in the cost of living. Nevertheless, PLMM continues to innovate and improve our operations through valuable insights gained from looking through our customers' lens. Our customer-centric approach enabled us to strengthen partnerships and overall customer satisfaction as we lived up to our promise of Making Your Everyday Life Simpler And Better.





WHO WE ARE AND WHAT WE DO

Lubricant Business undertakes all sales, marketing and technical services related to PETRONAS Lubricant products in Malaysia. Our portfolio encompasses Passenger Car Motor Oils, Motorcycle Oils, Commercial Vehicle Lubricants as well as Industrial and Marine Lubricants which cater for consumers, commercial and industrial consumption. Technology underpins our value proposition, enabling us to deliver and create value for our customers.

Key Focus Areas

1. **Build Power Brands**
   PETRONAS Syntium, PETRONAS Sprinta and PETRONAS Urania
2. **Availability and Visibility**
   - Expand our availability in mass market and build PETRONAS AutoExpert via differentiated value proposition and network expansion
   - Drive B2B Industrial Marine Lubricants (IML) focused segment and prospecting OEM accounts
   - Venturing into Digital (social media and e-commerce) aligned with changing consumer needs
3. **Value Generation**
   - Create value by implementing upselling and cross-selling initiatives while maintaining disciplined revenue management to optimise profitability
4. **Commercial Excellence**
   - Achieve commercial excellence through category management, route to market optimisation and salesforce effectiveness

Value Created by Business Segment

Quality
World-class products developed through superior R&D technology for top performance and fuel efficiency

Create
Sustainable margins for all business partners along our value chain

Capability
Upskilling our people, dealer workshops and key customers on product and technical knowledge

Business Synergy
Offering winning propositions, enabling our partners to grow with us

Network
Long-term partnerships with various stakeholders and capitalise on cross-selling opportunities via PDB's other business segments

Environment
Enhanced engine and plant efficiency contributing to a cleaner environment

Performance Review

	Key Initiatives	Achievements
Value	• Build power brands with consistent integrated year-round brand communications	• Effective communication led to higher brand conversion rate of 55% against the market • Partnership with Setel by offering e-wallet payment across PETRONAS AutoExpert nationwide • Enhanced our product offerings with 2 new launches of: 1. PETRONAS Syntium with CoolTech+™ 2. PETRONAS Urania with StrongTech™
Growth	• Expand our availability in the mass market, e-commerce platform and build PETRONAS AutoExpert via differentiated value proposition and network expansion for continuous customer experience improvement • Focus on IML segment with upselling and cross-selling initiatives across trade and consumers to deliver higher volume sales • New tools to enhance salesforce effectiveness and strengthen revenue management to optimise profitability	• 32 new PETRONAS AutoExpert outlets covering major cities in West Malaysia • Recruited 329 new B2B outlets while sustaining existing accounts and portfolio • Aggressive marketing led to 4% volume growth in IML segment • Integrated trade and consumer promotion programmes (Singapore Formula One™ and Malaysia MotoGP™) with enhanced value proposition and differentiated customer experience contributed to a revenue growth of 8% • Launched Sales Force Automation (SFA) to energise customer base expansion, value selling and effectiveness • Introduced Price Sensitivity Tool for price analytics and predictive modelling
Sustainability	• Extended collaboration beyond MARA to include PUNB and SME Bank to enhance the PETRONAS AutoExpert value proposition • Safeguarding the environment via waste oil management	• Expanded the number of AutoExpert partners, creating more than 200 job and economic opportunities • AutoExpert partners receive not only financial facility but also 3 trainings and development programmes • Partnership with Cenviro to offer a circular proposition to customers

Challenges and Our Response

Challenge	Our Response
Recruitment of new customers in Original Equipment Manufacturer (OEM) segment as they are moving to Genuine Oil concept	• Leveraging PLMM's strong infrastructure by offering high quality and competitive products to OEM partners to secure the partnership
Extreme market competition from new and existing players in the market	• Revenue management disciplines to remain competitiveness and maximise opportunities
Consumers are seen prolonging oil drain interval or downtrading to lower product tier due to steep increase in product price	• Integrated and consistent digital communication to drive higher engagement and build "Top of Mind" recall • Executed creative and innovative trade and marketing programmes to offer differentiated consumer experience and drive more trials • Strengthen e-commerce offering by rolling out online to offline (O2O) services to provide seamless offerings to end consumers
Trade are cautious of stocking up due to the threat of Movement Control Orders and higher working capital resulting in lower volume per outlet	• Continuous upgrading of sales and marketing initiatives by delivering value through differentiated propositions to drive higher product turnover
Emergence of local and generic brands including parallel imports due to consumers seeking for cheaper options	• Organised consumer and trade programmes to enhance "Top of Mind" position

OUTLOOK

We continue to build strong relationships with our partners and customers to enhance our product offerings. This is to improve customer experience and differentiate our products and services, which will support our growth vision.

Convenience: MESRA



IAN MALCOLM CRUDDAS
Chief Executive Officer,
Mesra Retail & Cafe Sdn. Bhd.

Upon the incorporation of Mesra Retail & Cafe Sdn. Bhd. (MESRA) in July 2021, we sprinted forward to ensure we are able to deliver value to our stakeholders as promised. January 2022 marked an official business transition from the Non-Fuel Business Department under Retail Business Division, to a full-fledged company that is operating independently while still adapting and adopting PETRONAS best practices for good governance. Despite the challenges faced during the transition, the team managed to drive and deliver a result beyond the expectation set for the business, especially for the first year of the incorporation. We strongly believe that we are on the right track for the MFT growth target and aspire to continue in focusing on delivering value added services to stakeholders while not neglecting important sustainability aspects of the business.



WHO WE ARE AND WHAT WE DO

We offer non-fuel products and services to consumers through more than 800 *Kedai Mesra* nationwide and over 50 strategic partners to increase traffic to PETRONAS stations. We also own and operate more than 40 Café Mesra that are mostly in Central and Southern regions.

Key Focus Areas

1. **Convenience Store**
   Provide convenience offerings for PETRONAS station customers through *Kedai Mesra*, including various Mesra own-label products

2. **Complementary Business**
   Partnership with Quick Serve Restaurants, indoor and outdoor F&B partners and services such as payment terminal, bank service machine and self-service kiosk

3. **Café Mesra**
   Down-to-earth, no-frills café that believes in great quality coffee and Malaysian food, at value prices, with a totally customer-centric service pledge

Value Created by Business Segment

Quality	Convenience	Value
Great quality coffee and food for our *Kedai Mesra* customers	One-stop solution for customers	Great offerings at value prices for Mesra own-label products

Performance Review

	Key Initiatives	Achievements
Value	• Delivering business growth despite the challenging situation as we transition into the endemic phase	• Increase in revenue by 24% against 2021, mainly contributed by growth in the convenience store segment
Growth	• Introduction of new profit segment for the business	• Officially launched Café Mesra on 7 July 2022 at PETRONAS station USJ 20 • Operationalised more than 40 Café Mesra by December 2022 • Cafés operating outside PETRONAS station vicinity enables the brand to compete with other F&B operators in wider market
	• Expansion of Mesra own-label offerings	• Introduced more than 80 SKUs across food and non-food categories such as bakery, beverage, confectionery, snack, accessory, car care and personal care
Sustainability	• Supporting PETRONAS' sustainability agenda	• Expanded the usage of environmentally-friendly takeaway packaging for customers • Introduced biodegradable and compostable utensils for Café Mesra
	• Business opportunity for local SMEs	• Established and growing more than 1,800 local SME suppliers through business partnership via products placement at *Kedai Mesra*

Challenges and Our Response

Challenge	Our Response
High reliance on cigarettes for *Kedai Mesra* creates unstable base for further growth	• Currently, the contribution from cigarettes to the sales and income of the business is quite substantial despite the degrowth trend over the last few years. Moving forward, it is important to move away from reliance on cigarettes by focusing on growth of other products such as food solutions and own-label products that can bring more value to the business and customers
Intense competition with established and new café businesses in Malaysia	• The coffee industry in Malaysia has been mushrooming significantly as compared to the last 5 years. To ensure consistent customer traction, development of brand and continuous engagement with customers through the participation in events associated with PETRONAS is crucial

OUTLOOK

Kedai Mesra is highly dependent on the demand of conventional fuel that is currently being challenged by more ride hailing services and energy efficient vehicles. As such, it is very crucial for the business to focus on more value creation on other offerings to attract more non-traditional fuel consumers to the stations.

As for Café Mesra, more outlets will be opening outside Klang Valley, and beyond the petrol forecourt in standalone locations. More efforts on raising brand awareness through social media channels, promotions and collaborations with partners internally and externally are in the pipeline to ensure business profitability and sustainability in the longer run.



Convenience: Venture Builder



MAZLIN ERAWATI AB MANAN
Head,
Venture Builder

Growing beyond fuel for everyday mobility needs for motorists, we are constantly innovating and developing solutions to meet our customers' ever-evolving needs. In our move towards inclusive and greener mobility, we are progressing the net zero carbon emission goal. Our mission is to deliver the convenience to 'setel' all motorists needs in one app.





WHO WE ARE AND WHAT WE DO

We invent, incubate and scale up disruptive ventures to diversify and grow new revenue streams for PDB. Obsessed with eliminating customers' pain points, we deliver a customer-centric, unified value proposition in which customers can enjoy a seamless experience on a wide range of products and services. We capitalise on PDB's extensive distribution network, loyal customer base and strong brand equity to drive new business growth.

Key Focus Areas

1. Scale up our business for growth with continuous iteration of use case and products
2. Expand our customer base by improving the customer journey through continuous innovation and the curation of new solutions that address their needs

Value Created by Business Segment

Evolve
Drive business growth via new models of corporate entrepreneurship and innovation

Innovate
Curate innovative solutions to address customers' needs and provide seamless customer experience

Explore
Go beyond fuel with product and service offerings to capture new customers

Expand
Incubate ventures, attract partners, create jobs and wealth and support communities

Performance Review

	Company	Key Initiatives	Achievements
Value	**Setel**	• Seamless and differentiated refuelling experience by enabling more digital solution to pay and activate pump on-the-go	• 80% increase in year-on-year Gross Merchandise Value (GMV) to RM1.8 billion in 2022, with strong adoption of fuel use case through the launch of new features such as Setel Share, Pay with Apple Watch, One-Tap Fuelling and Cardless SmartPay
	Setel Express	• Extend the value and positive mindshare of PETRONAS brand through lifestyle fashion merchandise	• PRYSM GMV doubled year-on-year to RM25.2 million, with the introduction of Badminton and Cycling segments and doubling down on existing PETRONAS corporate sponsorship segment namely Formula One™ and MotoGP™
	ROVR	• Enabling mobile fuel delivery to more customers via truck-to-truck delivery and Mini Portable Container Storage	• 23% increase in year-on-year GMV to RM77.6 million in 2022, led by optimisation of trucks by re-purposing available Beta trucks to deliver to PETRONAS stations and Sustainability Energy Development Authority (SEDA)
Growth	**Setel**	• Scaling our Retail on-the-go experience to win over motorists and monetise beyond PETRONAS stations and fuel use cases	• Launched new mobility use cases with partners such as Motor insurance, Parking, EV charging, Roadside assistance, Road tax renewal and sell Car • Expanded wallet touchpoints to approximately 5,000 merchant outlets via direct integration with merchants and integration with third party acquirers
	Setel Express	• Accelerating seamless omni-channel e-commerce and webstore experience.	• Launched cross border MVP to Singapore as part of growth strategy for expansion beyond Malaysia market in December 2022
	ROVR	• Expansion of the business-to-business (B2B) segment	• Expansion of B2B segments regionally to Melaka and Kuantan coupled with optimisation of trucks for Retail drop and SEDA
Sustainability	**Setel**	• Supporting the use of greener energy as EV platform discovery by enabling cashless payment for EV charging	• Rolled out SetelPay for the use of 47 EV charging stations in PETRONAS stations
	ROVR	• Involvement in Community Drumming (CD) in Sarawak • Collaboration with SEDA	• Launched first CD site in Sarawak, benefiting the rural community in Long Tebila Kapit • Secured delivery contract with SEDA for delivery of Biofuel

Challenges and Our Response

Challenge	Our Response
Growing regulatory requirements may increase our cost of doing business and non-compliance risk. This includes Cyber Security threats which could undermine data security for a digital first company	• Constant engagement with regulatory bodies to ensure compliance with regulations • Hiring subject matter expert with increased focus on evaluating compliance with regulatory requirements and proactively secure and safeguard our ecosystem

OUTLOOK

Leveraging our growth momentum and current customer base, we will continue to innovate and introduce new technologies to improve and ease the customer's journey at the same time support PDB in its digital transformation to make life simpler and better for all. As a customer-centric business, we take no greater pride than to transform customer pain points into pleasure.

Enablers:
Supply and Distribution



NORMAH BASRI
Head,
Supply and Distribution Division

Despite a surge in order fulfilment, Supply and Distribution Division (SDD) sustained a high level of efficiency in our daily operations through resilient strategies. Our main priority has been to deliver value to our customers with progressive improvements while implementing sustainable initiatives. Throughout 2022, SDD remained robust, flexible and agile amid a challenging market environment and increased volume demand, ensuring safe on time in full product delivery.





WHO WE ARE AND WHAT WE DO

SDD is in charge of managing PDB's end-to-end supply network from refineries through primary and secondary distribution channels to end users in a safe manner. This includes product sourcing, product distribution, infrastructure planning, terminal operations, asset management and product delivery.

We support our business lines by utilising several distribution channels and a wide range of suppliers across 38 terminals in Malaysia to maintain uninterrupted supply. In addition, we inculcate a generative HSSE culture as we work towards operational excellence in compliance with regulatory requirements.

Key Focus Areas

1. Service improvement through cost optimisation and being a solutions provider with the strongest network to meet our customers' expectations

2. Order fulfilment, supply reliability, customer satisfaction, HSE assurance and operational excellence to ensure sustainable competitive advantage in making lives simpler and better

Value Created by Business Segment

Reliable
Safe and reliable delivery meeting customers' expectation

Create
Structured cost management to maximise profitability

Network
Mutual collaboration and long-term relationship with stakeholders

Cultivate
High competencies and proactive work culture among staff and contractors

Innovate
Adopting digital solutions to continuously enhance the customer experience

Performance Review

	Key Initiatives	Achievements
Value	• Sustain competitive cost-to-serve with cost optimisation initiatives	• Continuous improvements of 4% primary distribution, 8% secondary distribution and 18% terminal operations costs compared to previous year, notably 44% optimisation of LPG vessel operations via sublet arrangement
	• Uphold best-in-class Operational Excellence performance through: – Enhanced order fulfilment in Mission ZeroOOS' Special Coordination Committee – High operating discipline via adoption, practising and learning	• Exceptional Overall Equipment Efficiency (OEE) of 92% higher than planned 91% including: – Cater to 26% increase in demand surge during festive seasons with zero inventory stockouts at terminal – High Operating Discipline where 35% terminals passed OE R2 Overall Implementation Assessment with target for 100% by FY2025
Growth	• Asset rejuvenation to prolong life expectancy and improving reliability	• Sustain and strengthen asset integrity safely through seamless execution of major shutdowns: – Melaka LPG terminal inaugural pallet plant refurbishment with 10,000 cylinders per day improvement – Prai Fuel and Pasir Gudang Fuel Terminals integrated pipeline maintenance works
	• Establish SDD Annual Assurance Masterplan through risk-based approach	• Achieved 22% optimisation of assurance plans for first line assurance with adoption of PDB Assurance Framework for JV facilities
Sustainability	• Streamlined SDD Sustainability Agenda 2023-2025	• Land Transport Transformation blueprint in 8% reduction CO_2e emissions by 0.82 tonnes through Road Tanker Idling Time initiative at Klang Valley Distribution Terminal parking base
	• Supply Sustainable Aviation Fuel (SAF) to Malaysia Aviation Group (MAG)	• Concluded six Risk Assessment Modules for SAF blending facility at Kuala Lumpur Aviation Fuelling System Sdn. Bhd • Successfully delivered first SAF pilot delivery to Malaysia Aviation Group at KLIA and Subang Airports

Challenges and Our Response

Challenge	Our Response
Managing demand spike due to festive season and bad weather	• Fleet and *Rakan Khidmat Penghantar* (RKP) injection to boost 5% fleet strength to support product supply • Order fulfilment intervention and coordination during peak volume period via Mission ZeroOOS
Maintaining operational efficiency across the value chain while sustaining cost-to-serve competitiveness	• Managed volume spike during festive season while balancing manpower competency and optimising asset performance • Scheduled optimisation of distribution channels (term charter vessels and fleet) to ensure safe and timely product delivery
SAF delivery technical and quality requirements from the lens of customers	• Appointed PDB focal to conduct first SAF Risk Assessment on logistics route to market

OUTLOOK

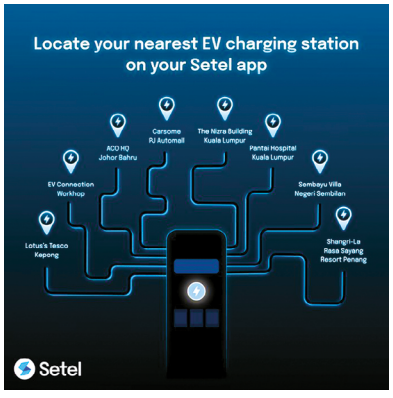
Moving forward, SDD is committed in delivering competitive cost-to-serve and serving our customers through seamless experience via adoption of cost-optimisation strategies, collaboration and sustainability initiatives.

Enablers: Digital



KOH TAT CHONG
Chief Technology Officer

At PDB, we are committed to using digital technologies to enhance the customer experience and make everyday life simpler and better. Digital is integral to our Moving Forward Together 50:30:0 strategy, which aims to deliver value, growth, and sustainability for all our stakeholders. We emphasise adopting and building technology solutions and tools that delight our customer experience, increase our business resilience and accelerate our sustainability journey.





WHO WE ARE AND WHAT WE DO

Digital supports and amplifies the digital capability of all areas of PDB's business and operations to elevate efficiency, productivity and sustainability efforts. All key initiatives are anchored to our digital blueprint that sets out our aspiration in strengthening the core, future proofing digital infrastructures, delivering values and transitioning to net zero carbon. Cyber security is a key consideration throughout this process, as the protection of sensitive data and systems is vital to prevent any business disruption.

Key Focus Areas

1. **Digital Blueprint**
   Since its inception, the Digital Blueprint has remained a top priority for PDB. It was developed to support PDB's growth strategy through modernisation of customer experiences, democratising data and empowering employees with the necessary digital skills to succeed

2. **Cyber Security**
   While PDB has benefitted from increased digitalisation, we acknowledge the increased risks of cyber vulnerabilities. As such, a comprehensive cyber security roadmap has been deployed to continuously improve our compliance with industry standards, build our cyber defence capabilities and educate our employees

3. **Modernisation**
   To support PDB's growth strategy, there is a prerequisite to transition our nationwide network of stations to cloud-based digital platforms for increased operational efficiency and as a scalable foundation to deliver personalised service to our customers. These new platforms seamlessly integrate into PDB's in-house developed Setel platform to provide a unified customer experience at our stations. Our use of cloud will contribute towards reducing PDB's carbon footprint as our cloud partners continue to migrate to sustainable energy sources

4. **Operational Excellence**
   We support continuous Company-wide productivity improvement opportunities through continued digitalisation of processes and in providing self-service platforms to empower a community of citizen analysts and citizen developers at PDB. We also continuously enhance operations through modernisation of tools, processes and governance for improvements to availability of digital assets deployed at over 1,000 locations nationwide

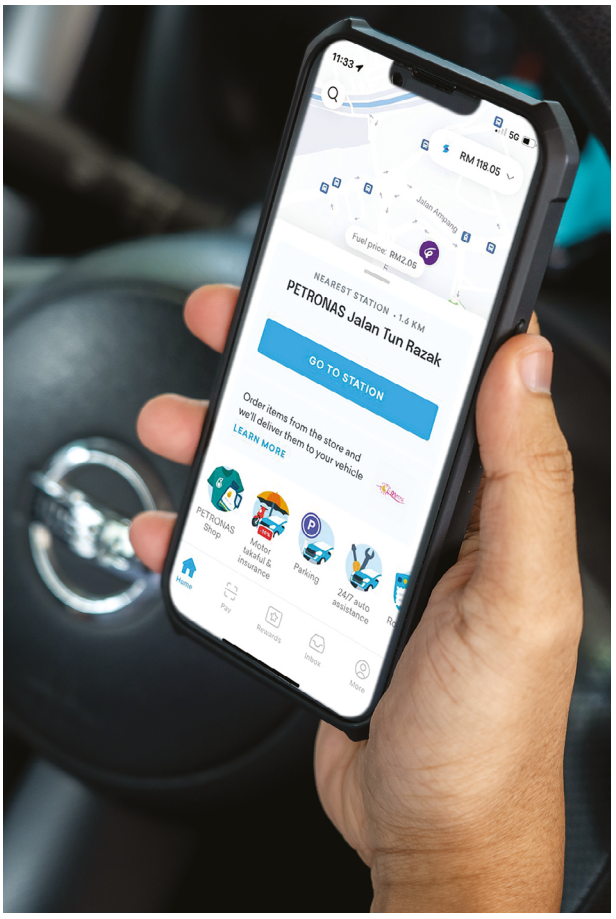
Value Created by Business Segment

Generate
Our centralised data hub coupled with self-service tools empower PDB's citizen analysts to generate actionable data that is not only descriptive or predictive but also prescriptive for our business planning and operations. We continuously augment the data tools available to our citizen analysts, most recently making available machine learning tools for advanced analysis

Empower
We empower PDB's workforce to deliver optimal outcomes across our business by leveraging the power of digitalisation and self-service tools for citizen analysts and citizen developers

Innovate
We are dedicated to driving continuous innovation to create a superior and unified brand experience for our customers. We support PDB's culture of working backwards from the customers through our platforms that empower PDB employees in their improvement experiments

Deliver
We deliver a digitalised experience to our customers to improve the reliability and convenience of our services. In supporting business operations, we help augment decisions through timely availability of data and digitalisation of processes



Performance Review

	Key Initiatives	Achievements
Value	• Modernisation of PETRONAS stations - new outdoor payment terminals and Cloud-based Point of Sales and secure broadband connectivity nationwide	• The completion of these major platform upgrades to the entire network of more than 1,000 PETRONAS stations was a significant milestone in PDB's modernisation initiatives • Besides creating a standard operating environment and unified customer experience with seamless integration with Setel's current and future offerings, the new platforms with remote capability for vulnerability management and digitalised maintenance workflows have resulted in significant station reliability improvements over our previous legacy platform
	• Expanding cardless options at PETRONAS stations	• Our new platforms seamlessly integrate into PDB's in-house developed Setel platform, creating exciting opportunities for fully cashless and cardless customer refuelling journeys. Building on what has been done PDB is starting to introduce cardless SmartPay for our commercial fleet customers. This will be our new innovative differentiator to streamline our commercial customers' management of refueling their fleet at our stations. Going forward we will be taking the opportunity to further convert other existing PDB card offerings into cardless
	• Automation of fuel stock management forecasting, and distribution to PETRONAS stations	• Rollout of in-house built data models for forecasting to reduce the complexity in our fuel stock management and distribution to avoid out of stock and road tanker diversion situations

Enablers: **Digital**

Performance Review (Cont'd)

Strategic Objectives	Key Initiatives	Achievements
Growth	• Implementation of Artificial Intelligence (AI)-as-a-Service	• Augment the data tools available to our citizen analysts, most recently making available machine learning tools for advanced analysis • Deployed our first machine learning data models to improve our ability to forecast Retail-Fuel sales and to estimate margin elasticity of our vehicle lubricant pricing in response to the varying price of lubricant supplies
	• Digital retail marketing campaigns	• Iterations of data models and marketing automation to support marketing campaigns targeting incremental growth in fuel sales
Sustainability	• Cloud migration and new ways of working	• Reduction in carbon footprint by implementing cloud-based solutions, and further future reductions as our cloud partners continue to migrate to sustainable energy sources • New ways of hybrid working at PDB enabled by cloud-based office collaboration tools backed with robust cyber defense has enabled emissions reduction from reduced need for employee commuting
	• Enterprise Cyber Security Operationalisation	• To safeguard our systems and customer data, we have operationalised and deployed a comprehensive cyber security roadmap, where we have taken measures to adopt the leading industry standards. Our cyber defence capability has been significantly strengthened through the implementation of standardised infrastructure and governance frameworks, as well as the deployment of remote monitoring and alerts

Challenges and Our Response

Challenge	Our Response
Post-COVID recovery impacting the supply costs of hardware and software	• Initiated integrated work pods that bring together all relevant parties in a collaborative environment, enabling us to be responsive to changing circumstances and take advantage of new opportunities as they arise in areas of further technical consolidation for economies of scale and/or longer-term commercial agreements
Increasing cyber security threats on digital platforms	• Consistently drive employee awareness of cyber-safe behaviours through a balanced approach of education, drills and assessments • Frequent cyber security compliance re-assessments for digital systems against current best practices • Persistent and recurring system updates to address newly discovered security vulnerabilities of our digital assets and network • Drills and practising cyber procedures to test the effectiveness of our mitigations • Collaborative efforts with our suppliers and partners to roll out cyber-safe practices across our digital supply chain
Sustainability and ESG	• Frequent assessment of digital needs at PDB to support our organisation's commitments to meet industry requirements for sustainability reporting and governance • We will establish the baseline digital capabilities needed to manage, track performance, report, disclose and communicate ESG-related data points across PDB

Enablers: **Digital**



OUTLOOK

As the digital landscape is continually evolving, it is challenging to predict specific developments that will occur in 2023. Nevertheless, several trends are likely to continue to shape the digital world in the coming years. In light of this, PDB will remain vigilant and adaptable to changing customer, market and regulatory demands by ensuring a best-in-class digital experience at our stations as well as ensuring compliance and prioritising data safety in our digital efforts. We will continue to adopt increasingly more digital technologies to enhance both our operational efficiencies as well as our sustainability commitments through further reduction in emissions. Digital will continue to support PDB's growth strategies and enable us to create greater value for our stakeholders while delivering superior customer experiences with the promise of Making Your Everyday Life Simpler and Better.

Creating and Preserving a **Sustainable Future**



As the largest retailer of petroleum products in Malaysia, PDB has an extensive presence across the country, and our actions impact a wide cross-section of stakeholders. All our stakeholders are important to us, and we seek to create sustainable value for them through responsible economic, environmental, social and governance (EESG) pillars.

We provide economic benefits to our suppliers, partners, shareholders and investors through sound financial performance. We protect the environment for the benefit of the current and future generations through effective waste management and climate change actions. We maintain our social licence to operate by caring for our employees and the community at large.

Finally, all our sustainability initiatives are underlined and enhanced by sound corporate governance which supports our promise of 'Making Your Everyday Life Simpler and Better'.

We believe that, by understanding our sustainability issues we will be better prepared to manage risks posed by shifting macroenvironmental factors, while leveraging opportunities that they bring. In effect, we will be future-proofing our company, strengthening our resilience and reputation while sharpening the ability to grow and diversify in tandem with our evolving landscape.

In 2021, we embarked on the development of a five-year Sustainability Roadmap that will guide our sustainability agenda in a manner that is effective and relevant. The effort and resources that have gone into this roadmap are indicative of our commitment to sustainability. Much more than to meet increasing stakeholder expectations and to entrench our own business sustainability, this commitment stems from a deep-rooted belief that sustainability is the right thing to do.



How our Sustainability Statement is Structured

This Sustainability Statement has been structured according to our refreshed material matters. For each, we have included our approach to managing the specific issue, initiatives implemented, progress made, and future considerations as well as outlook.

Our Reporting Approach

In presenting this Sustainability Statement, we have adhered to the Main Market Listing Requirements (MMLR) of Bursa Malaysia under the Amended Listing Requirements for Sustainability Statement. The statement has also been prepared with reference to the Global Reporting Initiative (GRI) Standards and other relevant frameworks including the United Nations' Sustainable Development Goals (UN SDGs) and the Sustainability Accounting Standards Board (SASB).

Driving Sustainability

Over the years, we have been reinforcing the sustainability of PDB's ecosystem via programmes and initiatives focused on the EESG pillars. We have continuously formalised the management and governance of our approach to ensure a more robust, structured and systematic process with greater intent and purpose. We have been making good progress culminating in a more meaningful longer-term view in our sustainability approach, based on the expectations of our stakeholders and the ever-changing demands of our industry and business.

Creating and Preserving a **Sustainable Future**

Our key sustainability milestones and achievements are presented below.

PDB SUSTAINABILITY JOURNEY

2006
- Included CSR in PDB Annual Report

2012
- Begun exploring renewable energy by installing solar at a twin station in Serdang

2015
- Included as a constituent of the FTSE4Good Bursa Malaysia Index, and maintained our position there ever since

2016
- Revised PDB Board Charter to include Sustainability
- Launched our first EV charging station

2017
- PDB Board approved PDB Sustainability Framework and Material Sustainability Aspects

2019
- PDB Board approved flagship initiatives under the new Sustainability Framework

2020
- The Sustainability Action Council (SAC) was formed
- Oversight of sustainability matters was fully integrated into the Board's mandate
- B20 biodiesel was made available at selected PETRONAS stations

2021
- PDB Sustainability Roadmap was finalised at the Board and Management Strategy Retreat
- Fuelled the first SAF trial flight with Malaysia Airlines

2022
- Prepared for alignment with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations
- Introduction of EV charging feature by Setel

Economic Growth and Performance



We seek to create healthy profits not only to underline PDB's own sustainability but also to enable us to fulfil our financial commitments to various stakeholders – from our investors to the government, our employees, contractors, suppliers and business partners. Over the years, we have developed an increasingly large ecosystem of stakeholders who depend substantially on PDB for employment opportunities and income. We recognise our responsibility to these stakeholders and continue to optimise the economic as well as social value we are able to create by being agile and resilient, and future-proofing our business through constant innovation and reinvention.

DIVIDEND PAID TO INVESTORS
RM615.9
million
(2021: RM606.0 million)

TAX PAID TO GOVERNMENT
RM306.7
million
(2021: RM150.4 million)

PAYMENT TO CONTRACTORS/ SUPPLIERS/BUSINESS PARTNERS
RM48,902.30
million
(2021: RM23,249.2 million)

SALARIES PAID TO EMPLOYEES
RM296.4
million
(2021: RM276.9 million)

PERCENTAGE OF LOCAL SUPPLIERS/CONTRACTORS
99.4%
(2021: 98.3%)

Economic Growth and Performance

LOCAL ECONOMIC OPPORTUNITIES

PDB supports the local economy by engaging local suppliers and vendors through our core and convenience businesses. Almost all dealers, contractors and suppliers for these businesses are Malaysian-owned companies which have registered with PETRONAS and are accredited with the necessary licenses to undertake their required scope of work. These include our Rakan Niaga who operate more than 1,000 PETRONAS stations nationwide.

Through our partners and dealers, we contribute significantly towards job creation. As at end 2022, we were supporting the employment of approximately 13,300 individuals either directly or indirectly:

Retail-Fuel	Commercial	LPG	Lubricants	Convenience
REACH AND INITIATIVES				
1 **>900** *Rakan Niaga* nationwide, employing **>9,000** Krew PETRONAS	1 **>200** dealers nationwide 2 **Develop** entrepreneurship and business skills of business partners 3 **Appointed and developed** a local entrepreneur as the sole supplier of fuel to PETRONAS Refinery and Petrochemical Integrated Development Project in Pengerang, Johor	1 **330** channel members 2 **1,000** employees of channel members	1 **35** market executive partners (MEPs) nationwide 2 **Provided** entrepreneurial development and skills enhancement of MEPs 3 **46 PETRONAS** AutoExperts in operation	1 **MESRA Partnership** with **>1,800** local SME food suppliers nationwide for *Kedai Mesra* 2 **Love Local Campaign** promotes local products and brands
EMPLOYMENT OPPORTUNITIES CREATED				
>9,000 *Rakan Niaga* and Krew PETRONAS (KP)	**>200** Commercial Channel Partners	**~1,000** LPG Channel Members		**~150** Lubricant Distributors

Economic Growth and Performance

DRIVING ENTREPRENEURIAL SPIRIT TO SUPPORT INCLUSIVE ECONOMIC GROWTH

PDB has been actively supporting local entrepreneurs and SMEs for more than 25 years to drive more inclusive economic growth. In addition to providing them with business and enhancing their customer reach through our wide network of Kedai Mesra and PETRONAS AutoExpert outlets, we also offer upskilling programmes while helping them to penetrate new markets. To date, we have helped numerous entrepreneurs market their products in both the food and lubricant sectors.

Love Local Campaign

The campaign has been held since 2020 to promote local entrepreneurs. Vendors are provided with guidance covering several areas such as pricing strategy, product presentation, merchandising rules, logistics and distribution as well as planogram implementation.

SEGAR@MESRA

Segar@Mesra is a collaboration with the Ministry of Domestic Trade and Consumer Affairs (KPDNHEP), Ministry of Agriculture and Food Industries (MAFI) with its agencies National Farmers Organisation (NAFAS) and Persatuan Nelayan Kebangsaan Malaysia (NEKMAT) as well as other local partners. It is aimed at supporting the livelihood of local farmers and fishermen by connecting them directly to consumers, whilst ensuring consumers have easy access to affordable fresh produce. Produce from NAFAS and NEKMAT are available at 63 stations in Peninsular Malaysia and Sarawak.

PETRONAS AutoExpert

Our Lubricants Business provides jobs and business opportunities to local communities via the PETRONAS AutoExpert programme. Since its establishment in April 2019, we have 46 operational PETRONAS AutoExpert outlets across Central, Northern and Southern regions and we are continuing to expand the network into East Coast and East Malaysia. The programme is supported by PDB and MARA under Pembangunan Usahawan Automotif MARA PETRONAS (PUMP) to elevate the capability and competitiveness of entrepreneurs seeking opportunities to expand their business in the automotive industry.

In 2022, SME Bank and Perbadanan Usahawan Nasional Berhad (PUNB, or National Entrepreneur Corporation) joined the programme to facilitate financial support. More than 90% of PETRONAS AutoExpert partners are under this financing scheme. PLMM will continue to provide training and marketing support to elevate awareness of PETRONAS AutoExpert and upskill the entrepreneurs to drive more traffic to these workshops.

PETRONAS AutoExpert has also partnered with Setel to provide the e-payment option in all the workshops. In addition to an extra payment option, customers get to earn PETRONAS Mesra points when they pay via the Setel app.

To promote the programme, PLMM organised several roadshows and seminars. These have attracted the interest in 242 mechanics, with 135 of them being shortlisted.

In 2022, we entered a collaborative partnership with Cenviro, Malaysia's first and largest integrated waste management company, to encourage responsible collection and disposal of waste lubricants from PETRONAS AutoExpert workshops. Waste lubricants collected will be processed into Re-refined Base Oil (RRBO) that will be blended into lubricants. As an added bonus, the initiative will prevent fake oil blenders producing counterfeit products. This partnership will offer Malaysia's first Lubricant Circular Economy model to the industry.

SME Development Framework for *Kedai Mesra*

During the year, we collaborated with the Ministry of Domestic Trade and Cost of Living (KPDN), MARA and SME Corp to develop a framework for our SME Development with MESRA programme. The framework entails a structured process to assess and select SMEs for the programme, conduct the onboarding programme, monitor and report on the SMEs' progress and review or conclude their participation in the scheme. Through the framework, we will also match potential suppliers with ministries or government agencies for financial and other forms of aid. The framework will be fully rolled out in 2023.



Economic Growth and Performance

Dealer Development for Mini PCS Stations

Following the successful launch of the Mini Portable Container Storage (PCS) programme in Beaufort, Sabah by our mobile refuelling service, ROVR, in 2021, the service was rolled out at a second location, in Sarawak, in 2022. The chosen village, Long Tebila in Kapit, Sarawak, is more than 100km away from the nearest petrol station, requiring the locals from six villages to travel more than three hours if they need fuel.

Through the programme, run in partnership with the Ministry of Domestic Trade and Consumer Affairs, dealers are engaged to operate the Mini PCS stations which provide reliable access to fuel at retail pump prices. While serving the fuel needs of the local community, the programme also provides income-generating opportunities to locals who are trained to serve as the dealers. With their Petroleum Development Act (PDA) and Scheduled Controlled Goods Act (CSA) licenses, the Mini PCS station dealers can grow to become full-fledged retail station dealers. At the same time, other small businesses can also use the stations to offer their products or services, repeating the *Kedai Mesra* model.



Youth Employment through Incorporation of New Subsidiaries and New Businesses

Mesra Retail & Cafe Sdn. Bhd. (MESRA), a wholly-owned company by PDB, was incorporated in 2021, to explore new business opportunities apart from the existing businesses under the convenience segment. This allowed for more employment opportunities to be made available, especially with the launch of Café Mesra in 2022. As of the end of 2022, MESRA was employing a total of 141 employees at 41 Café Mesra outlets, and 103 employees at MESRA's headquarters.

A total of 35% of Café Mesra employees are in the 18-25 age group, indicating that the F&B venture is supporting youth employment across the country. In-house training is provided to Café employees at selected outlets, providing the new employees with valuable skills.

PETRONAS AutoExpert has also partnered with Setel to provide the e-payment option in all the workshops. In addition to an extra payment option, customers get to earn PETRONAS Mesra points when they pay via the Setel app.

To promote the AutoExpert programme, PLMM organised several roadshows and seminars. These programmes have attracted the interest of 242 mechanics, with 135 of them being shortlisted.

LPG Dealers' Capability Programmes

Our LPG dealers uphold the drive and values that keep PDB at the forefront of the industry while serving customers through our extensive network. In 2022, over 40 sessions comprising eight types of Dealer Capability Programmes, including HSE programmes, were conducted for LPG dealers nationwide. These included:

- Fire extinguisher trainings at the regional level in collaboration with Jabatan Bomba dan Penyelamat Malaysia (BOMBA)
- Emergency Response Exercise (ERE) at Sandapak Trading Sdn. Bhd., a premier dealer in Sabah, involving BOMBA, Keningau Police, Keningau Hospital and DOSH Sabah
- Table-top Exercise (TTX) at regional level involving LPG channel members focusing on execution of Crisis and Disaster Management Plan

LOOKING AHEAD

We are driven to continue to build a robust ecosystem of suppliers, dealers and service providers that support PDB's growing businesses, fuelled by the fact that in so doing we are also creating multiple spill-over effects that will stimulate the economy. Going forward, we will explore more channels through which we are able to develop local capabilities and instil an entrepreneurial spirit among youth while creating meaningful employment opportunities that will uplift the lives of currently under-represented communities.

Sustainable and Ethical Supply Chain



As a member of the PETRONAS Group, our sustainable development aspirations and commitment are underpinned by PETRONAS' Code of Conduct and Business Ethics (CoBE). Among others, CoBE instructs us to "create lasting social benefits; safeguard the health and safety of employees, contractors and neighbours; minimise disruptions to the community; lower emissions; minimise impact on ecosystems and biodiversity; and use energy, water and other resources more efficiently."

While upholding these principles, we also require our partners, contractors and suppliers to observe similar standards of conduct to ensure sustainable development across our value chain.[1]

[1] *PETRONAS Code of Conduct and Business Ethics (CoBE), page 219.*

HEALTH, SAFETY AND ENVIRONMENT (HSE) IN SUPPLY CHAIN

Health, Safety and Environmental (HSE) requirements are spelt out and communicated in contract documentation including agreements and arrangements with contractors, suppliers, dealers and business partners. Specifically, suppliers and contractors must comply with the Minimum Technical Requirements set by PETRONAS Licensing and Registration Requirement in Malaysia, which is accessible on PETRONAS' website.

Risk assessments are carried out on suppliers and contractors based on their scope and nature of work to ensure all risks related to people, environment, assets and reputation are identified, controlled and mitigated.

We require our contractors and suppliers to establish and implement their own HSE plans that detail the practices, procedures and control measures put in place for effective HSE management when performing work for PDB. To ensure our contractors perform their work safely, we conduct contractor assurance through our annual contractor assurance plan. The objective is to identify the strengths and weaknesses of our contractors and to develop appropriate intervention plans, if necessary.

In addition, we enhance our contractors' capabilities through HSE induction, training and engagement. These platforms ensure our contractors continue to comply with our standards as well as legal and regulatory requirements. The HSE performance of our contractors and suppliers are also evaluated upon the completion of contracts. Gaps are recorded for future improvement, while consequence management is applied for serious non-compliance.

To instil the HSE Generative Culture among contractors, we organised a Contractor's CEO HSE Capability Forum in 2022. We are also continuing with our Contractor Mentorship Programme with selected contractors. In 2022, one of the contractors managed to complete the programme.

Sustainable and Ethical Supply Chain

Responsible Sourcing Initiatives

During the year under review, we conducted a situational assessment on Responsible Sourcing to strengthen the sustainability of our supply chain. This involved engaging with our sourcing managers and several key suppliers of Mesra Water, Mesra house brand products, Mesra coffee and PRYSM apparel. We plan to uplift the capability of our suppliers with regards to sustainability in the next couple of years.

Given sensitivities surrounding the palm oil industry, we require palm methyl ester (PME) to be acquired only from sources that have been certified by the Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO) and/or International Sustainability and Carbon Certification (ISCC). Such certifications provide assurance that palm oil has been produced in a manner that is environmentally and socially responsible.

HUMAN RIGHTS IN SUPPLY CHAIN

Our commitment to upholding human rights extends to players in our supply chain. To guide our contractors, suppliers, dealers and business partners, we refer them to PETRONAS' Code of Conduct and Business Ethics (CoBE) and PETRONAS' Contractor Conduct on Human Rights (CoCHR) as well as PDB's Policy on Health, Safety and Environment.

As per our CoCHR, contractors are required to adhere to the following human rights principles which address human rights issues in PDB and compliance with local laws:

Freedom of Labour – no one will be employed against their free will

Prevention of Child Labour – adherence to the legal minimum working age

Wages, Benefits and Working Hours – adherence to minimum wage, overtime regulations, legally mandated benefits, and legal working hours

Grievance Mechanism – provision of avenues for employees to report grievances

Non-discrimination – based on gender, race, ethnicity, skin colour, religion, nationality, age, marital status, pregnancy, political affiliation or disability in hiring and employment practices

Freedom of association – the ability of employees to be unionised and have right to collective bargaining

Human treatment – no mental, physical or verbal abuse

Fair treatment of foreign/migrant workers – full compliance with labour and immigration laws

For more details on these human rights principles, please refer to the Human Rights section on page 124 of this report.





Sustainable and **Ethical Supply Chain**

In addition, HSE induction and refresher training courses were conducted for all contractors and suppliers.

SALIENT BHR AREAS

A comprehensive Social Risk Assessment (SRA) conducted in 2020 which included extensive engagement with our contractors, vendors, suppliers and dealers revealed that Labour and Working Conditions are among PDB's most prominent human rights issues. This led to a Human Rights Due Diligence (HRDD) exercise in 2021 to further identify gaps in our systems and processes across the Group.

We have also taken a proactive stand to continuously assess our human rights impacts as part of our core risk assessment for operations and projects. In addition, human rights has become part of contractors and suppliers screening. New suppliers are required to complete a Know Your Counterparty Self Declaration questionnaire comprising 30 questions on critical legal areas including human rights. Meanwhile, existing suppliers are expected to adhere to the Human Rights clause in our business contracts as well as to our CoCHR Guide.

Following the SRA and HRDD, we also took quick-fix actions to develop our contractors' and suppliers' capabilities by providing training on social issues and sharing best practices to avoid any infringement of human rights.

Monitoring

Nine audits conducted on our contractors in 2022 revealed that 60% are without human rights related policy; 80% have yet to conduct human rights related training among their workforce; and 40% are without existing platforms to report human rights violations.

To close these gaps and elevate human rights capabilities across our supply chain, multiple initiatives are ongoing:

- Published CoCHR Guide for all counterparties and require self-monitoring by contractors by adhering to the stipulated Principles (which form part of the contractors' "license to operate")
- Developed a CoCHR Video on our BHR model and all nine CoCHR Principles
- Engage with dealers during Compliance and Addendum Signing Roadshows, explaining the addendum on human rights

During the year, we also organised a PDB Contractor's CEO HSE Capability Forum 2022 to guide our contractors on their roles and responsibilities in human rights management. We are planning to introduce an assurance process for contract owners and suppliers in 2023.



Sustainable and **Ethical Supply Chain**

Stakeholder Engagement

We communicate our human rights expectations to all stakeholders, including business partners, through various channels, such as our contracts, our printed CoCHR, and the Compliance and Addendum Signing Roadshows. In 2022, these efforts were taken to a new level through the introduction of a new communication platform, Human Rights MeetSpace, where we engage with our external stakeholders on all matters related to our BHR.

Our stakeholders are strongly encouraged to report any grievances they may have via the Mesralink platform, through which we have received minor cases related to Community Well-being and Labour and Working Conditions at our retail facilities. These are assigned to the respective issue owners and closed within 14 days, with the complainant kept updated on the status of the report.

No major human rights violation or incidents were received or recorded in 2022.

LOOKING AHEAD

Going forward, our focus will be channelled towards further strengthening the sustainability of our supply chain.

- Establish a CoCHR self-compliance assessment process by counterparties
- Embed human rights into existing first line assurance by area or contract owners
- Roll out an updated Human Rights Training Execute Matrix
- Establish a process on social risk assessment for existing operations
- Establish a reporting indicator





Data Privacy and Security



Along with the development of our digital platform Setel and general digitalisation of our systems and processes, it has become imperative to protect our data as well as data belonging to our customers, partners, suppliers and other stakeholders. This is achieved through data privacy management by preventing loss of data due to leaks; and enhancing our data integrity by preventing IT system failures or any major cybersecurity incidents.

Data privacy is assured by the adoption of the PETRONAS Corporate Privacy Policy (PCPP) and PETRONAS Master Guidelines to the PCPP (MGCPP) which ensure compliance with applicable data protection laws such as the Personal Data Protection Act 2010 (PDPA 2010) and Bank Negara Secrecy Provisions Act 2013. We have also rolled out a Data Privacy Manual (DPM) to ensure that any personal data we enter into our systems is processed safely, and an updated Data Secrecy Manual (DSM), which sets out measures and controls in handling SmartPay customer data throughout the information lifecycle, in accordance with Management of Customer Information and Permitted Disclosures (MCIPD) requirements.

The PCPP applies to everyone across PDB's operations, including our suppliers. With regard to the latter, clauses in relation to compliance with privacy regulations are incorporated into all agreements formalised with our suppliers.

In terms of cyber security, we have implemented PETRONAS' Enterprise Cyber Security Framework which ensures our infrastructure and applications are configured and operated in a manner that protects all information contained, including customers' personal data. This includes regularly updating our security solutions.

Data Privacy and Security

Privacy Risk Compliance and Assessment

To ensure compliance with our policies, PDB has appointed a data privacy manager and executive in a newly created Data Privacy Office (DPO) under the Finance Division's Compliance Department. Meanwhile, a Security Operation Centre has been established that has the visibility to monitor cyber security threats. In 2021, we also developed a Cyber Security Road Map to continuously enhance our cyber defence strategy.

Privacy risks are assessed during the decision-making process based on the impact of the risk. The risk assessment ensures that necessary controls are incorporated in processes for the purpose of compliance with privacy regulations. The systems and controls related to data privacy are embedded Group-wide, as per our DPM.

All operating units are required to complete Legal Functional Checklist on Critical Legal Areas which include data protection and privacy to self-assess their compliance with legal and regulatory requirements. The exercise is conducted annually covering the end-to-end implementation of data protection and privacy controls, from governance and risk assessment, training and awareness, due diligence and contractual obligations, business practice to monitoring and assurance.

We have also established an effective data breach preparedness process via Cyber Defence Security Incident Management in the event that customers' privacy is compromised.

As stated under Paragraph 19.4 of the PETRONAS Code of Conduct and Business Ethics (CoBE), disciplinary action could be taken against anyone who violates any provisions of the PCPP or applicable personal data protection laws or regulations.

CULTURE OF CYBER SECURITY

We seek to create a culture in which everyone in PDB is aware of cyber security risks and adopts behaviours that protect our systems as well as data. Towards this end, we constantly share messages on the do's and don't's of using the Group's IT infrastructure and have implemented online training covering Data Privacy and Protection. As at January 2023, 97.3% of our staff have completed the online training module. Our objective is to strengthen our human firewall with safe day-to-day operations by our employees and partners.



LOOKING AHEAD

Following the introduction of our Data Privacy Manual in 2022, Internal Audit will be reviewing PDB's data governance and management in 2023 to determine whether internal controls, including privacy controls, have been established and operating as intended. This will provide assurance that our data management activities are effectively and efficiently designed, tracked and monitored in compliance with applicable procedures, laws and regulations.

Customer-Centricity



We place emphasis on demonstrating a customer-first mindset. We continuously seek to create meaningful transactions, interactions, and experiences through various touchpoints to delight the customer in their mobilily and greater convenience needs. By focusing on the needs and experiences of our customers, and creating sustainable solutions that bring them further convenience, we achieve our promise of making customers' everyday lives simpler and better.

In our efforts to be a brand driven by customers, we manifest our commitment through these areas:

- Always prioritising their safety and health, and the environment in which we operate
- Protecting and safeguarding their data and privacy
- Improving the retail customer experience at the forecourt, store and café, e-commerce and mobile solutions, and digital media channels
- Curating a range of offers, promotions, rewards that are relevant to their needs, as well as providing access to healthy, comforting, and refreshing food and beverages for their journeys





Customer Support and Engagement

We listen to the customer's voice and act on it with pace. Our customer feedback channels include Mesralink customer resolutions helpline, email and the customer experience centre located at PETRONAS Jalan Kolam Ayer Lama grounds; MEVA webchat via mymesra.com that provides support to common customer queries; and social media platforms such as Facebook, Instagram and Twitter.

All customer feedback, questions, and concerns are channelled to relevant subject matter owners within the enterprise, to be analysed and resolved, as well as studied and referenced for new product development or to improve offers, services, solutions, and experiences.

It is through customer feedback that we came up with new ways of reaching our customers:

01

Created a more inclusive Mesra Bonanza Lagi Onz! campaign as customers who spend more than RM10 at PETRONAS stations are now eligible to participate

02

Kicked-off a new pilot campaign where special promotions were offered to our two-wheeler customers

03

Introduced new F&B offerings such as Mornings@Mesra, SayHeart, special seasonal combos and promos

04

Efforts to listen to our customers' voice led to PDB achieving the highest NPS superseding industry benchmarks

CUSTOMERS' SAFETY AND HEALTH

To ensure customers' safety at our stations, we apply strict policies and procedures in line with the Government's pandemic SOPs. We also seek to offer only high-quality food at Kedai Mesra, and adhere to stringent criteria when sourcing products from local vendors as well as popular brands. Our own branded buns, Mesra Bites, make for healthy snacks as they contain zero trans fats.

In addition, the following safety programmes are organised by our businesses:

Retail-Fuel Business

Customers' Safety and Health Initiatives:

- All PETRONAS stations underwent refresher training on the expectation and execution of the Go-to-Safety-Point (GTSP) programme by Polis Di Raja Malaysia (PDRM) in which members of the public can seek refuge at PETRONAS stations in emergencies
- Increase awareness and provide support to government initiative in providing assistance to public during emergencies such as vehicle accidents and criminal incidents
- In instances where members of the public come to our stations for help, they are calmed down by station personnel and provided a drink while calls are made to PDRM/hospital/Bomba for assistance
- Signages at PETRONAS stations recommending safe behaviours before, during and after refuelling
- Monthly station audits are carried out out to ensure compliance with standards and regulations on cleanliness and safety

Commercial Business

Customers' Safety and Health Initiatives:

- Prior to operations commencement, risk assessments are carried out at customers' sites covering safety and health aspects
- Safe product handling training provided to customers
- Engagement sessions are held with dealers to keep abreast of industry best practices
- Engagement sessions are organised between dealers and authorities for better regulatory understanding concerning industry requirements

LPG Business

Customers' Safety and Health Initiatives:

- To ensure product safety and reliability, a thorough inspections of cylinders at terminal are done before delivery to customers
- Complimentary LPG cylinder safety checks during delivery of gas cylinders via the Gas PETRONAS Home Delivery hotline
- Regular cylinder maintenance to ensure the quality of our cylinders meet set standards
- Gas Safety Programmes conducted for local communities in collaboration with local authorities to raise safety awareness of LPG cylinders
- Our dealers and area managers educate bulk customers on the proper usage and handling of cylinders through safety talks and inspection

Customer-Centricity



CUSTOMERS' SAFETY AND HEALTH

Innovations for an Enhanced Customer Experience

Innovation Case Study	Description
Setel	Setel expanded its offerings beyond refuelling-on-the-go and payments, paving the way to inclusive mobility with the introduction of EV Charging, where EV users can locate their preferred charging station and activate the charger via the app from the comfort of their EVs; Motor takaful and insurance, where customers can request for quotations, compare plans and purchase motor insurance plans from the app; paying for fuel with a smartwatch, and automated parking payment with vehicle plate recognition at Suria KLCC, Kompleks Dayabumi, KL Convention Centre and more locations. LPG Business, in collaboration with Setel, has made it easier for customers to purchase Gas PETRONAS at six selected PETRONAS stations located in Klang Valley, Johor and Penang through the Deliver2me feature on the Setel app. Through the observation of its customers' pain points and incorporating their feedback into the app updates that are released every two weeks, Setel focused on providing an enhanced experience and expanded the mobility ecosystem through new services which complement their customers' journey of owning vehicles.
PETRONAS Shop	Introducing the all new PETRONAS Shop where customers can get a hold of authentic PETRONAS products from brands such as PRYSM, PETRONAS Twin Towers Gift Shop, Petrosains and Setel. For a more convenient shopping experience, customers can speed up checkout by selecting one-click checkout, pay with Setel and earn PETRONAS Mesra points with every purchase. Moving forward, there will be pre-order function ahead of time to improve customer experience especially for best selling products such as Badminton related releases.
LPG Business	• Added 91 Gas PETRONAS@Station and 160 Gas PETRONAS@Mini Market. As to date, a total of 263 Gas PETRONAS@Station and 175 Gas PETRONAS@Mini Market are operating nationwide. Among our Mini Market sales partners are Segi Fresh, KK Mart, Speedmart and Erfa Mart • LPG has adopted PETRONAS Working Backwards methodology in identifying the right persona, addressing pain points and understanding customers to better serve them. This has assisted the Southern region team to secure an agreement with "GEMBOX", a sizeable food outlet operator located at Seremban, Negeri Sembilan. 4 LPG cages, with a capacity of 48 of 14kg cylinders, were installed to cater to 50 food stalls located within GEMBOX • Gas PETRONAS merchandises were made available for purchase through digital online platforms (PRYSM, Setel App, online shopping website) as well as through offline sales via LPG dealers. LPG conducted a pilot programme to introduce our merchandise online, resulting in the sale of 500 Gas PETRONAS aprons and 250 signature boxes comprising aprons and microfibre kitchen towels through PETRONAS Shop

Customer-Centricity

Growing as an Agile Organisation

Aim:
Towards achieving business agility through focused implementation of Agile Enterprise Framework. Achievements in creating awareness for the adoption include:

1. Over 500% growth rate for Agile training within 6 months
2. More than 20 Agile Pods in action
3. Increasing number of Certified Scrum Master, Agile Coaches and Agile Leaders

Strengthen Change Agent network to allow sharing of successes and failures in practising agile ways of working.



Over
200
Change Agents

Organised
5 engagements
with **16 projects** and
2 success stories shared

Scored
66%
in Net Promoter Score (NPS)



LOOKING AHEAD

As competition ripens, it will become increasingly critical for PDB to differentiate ourselves from other players. We seek to leverage our strong customer understanding and relationships towards this end. Guided by our customer-centric approach, and empowered by agility, we will continue to deliver products and services that our customers need, continuously strengthening their trust and confidence in choosing PDB as their everyday partner.

Climate Change and GHG Emissions



The imminent threat of climate change is forcing governments to work together to reduce carbon emissions, as well as to impose various regulations on businesses and industries across the globe. At the 2015 United Nations Climate Change Conference, the Malaysian Government pledged to reduce the nation's carbon intensity per GDP to 45% below what it was in 2005 by the end of the decade.

OUR APPROACH

As a player in the oil and gas industry, we take seriously our responsibility to be part of the global transition to a low-carbon economy. Our climate actions are driven by PETRONAS' Climate Change Position, PETRONAS Carbon Commitments (PCC) and its aspiration to be a Net Zero Carbon Emissions (NZCE) organisation by 2050. Based on the PCC and NZCE, we are reducing our GHG emissions across our operations and investing in renewable energy while creating value and strengthening our businesses.

As part of the PETRONAS Group, we engage with global and local stakeholders on climate change initiatives. PETRONAS is a member of the Climate Change Working Group of the International Petroleum Industry Environmental Conservation Association (IPIECA) and the International Gas Union. Closer to home, PETRONAS engages with regulatory bodies such as the Ministry of Environment and Water and the Ministry of Energy and Natural Resources. It also contributes data to the National Communication and Biennial Update Report for submission to the United Nations Framework Convention on Climate Change, towards realising the country's Paris Agreement pledge.

Climate-related Risks and Opportunities

We recognise that the transition to a low-carbon economy presents both risks and opportunities for our businesses and stakeholders. To better understand these risks and opportunities, we undertook a qualitative analysis of the physical as well as transition risks (policy, market and technology risks) associated with climate change in 2021.

A high-level qualitative assessment identified about 2,050 potential short, medium, and long-term risks and opportunities. The transition risks and opportunities were assessed using International Energy Agency (IEA)'s Stated Policies Scenario (STEPS) and the IEA's Sustainable Development Scenario (SDS) whilst the physical risks were assessed using the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5 and RCP 4.5. Through this exercise, key drivers and business impacts were also identified.

Additionally, a high-level quantitative assessment of climate-related financial implications of carbon pricing was also performed.

Based on the risk assessment, a preliminary Climate Strategy framework was prepared as a foundation for future alignment with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to address increasing stakeholder expectations for greater transparency in the disclosure of climate risks identification and management.

We intend to build on this initial work with more detailed quantitative analysis and disclosures in the coming years. The quantitative analysis will consider the diversity of PDB's business and offerings.

PDB'S CLIMATE-RELATED TRANSITION RISKS AND OPPORTUNITIES

POLICY AND LEGAL

Carbon pricing and reporting obligations

Implication to PDB's Business:
Restrictive cap and trade policy as well as potential carbon pricing would increase our operating costs

Mandates and regulations on existing products and services

Implication to PDB's Business:
Higher biofuel blend mandates, International Air Transport Association (IATA) and International Maritime Organisation (IMO) committing to a 50% reduction in emissions by 2050 could lead to a decline in revenues in the absence of any mitigation steps taken

MARKET

Increase in demand for recycled products

Implication to PDB's Business:
Absence of recycled or circular products could lead to reduction in revenue from conventional products. This includes products using non-circular packaging material

Increase in demand for EVs

Implication to PDB's Business:
Demand for traditional fuels will reduce as demand for electricity increase, impacting our revenue

Increasing pressure from investors and external stakeholders on setting Net-Zero target

Implication to PDB's Business:
Investors and stakeholders are increasing the pressure on companies to commit to net zero which could increase our capital and operating expenditure as we adopt low-carbon options

REPUTATION

Increasing concerns from stakeholders

Implication to PDB's Business:
Increase in cost of capital, both debt and equity, as reputation issues could impact credit rating as well as finance availability

Shift in consumer preferences and stigmatisation of certain sector

Implication to PDB's Business:
Reputational risks can degrade the intangible value of the company and goodwill

TECHNOLOGY

Substitution of existing products and services with lower emission options

Implication to PDB's Business:
Products from less carbon intensive sources or with lower carbon footprint will be preferred. Hence, selling conventional products and services could lead to a reduction in business revenue as demand declines

Development and maturity of new technologies

Implication to PDB's Business:
Technology development in the field of synthetic fuels, renewables, green hydrogen and electrification could lead to reduction in demand for conventional products, leading to a decline in revenue for PDB

Patented technology that is not readily available could lead to additional R&D expenditure, increasing our operational costs

Climate Change and **GHG Emissions**

PDB's Climate-related Physical Risks																							
Drought				**Cyclone**				**Extreme Heat**				**Extreme Cold**				**Flooding**				**Sea Level Rise**			
RCP 4.5		RCP 8.5		RCP 4.5		RCP 8.5		RCP 4.5		RCP 8.5		RCP 4.5		RCP 8.5		RCP 4.5		RCP 8.5		RCP 4.5		RCP 8.5	
2030	2050	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050
1	1	1	1	2	2	2	3	1	2	1	2	-1	-2	-1	-2	3	3	2	3	1	2	1	2

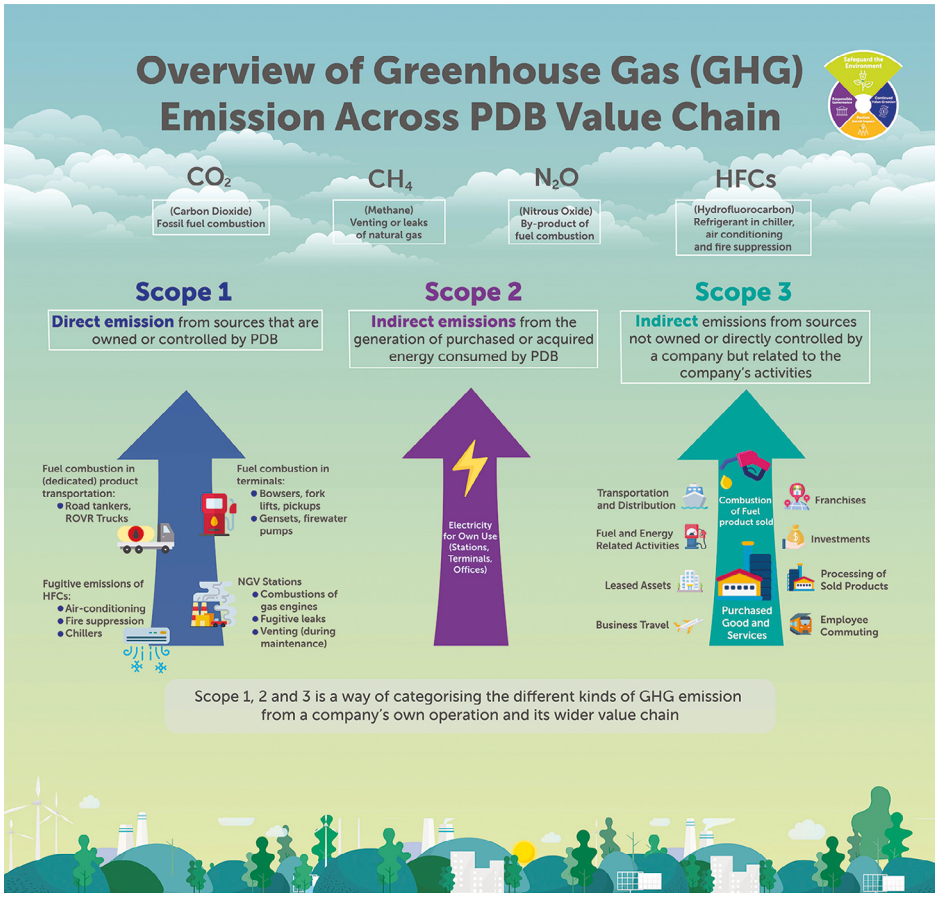
CRITERIA FOR CLIMATE RISK (QUALITATIVE) CLASSIFICATION

Reference: IPCC, 2014: Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

Category		**Drought** (Change in likelihood of extreme drought)	**Cyclone** (Change in maximum sustained wind speed)	**Extreme Heat** (Change in monthly maximum temperature)	**Extreme Cold** (Change in monthly maximum temperature)	**Flooding** (Change in rainfall of very wet day)	**Sea Level Rise**
3	Significant Increase	> +0.2	> 5%	> 2°C	<-2°C	<-2°C	> 10%	>50 cm
2	Moderate Increase	> +0.1	> 2.5%	> 1°C	<-1°C	<-1°C	> 5%	>25 cm
1	Increase	> 0	> 0%	> 0°C	< 0°C	< 0°C	> 0	>0
0	No Change	0	0%	0°C	0°C	0°C	0	0
-1	Decrease	< 0	< 0%	< 0°C	>0°C	>0°C	< 0	<0
-2	Moderate Decrease	<-0.1	<-2.5%	<-1°C	>1°C	>1°C	<-5%	<25 cm
-3	Significant Decrease	<-0.2	<-5%	<-2°C	>2°C	>2°C	< -10%	<50 cm

VULNERABILITY AND ADAPTATION

We are aided in protecting our assets against climate change risks through PETRONAS' strategies and capability building initiatives. Since 2020, high-level vulnerability assessments and adaptation plans have been completed for eight regions in Malaysia where our facilities are located. During the year under review, a Climate Projection assessment was completed for hazards such as river basin floods, sea level rise, draught and heat, covering all PDB terminals and stations. The assessment was part of PETRONAS Group's contribution to the National Communication Report (Climate Adaptation) that Malaysia submits to UNFCCC. We will conduct further detailed analysis to better understand how climate change may impact specific facilities in coming years.



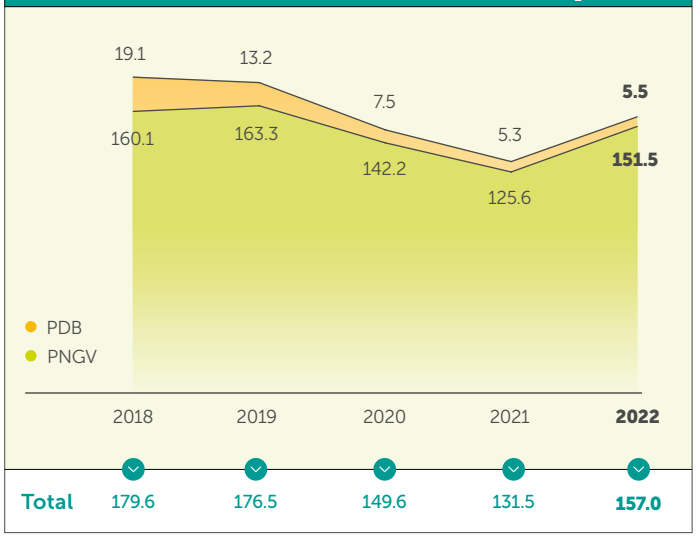
Climate Change and **GHG Emissions**

OUR PERFORMANCE

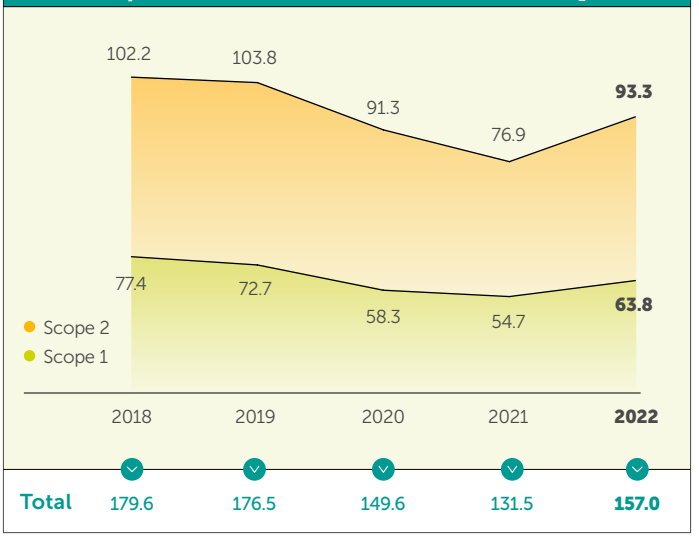
Scope 1 and Scope 2 Emissions

We have been monitoring our Scope 1 and Scope 2 emissions closely since 2017.

Total Annual GHG Emissions ('000 tonnes CO_2e)



Scope 1 and 2 GHG Emissions ('000 tonnes CO_2e)



GHG EMISSIONS

GHG Emissions (Operational Control)	2018	2019	2020	2021	2022
Total PDB & PNGV Scope 1 and 2 GHG Emissions (thousand tonnes CO_2e) [d]	179.6	176.4	149.6	131.0	**157.0**
• PDB (Scope 1) [a]	69.6	68.6	55.9	52.9	**62.0**
• PNGV (Scope 1) [a]	7.9	4.1	2.4	1.8	**1.8**
• PDB (Scope 2) [b]	91.0	94.7	86.2	73.2	**89.5**
• PNGV (Scope 2) [b]	11.2	9.1	5.1	3.7	**3.7**
Total GHG Emissions Reduction (tonnes CO_2e)	47.4	547.3	690.5	1,427.4	**2,206.8**
• Biodiesel	0	473.7	533.4	1,271.8	**2,057.0**
• Solar	47.4	73.5	157.1	155.6	**149.8**
Total Year-end Installed Capacity for Solar PV (kWp) [e]	64.78	192.62	212.04	212.04	**344.04**
Scope 3 Emissions (million tonnes CO_2e) [f][g]	- NC -	45.6	33.9	33.0	**43.9**
• Category 1 – Purchased Goods and Services	- NC -	9.2	6.1	5.6	**9.0**
• Category 11 – Use of Sold Products	- NC -	36.4	27.8	27.4	**34.9**
Energy Use (thousand Gigajoule)	2,453.3	2,418.3	2,035.5	1,876.3	**2,236.1**
• Fuel	1,037.2	980.8	770.2	730.5	**863.4**
• Imported Energy	1,416.1	1,437.5	1,265.3	1,145.8	**1,372.7**

** The overall reduction in emissions in 2020 and 2021 was due to movement restrictions during the pandemic.*

Notes:

[a] Scope 1 - Includes all direct GHG emissions from assets that we own or control, such as company vehicles and trucks dedicated to transport our fuels, as well as emissions during equipment maintenance at PETRONAS NGV (PNGV) stations.

[b] Scope 2 - Indirect GHG emissions are those generated via the consumption of electricity at our terminals, retail stations, regional offices and training centre.

[c] Under operational control consolidation approach, emissions from PETRONAS NGV (PNGV) operations were also included as PDB operates and maintains these NGV stations on behalf of PNGV.

[d] Total Scope 1 and 2 GHG emissions data 2017-2020 were externally verified in accordance with ISO 14064-3:2006: Specification with guidance for the validation and verification of greenhouse gas assertions.

[e] Short-term target by 2023 – to have Solar PV installed capacity of 1047.36 kWp, with an estimated GHG emissions reduction of 545 tonnes of CO_2e.

[f] Scope 3 - Emissions from sources that are not owned or directly controlled, but are related to our activities. The simplified Intergovernmental Panel on Climate Change (IPCC) Tier 1 method using default emission factors was used to estimate our emissions.

- *Category 1 includes estimated well-to-tank emissions from refined oil products, LPG, LNG, NGV, biofuels, lubricants, bitumen and petcoke purchased from third parties.*
- *Category 11 reflects estimated emissions from use-phase of our products, and has been calculated based on sales volume of oil products (eg mogas, diesel and biodiesel, jet fuel, fuel oil), petcoke, LPG, LNG and NGV.*
- *All other categories are being quantified, and we will be reporting the results in 2023.*

[g] We are improving the calculation methodology for the above and all additional categories being quantified, and will be publishing the results later in 2023.

[h] GHG Emissions data excludes one fuel terminal.

NC-Not Calculated

Climate Change and **GHG Emissions**

JOURNEY TO DECARBONISE OUR OPERATIONS

We constantly seek to improve our energy efficiency, reduce emissions across our operations and invest in low-emission, renewable

Rooftop Solar



We installed our first rooftop solar panels at two stations in 2012, and are now powering a total of 14 stations with solar. As at end 2022, our total installed capacity stood at 532 kWp, equivalent to powering 100 households for a year. During the year under review, approximately 222.7 MWh of electricity was generated, cutting our Scope 2 emissions by 149.8 tonnes of CO_2e. The lower generation of electricity was due in part to the maintenance of one of our solar stations.

Giving Customers Greater Choice



Our customers have been able to reduce as much as 1.5 million tonnes of CO_2e in 2022 through the use of our biodiesel. This, in turn, contributes to overall reductions to the nation's carbon intensity, in line with the Malaysian Government's pledge.

EV Charging Facilities



Powering Electric Mobility Needs

PDB entered into an MoU with EP Blueshark Sdn. Bhd. and Blueshark Holding Limited to **roll out battery swap stations for electric two-wheelers.** Starting with the installation of Battery Swap Stations at nine PETRONAS stations in two-stage pilot runs, we will explore further collaborations along the electric 2-wheeler value chain.

Launch of First EV Charging Hub at PETRONAS Station

We launched our first electric vehicle (EV) charging hub at PETRONAS Station Bandar Baru Ayer Hitam along the North-South Expressway (NSE), in collaboration with Mercedez-Benz Malaysia Sdn. Bhd. and EV Connection Sdn. Bhd.. **First of its kind in Malaysia, the hub comprises three direct current (DC) fast chargers and two alternating current (AC) EV chargers.** Our endeavours to expand the number of EV charging points at our stations will grow in tandem with market demand.

Commence Commercial EV initiative with pod reviewing e-bus adoption

PDB entered into a tripartite MoU with Gentari Green Mobility Sdn. Bhd. And Handal Indah Sdn. Bhd. (Handal Indah) in commencing Commercial EV initiative on e-bus adoption. DC fast EV chargers will be installed at three PETRONAS stations in Johor as part of a pilot project before scaling the solution as a viable business for PDB.

Climate Change and **GHG Emissions**

technologies. Our ongoing efforts are detailed below:

Sustainable Aviation Fuel



PDB has collaborated with Malaysia Aviation Group (MAG) to explore the supply and adoption of Sustainable Aviation Fuel (SAF) at Kuala Lumpur International Airport. In 2022, the adoption of SAF continued with refuelling of eight more flights. This supply of SAF is in line with long-term commitments with MAG and augurs well in our efforts to reach out to other domestic and international airlines to secure further SAF supply commitments. **Neste's MY Sustainable Aviation Fuel™ is produced from sustainably-sourced, 100% renewable waste and residue raw materials, such as used cooking oil and animal fat waste.** In its neat form, Neste MY Sustainable Aviation Fuel™ reduces GHG emissions by up to 80%* compared to conventional jet fuel.

** Calculated based on established life cycle assessment methodologies, like Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) methodology.*

LNG as Lower Carbon Fuel



In 2022, with more customers converting from diesel or marine gasoil to LNG as a cleaner fuel option, **GHG emissions have been cut by approximately 23,000 tonnes CO_2e, which is the equivalent to CO_2 sequestered by four million mangrove trees in one year.**

LOOKING AHEAD

As a measure of our commitment towards climate action, we too embrace the NZCE by 2050 ambition. Our immediate, short-term target is to install additional solar PV with 20kWp each at 54 more stations by 2023, reducing approximately 545 tCO_2e (in reference to the 2019 baseline) from our Scope 2 emissions. At the same time, our extensive Scope 3 quantification exercise is still ongoing, results of which will allow us to develop a detailed GHG reduction roadmap.

We also have a refrigerant management inventory and phase out plan, that is carried out in compliance with Environmental Quality (Refrigerant Management) Regulations 2020 by DOE. This effort is also aligned with the National Phase Out Plan for HCFC by DOE.

- By 2025 - no more installation of new products and equipment using HCFCs
- By 2030 - approval limit to 2.5% of baseline for serving use only
- By 2040 - total ban on the import and use of HCFCs

Our other short to mid-term decarbonisation efforts include:

- Establish medium and long-term reduction targets to support PETRONAS NZCE ambition
- Improve energy efficiency through energy audit and monitoring via digital platform
- Incorporate GHG emissions and climate impact consideration in our new growth plans
- Incorporate TCFD-recommended disclosures in our public domains, with the aim to be fully compliant by the end of 2025, as required by Bursa Malaysia

Environmental Management



Our Approach

Environmental stewardship at PDB is guided by our Sustainability Roadmap and our HSE Policy. The latter outlines our commitment to take measures to protect the environment and to use natural resources, sustainably. It encompasses preventing and responsibly reducing the impact of pollution from accidental spills and discharges; improving energy efficiencies to reduce our GHG emissions; minimising waste; and reducing the consumption of water as well as other materials in our operations and products. Our HSE Policy is communicated to all employees and suppliers/ contractors who are expected to adhere to it.

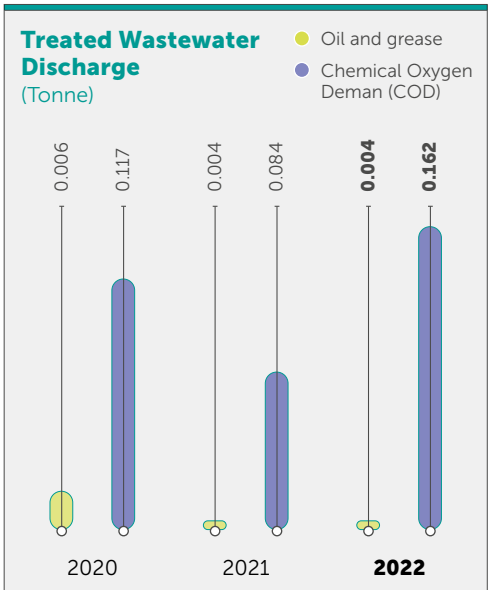
To ensure compliance, we conduct regular evaluation and monitoring programmes. We have tools and controls to assess and manage the risks of environmental pollution from our operations. Gaps in performance are immediately rectified. During the year, there were no environmental fines or penalties received.

WATER (EFFLUENT) DISCHARGE

Wastewater from our LPG terminals is treated prior to discharge, and monitored regularly to ensure compliance with environmental regulations. Key parameters analysed are oil and grease as well as chemical oxygen demand. All our facilities are equipped with oil interceptor systems to prevent any unplanned or uncontrolled discharge from entering public drains. In line with best environmental practices, we monitor the storm water discharge of oil interceptors at our terminals and stations every month.

There was no non-compliance incident pertaining to water quality standards during the year.

Treated Wastewater Discharge
(Tonne)



Note:
Treated wastewater is discharged into drains and eventually directed into the nearby sea. Our discharge complies with the Malaysian effluent discharge quality standards.

Environmental **Management**

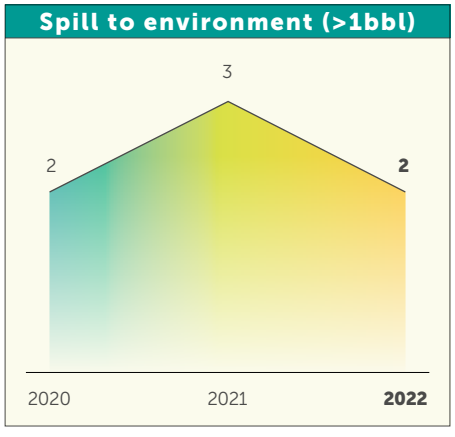
SPILLS

We have systems in place to ensure operations integrity thus prevent spills on land and water. As an added layer of defence, all our fuel storage and dispensing systems are equipped with secondary containment, leak detection and monitoring systems to detect spills early. To enhance the integrity of our assets, all equipment undergo regular maintenance while ageing assets are replaced through an asset refresh and rejuvenation programme.

Emergency oil spill response exercises are carried out as part of our emergency preparedness and crisis management programme. We leverage strategic partnerships with relevant authorities and organisations such as the Petroleum Industry of Malaysia Mutual Aid Group to enhance our vigilance and ensure faster response in the event of an oil spill.

In 2021, we embarked on a programme to install Automatic Tank Gauging with the target of upgrading 70% of our total network to electronic leak detector systems by 2024. To date, we have covered 8% of the identified sites, as per the yearly plan.

Despite our efforts, there were two hydrocarbon spills in 2022. These were immediately rectified and investigated, and all recommended corrective actions were monitored for closure.



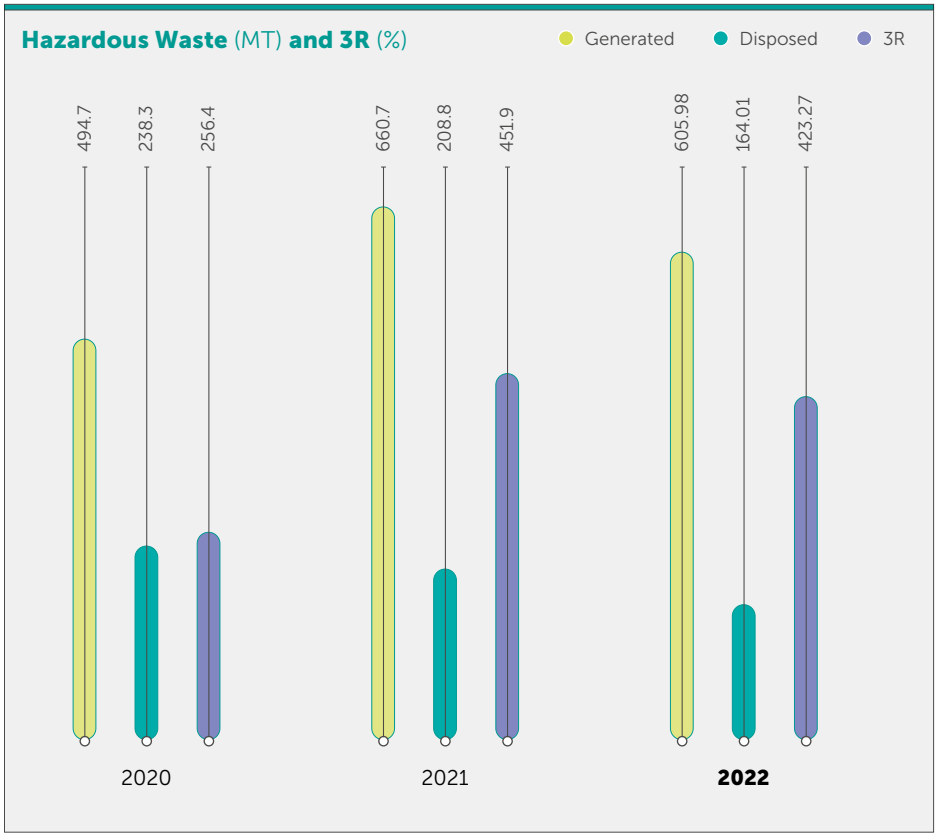
Note: 1 barrel is equivalent to 159 litres

WASTE MANAGEMENT

As guided by our HSE Policy, we seek to minimise the use of resources and materials in our operations and to reduce all waste generated by recycling or recovering as much waste as possible.

HAZARDOUS WASTE

During the year under review, we continued in our efforts to reuse, recycle or recover (3R) our hazardous waste. This led to an increase in the volume of 3R waste, from 68.4% in 2021 to 69.8% in 2022.



Upcycling Customers' Lubricant Waste

Together with Cenviro, Malaysia's first and largest integrated waste management centre, we have developed a circular economy model for lubricants. Under this collaboration, used lubricants are collected from our customers, and processed into re-refined base oil (RRBO). RRBO has numerous uses, which include the production of fresh lubricants.

By re-processing our lubricant waste, we not only deliver a circular proposition to our customers but also prevent access by illegal oil traders to produce counterfeit products.

Environmental **Management**

NON-HAZARDOUS WASTE

In line with our policy of using natural resources sustainably, we are making steady progress towards establishing a 3R culture with regard to non-hazardous waste. Following the roll-out of our Green Office Handbook and Single-Use Plastics Handbook at the end of 2020, we incorporated environmental sustainability in our HSE Plan 2021 to institutionalise green practices across the company.

Initiatives to Reduce Non-Hazardous Waste in PDB Operations

Fully Compostable Utensils and Removal of Single-Use Plastic at Café Mesra

Currently, we use only compostable utensils at all our cafes. While paper cups are used for hot drinks, however, iced drinks are served in plastic cups with PET plastic lids. We are in discussions with suppliers to explore the replacement of plastic components with Polylactic Acid (PLA), a plant-based material. A thorough risk analysis on PLA usage is being done as these have a short life expectancy of around 60-90 days before they biodegrade. We are also exploring the potential of using paper cups for iced drinks once we exhaust our PET stocks in 2023.

Sustainable Packaging

We avoid single-use plastic bags at all PETRONAS stations, with clear directives to our station dealers to make available only biodegradable and compostable bags to customers. We have also piloted the use of sustainable packaging for our Makan@Mesra range, using paper bags featuring the eco-label by SIRIM.

3R on Wheels

Collaborating with Alam Flora Sdn. Bhd., we enable customers to drop off recyclable items at our stations and be rewarded by Alam Flora with cash and PETRONAS Mesra points. In 2022, the programme's third year, we held the campaign at 12 PETRONAS stations in the Klang Valley on 16 different occasions, and collected 6.9 tonnes of recyclable items such as paper, boxes, electrical items and used cooking oil.

The well received community recycling programmes, including one held at the TTDI station, also included e-waste collection and was supported by DOE.

Demand for the programme continues to be high as communities become more aware about the importance of managing waste created and the value of recycling.



Reverse Vending Machine (RVM)

On 8 November 2022, together with our strategic partners, we embarked on a pilot RVM project, with the installation of two machines at the Jalan Kolam Ayer Lama and Bukit Antarabangsa PETRONAS stations. Customers who deposit their used plastic bottles and aluminium cans into the machines can choose to redeem our Setel or PETRONAS Shop vouchers. As at end of 2022, the response has been very encouraging, with a total of 3,044 recyclables collected in Bukit Antarabangsa and 9,518 recyclables collected in Jalan Kolam Ayer Lama. During this period, our installation at PETRONAS Jalan Kolam Ayer Lama had the second highest collection rate amongst 26 KLEAN-supplied RVM machines installed around the country.

We will monitor the results of the six month pilot installations to deliberate future plans for PDB's plastic positioning, to align with the Malaysian Plastics Conservation Framework 2021-2030.



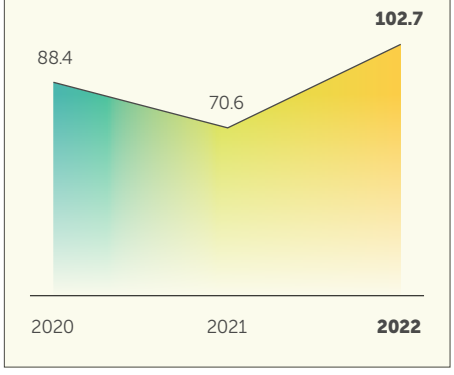
Environmental Management

WATER MANAGEMENT

Water is critical to life, hence it is important to use it responsibly. This is especially so, given that water supply disruptions are common in the Klang Valley due to pollution of water bodies and, dipping levels of water in major dams. At PDB, we use a substantial volume of water for washing, tank cleaning, maintenance and conveyor chain lubrication as well as for general purposes at our terminal operations. Meanwhile, at our stations, water is largely used for public toilet facilities and general washing.

We are guided in using water efficiently and minimising our impact on water resources by our HSE Policy.

Municipal Water Withdrawal (Terminals)('000 m³)



According to an assessment conducted during the year, none of our terminals, stations or offices are located in water-stressed areas. Nevertheless, at least six terminals were identified as being likely to experience high to extremely high risk of water stress by 2040[1]. We are therefore paying more attention to water usage at these terminals, where consumption totalled 32,568m³ in 2022. The water data collected are not inclusive of 8 terminals due to data unavailability. We will explore various initiatives to reduce our water footprint in these locations in the coming years and rectifying the data availability at those 8 terminals.

Actions taken to reduce water consumption throughout our operations include:

- Reusing water for LPG cylinder washing at selected LPG Terminals
- Installation of water saving taps in our retail station washrooms
- Installation of rainwater harvesting systems for general cleaning and gardening

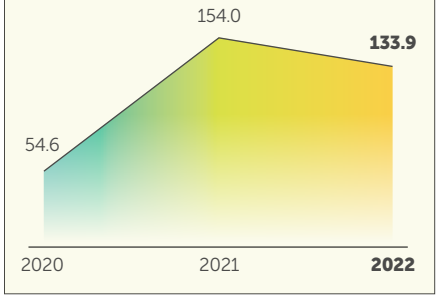
In 2022, we adopted a holistic approach by establishing a company-wide Water Management Plan. We conducted a situational assessment at nine of our terminals to understand water withdrawal patterns, challenges and opportunities for water savings, and an inspection and review of existing rainwater harvesting systems at 32 stations. We are also exploring practical ways, from both behavioural and engineering perspectives, to reduce water withdrawal at specific sites and to expand our existing rainwater harvesting initiatives.

[1] *Reference: World Resource Institute's (WRI) Aqueduct Water Stress Atlas*

RAINWATER HARVESTING

Prior to 2022, we had installed rainwater harvesting systems at six terminals. During the year, we expanded the capacity of existing storage tanks in Sepanggar terminal.

Water Withdrawal from Harvested Rainwater (m³)





Rainwater harvesting with solar powered pumps at Kuching Aviation Terminal

Note: equivalent to the quantity of water used for 800 commercial vehicles washes.

LOOKING AHEAD

As our operations grow, it will become even more important to have the right systems and processes to minimise any negative impact we may have on the environment. We have outlined an HSE Long Term Strategy (2021-2025) which includes the development of innovative HSE solutions; initiatives to improve our compliance; intensified adoption of digitalisation for analytics and prescriptive purposes; and mainstreaming our commitment to balancing our focus on people, planet and profits.

Health and Well-being



We seek to positively influence and enrich the lives that we touch. Towards this end, we continuously assess our operating environment, and refine our actions, policies and processes in order to be relevant to challenges as they evolve. At the same time, we are committed to operating safely, responsibly and reliably, aligning our practices with business norms and industry benchmarks.

OUR APPROACH

Nothing is more important to us than the safety and health of our employees and partners. To safeguard our People, Environment, Assets and Reputation (PEAR), we have in place a PDB Health, Safety and Environment (HSE) Policy which sets out the Company's guiding principles in managing risks and hazards related to our business. This policy refers to industry best practices and is in line with all relevant regulatory requirements. With our leadership setting the tone at the top in reinforcing the importance of safety, we seek to create a Generative HSE Culture in which everyone is accountable for their own and others' safety. Supporting a safety mindset, we work closely with the relevant authorities to implement an HSE excellence programme at all levels, ensuring effective communication of safety messages to nurture a safe working environment for staff, contractors and customers throughout the Group.



Health and **Well-being**

HSE GOVERNANCE

PDB has a formal structure for HSE governance, with clear lines of responsibility at different levels in the organisation beginning at the Board and cascading to all employees.

Board of Directors	HSE Steering Committee and Risk Management Governance Committee (RMGC)	Leadership Team	Employees
assumes ultimate responsibility for HSE at PDB, providing oversight of HSE matters. Quarterly updates from the Management are deliberated at the Board Risk Committee (BRC) meetings	undertake strategic discussions and decisions on HSE issues	discusses and monitors key risk indicators and their mitigation at quarterly Risk meetings	Annual HSE Scorecards are developed and incorporated into the individual scorecards of all employees

Discussions on HSE risks take place on a monthly basis at the working level, following which reports are made to management. We believe that effective communication is important to set out clear expectations for everyone at all levels in PDB, with focused interventions conducted to sustain HSE culture and performance. Integrated management system reviews are carried out as part of efforts to benchmark our performance against the previous year and to assess the effectiveness of HSEMS implementation for continuous improvement. We seek to nurture a Generative HSE culture via various HSE programmes and discussions to ensure issues that must be escalated to the leaders are communicated for immediate intervention.

HSE ASSURANCE

At PDB, we ensure a high level of HSE performance to protect the company's assets and reputation. We have adopted **PETRONAS' Assurance Framework** to guide us in managing all assurance processes through myAssurance. To date, we have completed all assurance programmes assigned utilising the online platform for all our facilities across Malaysia.

To strengthen HSE compliance, in 2022 we developed a **new functional assessment checklist** for transport, ROVR Portable Container Storage, LNG and Pontoon operations. In addition, we introduced an upskilling programme for functional assessments to enhance our assessor capabilities while inculcating a self-compliance culture by designating operational personnel to monitor several functional assessment checklists.

HSE compliance is enforced among our contractors via checks **using our HSE Management System (HSEMS) and HSE capability requirements**. We have also incorporated Social Supply Chain parameters into our Contractor's HSE Assurance for compliance with PETRONAS' Contractor Code of Conduct. **Integrated annual management system reviews are conducted** to benchmark contractors' performance against the previous year, thus assess the effectiveness of our HSEMS.

PDB also collaborated with the Department of Occupational Safety and Health (DOSH) to **conduct self-assessments at PETRONAS Stations**, ensuring they comply with Petroleum Safety Measures Act (PSMA) thus safeguarding employees and customers. **Finally, annual HSEMS reviews** are carried out as part of Management Reviews to constantly enhance our HSEMS thus safeguard a sustainable future for PDB.

HSE TRAINING

To ensure our employees and partners are able to carry out their functions safely, we conduct training programmes on a regular basis. During the year, our employees underwent a total of 1,016 man-days of training.

PDB
1,108
learners

Dealers
1,413
learners



HSE RISK MANAGEMENT

Identified HSE risks, including operational and emerging risks, are registered in PDB's Corporate Risk Profile and updated yearly. This is to ensure all HSE risks are monitored and controlled to eliminate or reduce them to a level as low as reasonably practicable (ALARP). Any gaps identified through HSE risk evaluation are presented to Management periodically for continuous improvement. Our key risk indicators and risk mitigation initiatives are monitored through quarterly Risk Management Governance Committee (RMGC) and Board Risk Committee (BRC) meetings.

Health and **Well-being**

We continuously enhance our risk management with various initiatives. Among others, the following were key initiatives in 2022:

- **Integration of all risk assessments into a centralised HSSE Integrated Risk Assessment (HIRA) platform.** Other than to serve as a one-stop centre for all RA tools and a unified database, the platform allows for greater standardisation of risk assessments and efficiency in their development. With better risk insight, this system also enables the effective implementation of risk mitigation and interventions
- Establishment of **fit-to-purpose risk management** including training for Pontoon operations to ensure compliance with PETRONAS' and legal requirements
- Application of **a number of risk-based approaches across our value chain,** encompassing **new projects and existing operations** such as solar projects, Mesra Retail & Café Sdn. Bhd. and GENTARI, among others, **as due diligence**
- Establishment of **HSE High Risk Project Monitoring Process** to evaluate the HSE risks of new or existing projects for budget prioritisation and execution. In addition to tracking or monitoring new projects, the process involves assessing the risks of any changes to strategies or projects
- Assessment of associated risks together with the identification of feasible controls and critical positions at terminal operations through **Hazard and Effect Management Process (HEMP)** aligned with HSE Management System-Element 4
- Development of an **HSE Risk Profiling System** for four identified categories, providing analytics capabilities moving towards prescriptive risk management based on identified key risk indicators
- Enhancement of security management at PDB facilities; and the establishment of CCTVs at PETRONAS stations to prevent and mitigate security risks



Enhanced our HSE Generative Culture by enrolling our Leadership Team and middle managers into a PDB I-Role Model Programme, while introducing specific Focused Interventions for day-to-day operations.

AS AT END
2022

we recorded zero fatality, major fire and minor loss of primary containment (LOPC)

FATALITY ACCIDENT RATE
0%

As a result of our efforts, we have recorded zero fatalities among contractors and employees for the past three years.

Health and **Well-being**

SAFETY PERFORMANCE

Overall, in 2022 we recorded zero fatality, major fire and minor loss of primary containment (LOPC). However, there were four Lost Time Injury (LTI) incidents, involving three employees and one contractor while performing non-core job activities. Two major LOPCs were also recorded as a result of land transport roll-overs during product delivery.

All the safety incidents were investigated, and corrective actions monitored and tracked for closure. In line with our deep commitment to safeguarding our people and assets, we seek continuously to strengthen our HSE compliance, and better monitor and manage our risks.

	2020	2021	2022
No. of Fatalities			
Employees	0	0	**0**
Contractors	0	0	**0**
Fatality Accident Rate (FAR)			
Employees	0	0	**0**
Contractors	0	0	**0**
No. of Lost Time Injury (LTI)			
Employees	1	0	**3**
Contractors	0	1	**1**
Lost Time Injury Frequency (LTIF)*			
Employees	0.33	0	**0.65**
Contractors	0	0.30	**0.22**
No. of Total Reportable Cases			
Employees	1	0	**3**
Contractors	1	2	**3**
Total Reportable Case Frequency (TRCF)			
Employees	0.33	0	**0.65**
Contractors	0.32	0.57	**0.67**

** LTIF is calculated as the number of LTI per million man-hours.*

Learnings from every incident are used to improve our HSE controls and prevent future recurrence. As we continue to make safety a priority across all our business activities, we will focus on staff and contractors' **HSE Accountability and Behaviour Reinforcement (ABR) in 2023** to ensure desired HSE behaviours are nurtured.

GENERATIVE HSSE CULTURE

In 2022, we further enhanced our HSE Generative Culture by enrolling our Leadership Team and middle managers into a PDB I-Role Model Programme, while introducing specific Focused Interventions for day-to-day operations. In addition, we enhanced HSE communication via the HSE Brown Bag platform where management and employees share their HSE knowledge and experience, creating deeper understanding of HSE requirements across all levels.

TRANSPORT SAFETY

We are guided by our HSE Policy to safeguard the safety and health of employees and contractors involved in land transport across our operations.

Most accidents or incidents on the road involve employees travelling on business trips or contractors delivering products to customers. Hence to enhance our transportation safety, we seek to improve driver competence and instill safe driving behaviours. **Defensive Driving training** is conducted and monitored regularly for everyone involved in PDB land transport activities.

Employees who drive frequently for work undergo a Defensive Driving programme which includes both theory and practical classes, while employees who drive occasionally are required to complete Defensive Driving e-learning training.

Meanwhile, **all contractors involved in land transport operations, including drivers of ROVR trucks and LPG trucks**, are required to undergo Road Tanker Operations Guideline (RTOG) defensive driving training. RTOG is both comprehensive and in line with ISO 39001 standards, covering all key elements such as correct driving techniques, fatigue management and slow speed manoeuvring. In addition, LPG drivers contracted by the Southern division participated in a Behaviour-Based Safe Driving Techniques programme conducted by the Road Transport Department Malaysia (RTD) in 2022.

As a result of our efforts, we have recorded zero fatalities among contractors and employees for the past three years. In 2022, **we did not breach the Total Vehicle Accident Rate (TVAR) target** and performed better than identified industry counterparts.

Health and **Well-being**

In 2023, we aim to further strengthen process safety assurance and compliance while sustaining a robust process safety culture.

PROCESS SAFETY

Process Safety Management is a disciplined framework for managing the integrity of operating systems and processes involved in handling hazardous substances. We leverage on the **8 Golden Rules of Process Safety**, derived from learnings from PETRONAS Downstream and PDB's major process safety incidents in order to create a safe culture. To help us achieve **zero Process Safety Events**, we have also established a **Process Safety Network Committee**.

Process safety excellence is maintained by applying **excellent engineering design principles**, operating with an exceptional level of discipline, and implementing an effective maintenance regime to prevent safety events. In 2022, we further enhanced our safety work processes by **digitalising our systems**, particularly our risk assessment and the management of engineering modifications and changes. This has not only improved our compliance, but also the timely escalation and standardisation of safety work processes.

In 2022, we also expanded process safety compliance to our NGV facilities. A **comprehensive situational assessment** was undertaken to understand the challenges faced by the NGV Team in terms of process safety management and to address specific causality gaps in implementing process safety.

In 2023, we aim to **further strengthen process safety assurance and compliance** while sustaining **a robust process safety culture**.

EMERGENCY AND CRISIS MANAGEMENT

PDB Emergency and Crisis Management Procedures have been developed to ensure the Group is prepared for any emergency across all our operations. The procedures specify the emergency response structure and process along with clear roles and responsibilities.

Site-Specific Emergency Response Plans are developed and regularly reviewed to plan and manage emergencies and avert any catastrophic events. In 2022, a total of 19 facilities' emergency response plans were reviewed and revalidated.

19 facilities'
Emergency Response Plans (ERP)
reviewed in 2022

9
Oil Spill Response Plans (OSRP)
reviewed in 2022

Emergency drills were also conducted to ensure the adequacy and effectiveness of our emergency response mechanisms. We continued to carry out Tier 2 Table Top Exercise (TTX) Ops Marini and Emergency Oil Spill response exercises as part of our emergency preparedness and crisis management programme.

FIRE SAFETY MANAGEMENT (FSAR) REVIEW

Fire Safety Adequacy Reviews were conducted at five PDB terminals to identify critical fire safety hazards, assess the adequacy and effectiveness of existing safeguards against fire hazards and confirm compliance with applicable standards and design basis. Opportunities for improvement were identified and tracked for closure.

COVID-19 MANAGEMENT

To minimise the risk of COVID-19 infection at the workplace, COVID-19 procedures and guidelines were implemented at all our facilities in 2022. A clear and detailed case management process for our people was implemented whereby all COVID-19 cases within the organisation were reported and tracked. Return to Work assessments were conducted on all staff recovering from COVID-19 to ensure they were fit to work. In addition, our premises were sanitised daily.

Continuous COVID-19 management communication was also conducted via email blasts, MyStation and our daily toolbox sessions. Furthermore, we engaged with employees and contractors on case alerts and constantly highlighted the importance of compliance with SOPs at all times.

PDB provided extra support to employees infected with COVID-19, such assistance being covered by our Group medical policy. Staff needing to quarantine were also provided an allocation.

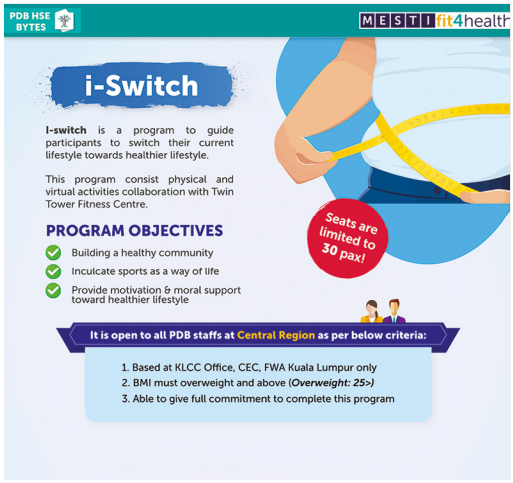
Health and **Well-being**

Employee Health and Well-being

PDB has obtained approval for **Generic Chemical Health Risk Assessment (CHRA)** from DOSH for over 1,000 PETRONAS stations. This assessment is not only crucial for regulatory compliance, but also ensures the safety and health of employees handling harmful chemicals.

In addition, we conduct various **risk assessments** at our fuel, LPG and aviation terminals nationwide. In 2022, these included:

- An enhanced **Health Risk Assessment (HRA)** to protect workers from physical, chemical, biological, ergonomics and psychosocial hazards
- **An Advanced Ergonomics Risk Assessment (ERA)** to protect workers at site from musculoskeletal disorders (MSDs) by minimising their daily risk exposure



To increase awareness among employees about health hazards at work, several **trainings** were conducted throughout the year such as Hearing Conservation Awareness, Safe Handling of Chemicals, Ergonomics Awareness at Workplace, Fatigue Management and Substance Misuse Control. These were attended by a total of over 500 personnel.

Meanwhile, several **audit sessions** were also conducted internally to ensure all health-related risks have been mitigated to as low as reasonably practicable. These internal audits were **verified by third-party auditors from Group PETRONAS Health, Safety, Security and Environment (HSSE)**.

MESTIFIT4HEALTH

Caring for the health and well-being of our staff, business partners and contractors, we organised a MESTIfit4health programme comprising talks and various activities throughout the year.

Programme	Description
Awareness Posters	Monthly email blasts
Health Talks 1. Care For Your Health 2. Sustainable Healthy Eating	Tips to promote a healthy lifestyle
Zumba	Dance exercise via interactive video
i-Switch	Heathy lifestyle competition for staff
Easy Run 5km	Promotion of physical activity
Mental Health Programme 1. Empathy to Staff 2. Manage Your Stress	Tips to manage mental health issues

LOOKING AHEAD

Our ultimate objective is to create an environment in which the risk of injury is minimised as far as is practicably possible. This can only be achieved via constant safety training and a high level of awareness among employees and our contractors, reinforced by sharing safety messages and updates. We will also look continuously for better ways to create a safety culture throughout the Group by taking part in industry events and learning from the experience and best practices of leading HSE practitioners.

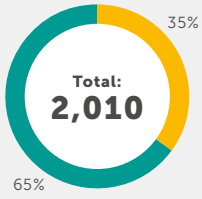
Human Capital



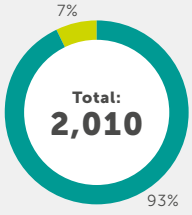
Our talent management practices are guided by PETRONAS' People Policies and Procedures as well as strategies aligned with our organisational needs. We also adopt PETRONAS' Global Talent Strategy to facilitate a more robust framework to manage and develop talent, focusing on three strategic thrusts, namely Right Leader, Right Talent and Right Environment, while leveraging the organisation's Employment Value Proposition – Trust, Grow and Reward.

Workforce Profile

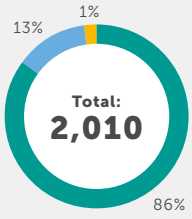
Gender



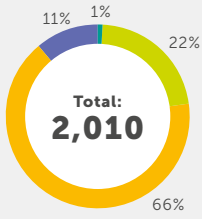
Workforce



Ethnicity

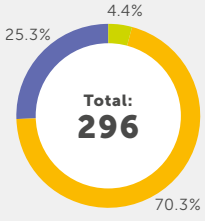


Age Group

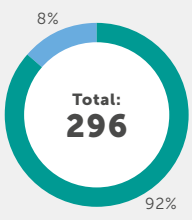


Recruitment

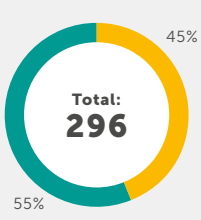
Generation



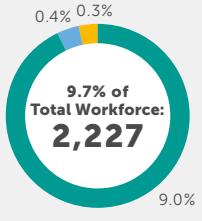
Ethnicity



Gender



Attrition

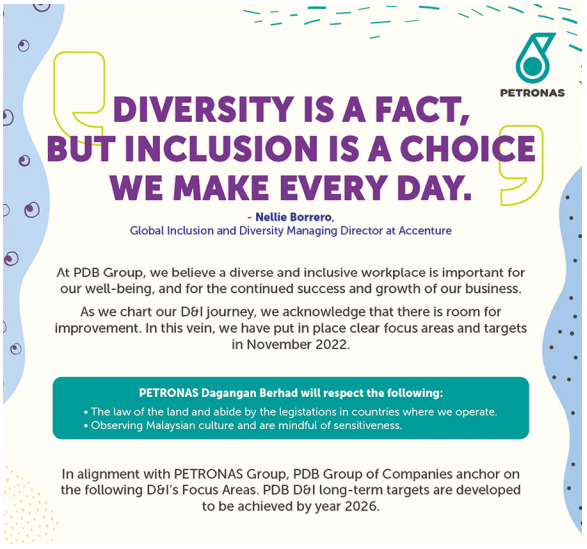


Human Capital

DIVERSITY AND INCLUSION (D&I)

At PDB Group, we believe a diverse and inclusive workforce is important for our well-being, and the continued success and growth for our business. As we chart our D&I journey, we acknowledge there is room for improvement. In this vein, we have put in place clear focus areas and targets in November 2022. We celebrate a diverse and inclusive workforce as we believe varied talents, experiences and expertise will enhance our value creation. In line with our Talent Sourcing policies and procedures, talents are sourced through different recruitment channels and selected based on experience, knowledge and skills. Through our non-discriminatory hiring policy, we provide equal opportunities for employment and, subsequently, career advancement to all employees irrespective of gender, race, religion, age, or nationality.

Currently, PDB's Leadership Team is made up of 43% women, while our Board of Directors meets the government's direction for companies to have at least 30% women representation. However, certain gaps have been found in our D&I practices based on FTSE4Good Bursa Malaysia Index (FTSE4Good) assessment, as well as our own survey. To address these gaps, we will be focusing on the following areas:



Gender

Women representation in Leadership role:
Increase the representation of women in Leadership positions

Background

Inclusivity and unbiased consideration for every position regardless of ethnicity, nationality and disability:
Equal opportunities from hiring to promoting talent as leaders in the organisation

Age

Opportunity for young talents to be leaders of tomorrow bringing new ideas and perspectives:
Opportunities for young talents to be involved in project leadership or managerial roles

Culture

Difference in perspective are respected and valued:
Creating a safe and respectful environment to foster open conversation that spur creativity and innovation

PDB'S LONG-TERM D&I TARGETS FOR 2026

No	Focus Area	D&I Aspect	Measurement Metrics	Targets by 2026
1	**Gender**	a. Women representation in Leadership roles[1] b. Women identified as Potential Leaders (PL), Top Talent (TT) c. Women identified as successors for key or critical positions	a. No. of women in Leadership roles[1] b. No. of women in PL and TT pools c. No. of women identified as successors for critical or key positions	**a. More than 40%** **b. More than 40%** **c. More than 40%**
2	**Background**	Equal opportunities for: a. Diverse ethnicities (Bumiputra and non-Bumiputra) in Leadership[3] b. People who are differently abled[4]	a. No. of appointments b. No. of new hires yearly	**a. More than 35%** **b. More than 5%**
3	**Age**	Opportunity for young talents[2] to be leaders for tomorrow	a. No. of Young Talent[2] involved in project leadership or managerial roles b. No. of Young Talent[2] in PL and TT pools c. No. of Young Talent[2] as successors for OPU and critical or key positions	**a. More than 10%[3]** **b. More than 50%** **c. More than 5%**
4	**Culture**	Differences in perspectives are respected and valued	D&I Module - POCS results	**Top Quartile**

[1] *Leadership roles consisting of General Manager and above positions*
[2] *Young Talents refers to talent of 35 years old and below*
[3] *% does not include project leadership roles. HR is working on visibility of InRole or project assignment data*
[4] *Differently-abled talent referring to all six types of disabilities such as physical impairment, vision disability, hearing disability, speech disability, intellectual disability as well as psychiatric disability (psycho-social)*

Human Capital

WELFARE AND BENEFITS

Adopting PETRONAS' policies on employee welfare and benefits, we provide medical benefits, life insurance, allowances, various types of leave and other general provisions to full-time staff.

Benefits For Employees with Special Needs Children

- Assistance is in the form of RM1,500 per month for each child (until the age of 21). This would assist the employee to send the child to rehab or intervention centres as well as to cover other expenses for the child.
- Flexibility in work options are granted to the employees where they are allowed to utilise half day off on any day of the week for treatment of their Special Needs Children, subject to employees completing 39 working hours/week.



LEAVE

PDB offers the following types of leave:

Maternity and Paternity Leave

We provide three months' fully-paid maternity leave and five days' paternity leave

No. Employees entitled to Maternity/Paternity leave

272 794

Total: 1066

No. Employees who took Maternity/Paternity leave

20 83

Total: 103

No. Employees who returned from Maternity/ Paternity leave

15 82

Total: 97

Female Male

Leave Without Pay (LWP)

For employees who need to attend to important personal matters, and who have exhausted other leave provisions

Taken LWP

2 4

Total: 6

Returned from LWP

1 3

Total: 4

Female Male

Hajj Leave

Allows permanent Muslim employees to take up to 40 days' leave to undertake a pilgrimage once during their service period with PETRONAS

Pilgrimage Leave for Other Religions

Allows employees to take pilgrimage leave for up to a maximum of 10 consecutive calendar days once throughout their service period with PETRONAS

Human Capital

FLEXIBLE WORK OPTIONS (FWO)

Flexible Work Options (FWO) have been instituted to enable all non-shift employees to strike a good work-life balance. The FWO comprises:

- **Compressed Work Week**, allowing employees to end their working week at noon on the fifth day of work upon completing 39 working hours for the week
- **Flexible Working Hours**, allowing employees to choose the time they start and end work while ensuring they complete a minimum eight hours per day and seven hours on Fridays (or Thursdays in locations where the weekends fall on Fridays and Saturdays)
- **Leaving Earlier from Work for Pregnant Employees**, allowing female employees, permanent and contract direct hires to leave work one hour earlier than normal from their seventh month of pregnancy onwards
- **Working Arrangement for Employees with Dependent(s) affected by contagious diseases**, allowing employees to work from home up to five working days in the event that a dependent is affected by a contagious disease
- **Flexible Working Arrangement**, enabling employees to work from locations other than the usual or standard place of work, with access to the necessary communication technology. During the pandemic until now, most PDB employees (especially those who were previously on normal working schedule) benefitted from this arrangement

COVID-19 SUPPORT

Continuing since the height of the pandemic, PDB is committed to supporting employees infected with COVID. Amongst the assistance provided are quarantine accommodation for employees, mental health support, social support services and Connectivity Assistance. The latter served to facilitate Internet connectivity whilst working from home.



EMPLOYEE RELATIONS

Employee Engagement
Various virtual engagement sessions were carried out throughout the year to ensure employees kept safe, healthy and engaged, as well as to inform and update them on PDB's strategies, plans and initiatives. The sessions also serve as a platform to reaffirm our culture and ensure alignment of employees across all levels. The sessions included:

1. **Jom Tanya Azrul**
   – MD/CEO engagement sessions with regions
2. **Our Promise**
   – regional roadshows hosted by the PDB Leadership Team (LT)
3. **Focused Recognition Sessions with MD/CEO**
   – to celebrate individual milestones and achievements
4. **Luncheons with MD/CEO**
   – held on 18 July, 8 August, 10 August, 7 September and 29 November – to discuss PDB's Growth Strategy, Integrity and leadership. To date, 92% of senior managers across the Group have attended the sessions
5. **HRM Pulse Check**
   – quarterly survey to identify any leadership gaps within the company that requires intervention from the Leadership Team
6. Engagements with KAPENAS, which was named PDB HR2U Roadshow on the new Collective Agreement. Dates of PDB HR2U Roadshow:
   - Central Region
   - Northern Region
   - Eastern Region
   - Southern Region
   - Labuan
   - Sabah

Human Capital

LEADERSHIP

Fully acknowledging PETRONAS' edict that people are our greatest asset, PDB is committed to developing an Empowered, Agile and Enabled (EMAN) workforce. Our Head of HRM conducted 21 engagement sessions from July - December 2022 with executives, managers and senior managers across the Peninsular to identify issues that may hinder the development of an EMAN workforce in PDB. These sessions were attended by almost 50% of employees at executive level and above.

A key initiative launched during the year was the Potential Leaders Development Programme (PLDP), which focuses on three key areas: Building Professional Branding, Strengthening Leadership Capability, and Broadening Work Experiences. Through PLDP, we have identified 56 Potential Leaders who will undergo various activities to unleash their potential.

Programme



PLEDGE Series

Leader Develop Leaders EDGE
Closing the Leadership gaps of our PL

Competency as Currency

Competency Exposure
Attachment to projects or assignments for new experiences

Talent Branding

Making our Talents Stand Out
Enhance Talent Profiles and Improve PL impression and image

Talent Networking

Networking with LT
Coffee with the LT at PDBTC

Talent Mentors

Mentoring Session
PL Mentoring with LT and GM

Activities delivered under PLDP in 2022 included:

- **PLEDGE** – two sessions with LT and Top Talent as speakers
- **Talent Branding** – one virtual session on Talent Profile and one session at PDBTC Shah Alam on "Be That First Choice"
- **Networking with LT** – Session held in PDBTC Shah Alam on 22 September
- **Mentoring with LT** – PDB LT were assigned mentees to accelerate their development, with bimonthly programme check-ins ongoing until 2023

Other initiatives to bring out the leaders in our talents include:

- Self-motivation platforms such as Superior Managed Assessments (SMA), Career Conversations, Talent Profile updates and a Coaching Culture



Human Capital

HRCAFETALK

With a large number of employees working remotely, there has been a blurring of boundaries, burnout, increased absenteeism and other health issues. This inspired Human Resources Management (HRM) to launch the monthly HRCafeTalk webinar series focusing on financial, physical and psychological well-being. The objective is to build a healthy and resilient workforce who are able to embrace a new way of working. Through the webinars, employees get to engage with PDB leaders to reinforce their sense of connectedness with the Company.

To date, speakers have included representatives from AKPK, a credit counseling and debt management agency under Bank Negara Malaysia, and Naluri Hidup Sdn. Bhd., a wellness company.



GOWOMEN

This webinar series aims to build women's self-esteem and encourage female employees to further develop their strengths in order to overcome any hurdles that may hinder their career progression. Influential women leaders are invited to share their thoughts, opinions and experience.

PETRONITA

PETRONITA is an association for PETRONAS female employees and wives. It presents a platform for our employees to network as well as to organise or take part in community programmes. By end 2022, 144 PDB employees were members of the association.

KELAB SUKAN DAN REKREASI PETRONAS

PDB employees are given the opportunity to join the sports and recreational club to foster camaraderie and enhance physical fitness and mental well-being. In the year under review, about 761 PDB employees were members of the club.

EMPLOYEE APPRECIATION

Long Service Award

This is an annual event held to recognise and appreciate employees' commitment, dedication and contribution to the company. In 2022, a physical celebration took place at Petrosains, KLCC, on 30 August 2022. The event had added significance as it was held together with PDB's 40th Anniversary celebration. Employees who had completed 15, 20, 25, 30 or 35 years with PETRONAS were awarded tokens of appreciation for their loyalty and long service



PDB 40th Anniversary Appreciation Token

As a gesture of appreciation for the commitment, dedication and continuous efforts of our staff, we awarded them tokens in conjunction with PDB's 40th anniversary. These can be redeemed via e-vouchers on the PRYSM website

PDB CALAMITY ASSISTANCE

This assistance is provided to employees, Graduate Employment Enhancement Scheme (GEES) participants and Interns affected by natural calamities, for instance floods, fire or other natural disasters. The assistance comes in the form of temporary accommodation, financial assistance, meal allowances, calamity leave, food and consumables.

Human Capital

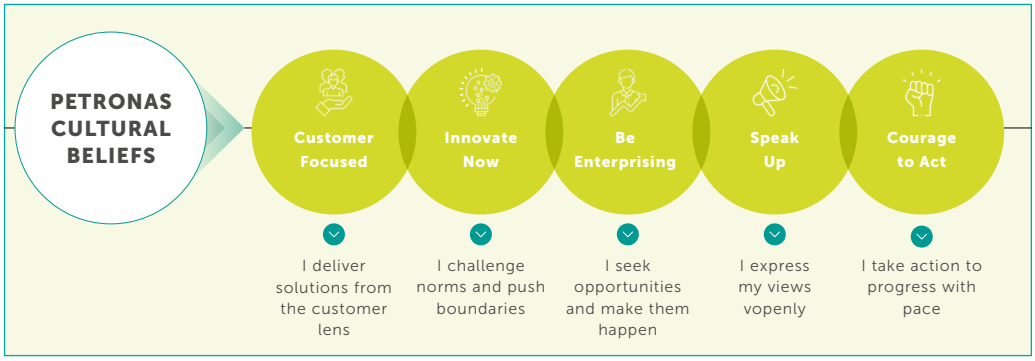
WORKPLACE CULTURE AND ENVIRONMENT STANDARD

Under the Code of Conduct and Business Ethics (CoBE), any form of harassment, bullying, bribery, corruption or breach of behavioural protocols will be treated as misconduct, and could result in disciplinary action, subject to applicable laws.

We take such issues seriously as they disrupt our work environment, and disturb the physical, emotional and psychological well-being of employees. Our policies on work culture and conduct are spelt out in CoBE, which is available in multiple languages, and communicated to all employees through various platforms.

Alongside CoBE, our People Policies and Procedures as well as other manuals provide guidelines and processes to manage non-compliance and misconduct. We encourage employees and other stakeholders to report any observed infringement of our policies or standards of behaviour through our Whistleblowing channel. Key personnel have been trained to handle such reports. We also have structured procedures to investigate any allegations and, if there has been non-compliance of our regulations, to take the necessary follow-through actions.

Every year, we monitor and investigate all non-compliance cases within PDB. Additionally, PETRONAS periodically reviews the effectiveness of its CoBE.



Embracing the culture of agility, innovation and continuous improvements in everything we do:

BOC

77%

*** As at December**
Significant leap

March: 15%

LT Turun Padang

37

*** All location**
15 LT involved

Great NPS

Focus Recognitions Given

370

By MD/CEO

SPY: 250

Integrity and Compliance

140

engagements nationwide

expanded to Dealers and Counterparties

Balance of Consequence (BOC) is a series of engagements to promote a Generative Safety Culture, where employees are reminded of the positive and negative reinforcements for positive and negative behaviours. A high level of participation was generated via platforms such as Cyber Security Time Out, PDB Townhall, Integrity and Compliance events and Digital initiatives.

SENSITIVE POSITIONS

Sensitive Positions refer to positions that are vulnerable to bribery and corruption identified through Corruption Risk Assessment (CRA) undertaken by PDB with steer from Group PETRONAS by virtue of access to confidential information, direct contact with third parties and involvement in procurement related activities. In reference to CRA and previous Sensitive Positions guidelines through further enhancement leveraging on Integrity Risk Heatmap (IRA), we have assessed 1,757 positions available within the PDB Group and updated the Sensitive Positions categories of High, Medium and Low, and mitigation plans through feedback sought from various Heads of Division for finalisation.

In collaboration with Compliance department, talents occupying the sensitive positions shall go through the Integrity Pledge , Code of Conduct and Business Ethics (CoBE) refresher, Anti-Bribery and Corruption Manual (ABC) refresher, Critical Legal Areas (CLA) refresher and briefing on Conflict of Interest (CoI) declaration.

To date, the following regional engagements have been completed:

Central	
Kuala Lumpur	28 October 2022
Shah Alam, Selangor	31 October 2022
East Coast	
Kerteh, Terengganu	17 November 2022
East Malaysia	
Kuching, Sarawak	1 December 2022
Kota Kinabalu, Sabah	2 December 2022

Human Rights

Respecting human rights is fundamental to sustainable operations and is key to the creation of positive social impact.

We therefore ensure human rights considerations are deliberated and integrated into our key business processes and implemented in our projects and operations. We expect the principles to be applied across our supply chain, by our employees, contractors, suppliers, dealers, business partners and surrounding communities.

Our Business and Human Rights (BHR) model is guided by PETRONAS' Human Rights Commitment which, in turn, refers to the United Nations Guiding Principles on Business and Human Rights. We also adhere to PETRONAS' Code of Conduct and Business Ethics (CoBE) and its Contractors Conduct on Human Rights (CoCHR). Our own Health, Safety and Environment (HSE) Policy demonstrates our respect for the right to wellness, which is integral to human rights.

Our commitment to human rights is underlined by the following aspects of our BHR model which address human rights issues ensuring compliance wtih local laws.

Human Rights Principle: Freedom of Labour

How We Respect This Right:

- We will not engage or employ anyone against their free will; this includes engaging in bonded labour or debt slavery
- All new hires enter into contract of service on their own free will, in line with the Employment Act 1955, Sarawak Labour Ordinance (ACT A1237) and Sabah Labour Ordinance (CAP 67)

Human Rights Principle: Migrant Workers

How We Respect This Right:

- Foreign or migrant employees are to be employed in compliance with the labour and immigration laws of the host country. Prior to hiring, the basic terms of employment must be provided to employees in a language they understand. Passports and other forms of personal identification must remain in the employees' possession at all times

Human Rights Principle: Child Labour

How We Respect This Right:

- We will not employ children below the legal minimum working age in the host country, ie 18 years in Malaysia in line with the Children and Young Persons (Employment) Act 1966 and PETRONAS' Talent Sourcing Policy and Procedure

Human Rights Principle: Non-discrimination

How We Respect This Right:

- We respect diversity in the workplace and will not engage in any form of unlawful discrimination based on gender, race, ethnicity, skin colour, religion, nationality, age, marital status, pregnancy, political affiliation or disability in hiring and employment practices

Human Rights Principle: Humane Treatment

How We Respect This Right:

- We forbid any harsh or inhumane treatment, including any form of mental or physical coercion or verbal abuse
- Our stand on humane treatment covers workers' health and safety and the provision of proper accommodation for foreign workers, as per local laws and standards

Human Rights Principle: Wages and Benefits

How We Respect This Right:

- We comply with all applicable laws related to employee compensation, including minimum wage, overtime and legally mandated benefits
- We continuously review our salary structure and ensure compliance with the statutory minimum wage as stipulated by the National Wages Consultative Council
- The salary structure of Kesatuan Kakitangan Petroliam Nasional Berhad (KAPENAS) members is reviewed every three years as part of the negotiation process of the Collective Agreement between Management and KAPENAS
- Equal pay is accorded to men and women for the same role and position

Human Capital

Human Rights Principle: Working Hours

How We Respect This Right:

- We comply with local laws on working hours, overtime and work during holidays, and seek to prevent excessive working hours to avoid fatigue and incidents
- As per the Employment Act 1955 (Amendment 2022), the official work week for shift workers comprises 45 hours, six days a week with a maximum of nine hours per day, whereas the hours of non-shift workers are capped at 39 hours per week
- As per the Employment (Limitation of Overtime Work) Regulations 1980 and Employment Act 1955, overtime is limited to 104 hours per month, and not more than four hours per day
- We monitor employees' overtime and ensure the work schedules for shift and non-shift employees are properly planned to curb fatigue
- We compensate employees for extra hours put in via special overtime rates, especially for work performed on rest days and public holidays.
- Any requirement to work beyond our overtime limits has to be reported to HRM for proper risk assessment

Human Rights Principle: Freedom of Association and Collective Bargaining

How We Respect This Right:

- We respect the right of employees to join labour unions and right to collective bargaining, in line with Article 10 of the Constitution of Malaysia
- Employees are expected to adhere to CoBE Part II G on Conduct Contrary to Duty to serve diligently while involved in such activities or associations
- PDB maintains an open and constructive relationship with KAPENAS through regular engagement for the benefit of the Company and the 531 employees (26%) who are union members

GOVERNANCE AND RESOURCES

The Board provides oversight on human rights related matters in PDB through the quarterly updates. It is supported by the Leadership Team which ensures PDB operates along ethical lines, adhering to all relevant laws, rules and regulations.

Day-to-day management of Business and Human Rights (BHR) matters is undertaken by a dedicated Social Performance team comprising a Technical Professional and an Executive. The Technical Professional is a new position created in 2022 to oversee and advice on BHR matters, working collaboratively with different parts of the business and external stakeholders. The Executive is responsible for planning and executing day-to-day responsibilities, including addressing BHR risks. The Technical Professional and Executive are supported by cross-divisional Human Rights Pods, which strategise to close any BHR gaps identified in PDB.

We also actively participate in industry organisations such as the International Petroleum Industry Environmental Conservation Association (IPIECA) through PETRONAS' corporate membership.

To ensure we are up to date on BHR issues, one employee attended a SIRIM 50:2021 Social Accountability Requirements training focused on auditing of labour requirements, employee rights and welfare, and safe work environments for Malaysian-based employers.

SOCIAL RISK ASSESSMENT AND HUMAN RIGHTS DUE DILIGENCE

List of Salient BHR Areas		
Labour and Working Conditions	**Community Well-being**	**Product Safety and Health**

In 2020, we conducted an in-depth Social Risk Assessment (SRA) to uncover human rights issues specific to our business. We also engaged with contractors, vendors, suppliers and dealers whose businesses are directly impacted by PDB to understand their key concerns and identify ways we could support them. The SRA and our stakeholder engagement indicated that Labour and Working Condition was the most prominent human rights issue in our ecosystem.

This prompted us to conduct a human rights due diligence (HRDD) study in 2021 for a deep dive into systems, processes and gaps to address human rights risks related to business activities across the Group. The results of SRA and HRDD are captured in a Business Human Rights Framework, which includes a five-year BHR plan (2021-2025) and yearly strategic initiatives to avoid, prevent and mitigate human rights issues. The plan comprises three main phases: Building Foundation, Implant BHR into PDB DNA, and Transparent Reporting.

In 2022, PDB established a Risk Assessment process regarding labour issues for PDB employees within existing operations, entailing the development of annual risk assessment plans and carried out the assessment focusing on compliance with the Employment Act 1955 and Minimum Retirement Age Act 2012.

Our BHR strategy and aspirations have been communicated to counterparties in different programmes via briefings, roadshows and meetings. Respecting human rights has become integrated into our systems and processes, and a part of the company's DNA or culture. Moving forward, we will engage continuously with our counterparties to monitor issues related to identified salient areas.

More details on human rights initiatives across PDB's supply chain are provided under the Sustainable and Ethical Supply Chain section.

Human Capital

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT (ESIA) AND INDIGENOUS PEOPLE

PDB's operations are not closely associated with indigenous people and therefore have little bearing on their rights. However, as an ethical business entity that respects indigenous rights, we are in the process of enhancing our ESIA by conducting risk assessment and stakeholder engagement with surrounding communities, including indigenous people, as part of our Free, Prior and Informed Consent (FPIC) initiatives. In so doing, we adhere to PETRONAS Guidelines by demonstrating our commitment to the protection of indigenous people regardless of where we operate.

PDB GRIEVANCE MECHANISM

We have in place a structured Grievance Mechanism for employees, contract personnel and others involved in providing services to PDB to remedy any human rights violations observed or experienced. This is critical to opening up channels for dialogue, problem-solving, investigation and, when required, the provision of remedial action. All grievances aired are addressed promptly, while feedback is recorded. We have set a service level standard as an indicator to track customers' feedback and our resolution promptness.

Our Mesralink contact centre, which is publicly accessible, serves as the official reporting channel for grievances. All cases reported via this channel are maintained in confidentiality, with the issuer kept updated of investigations until the case is closed. As our Grievance Mechanism has only recently been established, we regularly brief the Leadership Team, staff, Mesralink agents, contract owners and regional teams on the new resolution channel as well as their roles and responsibilities.

In 2022, we enhanced the procedures to manage Labour and Working Conditions in line with increasing concern on these areas in our business and operation. Going forward, we plan to introduce an assurance process to measure the effectiveness of our grievance mechanism.



STAKEHOLDER ENGAGEMENT

To ensure our employees are aware of BHR matters, messages are shared through HSE Bytes. Our employees are also updated on the latest BHR strategies, related systems and processes through a structured self-learning platform, myLearningX, which covers the following topics:

Human Rights Management explaining PDB's policy on human rights	**Grievance Mechanism** reminding employees to address any HR issues through Mesralink

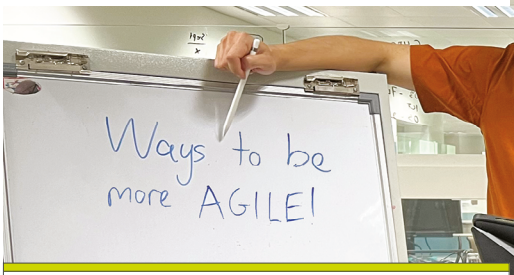
During the year, no major human rights violation or incident was received or recorded. However, minor grievances were received through Mesralink, in related to Community Well-being and Labour and Working Conditions at our retail facilities. The issue owners were tasked with managing the matters, and were able to close the cases within the agreed timeline.

Recognising the importance of security personnel being aware of their authority limits, 100% of PETRONAS Auxiliary Policy receive training on human rights policy and procedures as applicable to their everyday duties. Security personnel at PDB facilities, terminals, retail stations, warehouses and project sites are managed by PETRONAS Auxiliary Police, under the accountability of Group Security.

LOOKING AHEAD

We will continue to be guided by PETRONAS' People Policies and Procedures to promote diversity and inclusivity in a highly engaging work environment in which talents are inspired to perform and to do the right thing while being supported by a robust HR framework and rewarding policies.

Capability Building





PDB has developed a strong Employee Value Proposition by working with our employees to identify their aspirations and investing into opportunities to fully develop their professional and personal potential. Our objective is for them to enhance their expertise, skills as well as experience in order to enjoy enriching and fulfilling careers with the Group.

As their career progression is capabilities driven, we seek to ensure that staff develop their capabilities to keep advancing into positions of greater responsibility. This is assured by our Capability Framework, which outlines the functional and behavioural capabilities required to perform particular jobs, supported by the development approach, tools and infrastructure. The development approach adopted for each employee typically represents a mix of formal, social and experimental learning.

HRDC MANAGEMENT

In 2022, PDB enrolled into the Human Resources Development Corporation (HRDC) in order to benefit from its training and development scheme. HRDC was established under Pembangunan Sumber Manusia Act (2001) as part of the government's initiative to train and upskill local employees. Levies collected from employers are used to fund a range of training and development programmes.

HRD CORP HUMAN RESOURCE DEVELOPMENT CORPORATION — **AN AGENCY UNDER THE MINISTRY OF HUMAN RESOURCES (MOHR)**

Vision	Objective	Mission
Every Malaysian trained and employable	To encourage employers covered under the Pembangunan Sumber Manusia Berhad Act 2001 to retrain and upgrade the skills of their local employees, apprentices and trainees in line with their business needs and the development strategy of their company	Improving lives through the promotion of lifelong learning and the acquisition of future work skills

Since enrolling into the HRDC in January 2022, we have paid a total levy of RM1,531,842, of which RM811,686, or 53%, has been utilised. Funds were used mainly for employees to attend HRDC-registered learning programmes and for internships. In October 2022, PDB was ranked as ninth best operating unit in PETRONAS in terms of total HRDC levy utilisation.

Capability Building

TOTAL TRAINING

5,457

man-days

65%

FUNCTIONAL TRAINING

3,605

man-days

15%

LEADERSHIP TRAINING

836

man-days



- Manager and above - **41%**
- Executive - **44%**
- Non-Executive - **35%**

PDB was ranked as 9th best operating unit in PETRONAS in terms of total HRDC levy utilisation.

EMPLOYEE PERFORMANCE MANAGEMENT (EPM)

We engage continuously with our employees to manage their performance and fulfil our objective of becoming a high performing organisation. The EPM framework focuses on Coaching, Review and Feedback to empower employees, in line with the Company's business objectives and targets. As part of the strategy to motivate and sustain a high-performance culture, performance results are based on differentiated standards that are linked to rewards and consequence management.

Performance improvement plans, including coaching and constructive reviews, are developed for employees struggling to meet their targets.

During the year under review, in support of our strategic framework that focuses on strengthening the core and looking into growth opportunities, we undertook an organisational realignment and refinement exercise to enhance accountability across PDB.

TOWARDS SELF-GUIDED ASSURANCE AND SUPERIOR MANAGED ASSESSMENT



Succession Management

We undertake rigorous talent identification and review exercises to build our talent pipeline. Each talent identified undergoes a holistic review to determine his or her strengths as well as areas that can be further developed. This is translated into individual career plans, which are mapped against critical positions within PDB as well as across PETRONAS.

We develop succession plans for critical positions and review these annually to ensure feasibility of their implementation.

Capability Building

TRAINING AND DEVELOPMENT PROGRAMMES

In addition to HRDC programmes, PDB organises a range of learning interventions to meet the needs of our employees, partners and dealers, ensuring the collective skills to meet our corporate objectives.

For Employees

Programme: PDB Leaders Forum 2022

14 December Impiana Hotel, KLCC

Half-day forum to solidify desired leadership behaviours among PDB leaders, especially in embracing PDB's promise, PETRONAS Cultural Beliefs and shared values; as well as to navigate collective efforts towards achieving MFT aspiration. It also provided a platform for PDB leaders to engage with other Leaders and Top Management

Programme: Leadership EDGE

To promote and educate PDB staff on the newly revised leadership competencies called EDGE, an acronym for Energise, Decide, Grow and Execute. EDGE has been developed with level-appropriate descriptors for each role level from executives to Senior General Managers. The descriptors provide a guide on the expected behaviours required of talent across all levels

Programme: Onboarding Programme

Session 1: 20, 27 April
Session 2: 20, 21 June
Session 3: 23, 26 August
Session 4: 9, 10 November

Onboarding sessions are conducted for new joiners to PDB, Setel, MRCSB and PLMM with participation of the Leadership Team as speakers, providing a platform for LTs to showcase leaders-develop-leaders mantra. Potential leaders from other OPUs are also invited

For Stakeholders

Programme: Learning Programmes

- Learning Solutions conducted 90 sessions across 24 different programmes for RFD, CBD, MRCSB and HSE stakeholders
- RM450,000 revenue gained from major learning programmes:

  - ASAS for new service station dealers
  - On-Site C-Store Audit (ONSICSA) for service station dealers
  - Food-Handling for service station crew
  - Permit-To-Work for vendors or contractors as part of HSE requirement

Programme: PDB Learning Hub (PDBLH)

PDBLH was introduced in 2021 and rolled out at all 1,084 retail stations by Q1 2022. In 2022, 14 e-learning modules were uploaded (mainly for Retail dealers and crew). All RFD dealers, LPG primary dealers and CBD completed the *Dasar dan Garis Panduan Anti Sogokan dan Anti Rasuah* PETRONAS module by Q4 2022. A Work Process Management (WPM) system was established through Mesralink and integrated into PDBLH in Q3 2022 to better manage complaints and enquiries from users

Capability Building



INTERNSHIP PROGRAMME

Our Internship Programme has been designed to offer degree and diploma holders the opportunity to gain valuable work experience in the oil and gas environment, integrating theoretical knowledge with its application. In 2022, a total of 104 students from 19 universities were offered internship placement across PDB. The programme included quarterly Cyber Security Days to stress the importance of cyber resilient behaviours to protect the company from cyber threats. For more effective online recruitment of interns, we have started to utilise an emb.arc solution, myCareerX.

PETRONAS' GRADUATE EMPLOYMENT ENHANCEMENT SCHEME (GEES)

GEES is a soft skills training programme developed in collaboration between PETRONAS and the government to enhance the marketability and employability of Malaysian graduates. Through GEES, unemployed graduates gain valuable experiential learning within the organisation, preparing them for full-time employment. In 2022, 5 out of 54 GEES participants were absorbed into PDB on a permanent basis based on their performance during the programme.

EMPLOYEE PERFORMANCE MANAGEMENT (EPM)

We engage continuously with our employees to manage their performance and fulfil our objective of becoming a high performing organisation. The EPM framework focuses on Coaching, Review and Feedback to empower employees, in line with the Company's business objectives and targets. As part of the strategy to motivate and sustain a high-performance culture, performance results are based on differentiated standards that are linked to rewards and consequence management.

Performance improvement plans, including coaching and constructive reviews, are developed for employees struggling to meet their targets.

During the year under review, in support of our strategic framework that focuses on strengthening the core and looking into growth opportunities, we undertook an organisational realignment and refinement exercise to enhance accountability across PDB.

LOOKING AHEAD

We will continue to explore different platforms to enhance the individual capabilities of our talent in order to strengthen our organisational capabilities, which are critical to the achievement of our corporate goals. The process, however, will be guided by our employees' aspirations as we seek to ensure their needs are met as they contribute towards PDB's ongoing sustainability.

Community Investments



Aaron Chia-Soh Wooi Yik, the first ever Malaysia shuttlers to be crowned world champions.

Committed to serving the community, we undertake various outreach programmes under an effective Corporate Social Responsibility (CSR) platform. Since 2021, however, we have been re-evaluating this platform in order to ensure our efforts are structured and will create the desired outcomes. This is in line with PETRONAS' shift from CSR to Corporate Social Investment (CSI).

The main objective of having a CSI platform is to have clarity on the social impact that we seek to create and the extent to which we meet our goals via programmes undertaken. In August 2021, we started finetuning our focus areas, and in December our management presented the focus areas to the Board at the Board and Management Strategy Retreat. Upon the Board's approval, we created a Community Committee to manage our CSI programmes.

Collaborating with PETRONAS Group's Strategic Communications, Yayasan PETRONAS, the Corporate Sustainability Office and Downstream Business Excellence (DBE), in August 2022 the Committee proposed a CSI framework that mirrors PETRONAS' Social Impact Management Framework (PSIMF). The latter clearly defines roles in the implementation of activations and sets out clear performance standards as well as indicators to achieve effective and sustainable performance.

PETRONAS Sponsorship of Badminton Association of Malaysia (BAM)

Together with PETRONAS, we signed an agreement with BAM on 4 March 2022 to be a platinum sponsor for BAM and its associated tournaments as well as its official fuel partner, with sponsorship spanning fuel and lubricants supply along with other Mesra products such as Mesra mineral water, Mesra Bites and Mesra hand sanitisers. PETRONAS' three-year sponsorship until 2024 will help to further elevate the sport, with the PETRONAS branding demonstrating the nation's interest and investment into badminton.

Our sponsorship was positioned as follows:

- To further boost the performance of Malaysian badminton
- To enhance the training and preparation of the national players, especially in the run-up to the 2024 Paris Olympics
- To contribute to BAM's overall development programmes

Community Investments

While working on the framework, we remained committed to enriching lives by supporting communities in need. Key contributions and activations are described below.



PETRONAS Coffee Break

	Objective	Impact and achievement
Chinese New Year and Hari Raya Aidilfitri and Kaamatan and Gawai	To promote road safety awareness and remind motorists to take a break, refresh and rejuvenate at PETRONAS stations during festive seasons	Conducted in collaboration with Regional Teams, Bahagian Keselamatan Jalan Raya (BKJR) and St John Ambulance, both programmes were successfully carried out at an estimated 153 Mesra Stations. A total of 110,000 individuals benefitted from this programme

PETRONAS StreetSmart

	Objective	Impact and achievement
Cub Prix 2022	To promote road safety awareness among youth, supporting the government's efforts to produce a generation of responsible and safe road users	PDB, in collaboration with Petrosains, successfully delivered STEM education to the public during the PETRONAS Cub Prix in Terengganu, Selangor and Pulau Pinang
Design Thinking 2022	To produce a generation of responsible and safe road users who are able to develop solutions for a safer, more sustainable transportation ecosystem	PDB, in collaboration with Petrosains, enhanced StreetSmart by incorporating design thinking elements to develop High Order Thinking Skills (HOTS) among the participants. This has resulted in: • Participants' ability to identify and develop innovative, creative solutions to problems they and others encounter • Confidence in their ability to adapt and respond to new challenges





SEEd.Lab and ENOKU

PDB supports the Social Enterprise Education Lab (SEEd.Lab), an end-to-end incubator programme powered by PETRONAS and Tata Consultancy Services (TCS). The first of its kind in comprehensiveness in Malaysia, SEEd.Lab tackles social pain points by building self-sustaining social enterprises that forge solutions for specific beneficiaries within communities.

Since its establishment in January 2020, SEEd.Lab has positively impacted more than 13,000 lives through eight social enterprises. Beyond monetary contribution, management from PDB spent 81 voluntary man-hours to help accelerate the journey of SEEd.Lab's social enterprises through business and leadership mentorship, market testing and commercialisation.

One of the social ventures, ENOKU, is currently spearheading a pilot programme to enhance employment opportunities for people with disabilities (PWDs) at selected PETRONAS fuel stations in the Klang Valley. This is part of ongoing efforts to foster an inclusive workplace culture at PDB, which also include Disability Equality Training (DET) in collaboration with the Malaysian Department of Social Welfare (JKM). Through DET, we prepare employees with the necessary skills and knowledge to optimise the experience of PWDs in the organisation.

COMMUNITY DRUMMING

In 2022, we extended the Mini Portable Container System (PCS) established by ROVR from Kampung Limbawang in Beaufort, Sabah, to Long Tebila, in Kapit, Sarawak. The communities in six nearby villages will benefit from the service, as previously it would take them more than three hours to complete a round trip to the nearest petrol station which is about 100km away. With the PCS, moreover, handling of fuel is much safer than it was before, when fuel would be pumped manually into single-use plastic bottles, releasing cancer-causing fumes. The current POS operators have plans to further develop the business.

DELIVERY OF B100 FUEL

We also collaborated with the Sustainable Energy Development Authority Malaysia (SEDA) to deliver 10 buses retrofitted to use B100 fuel to Prasarana, plus 10,000 litres of Palm Oil Mill Effluent (POME) as fuel, for use in flood relief work.

RAMADHAN COMMUNITY SERVICE

LPG Business together with its dealers participated in PDB's annual *"Ikhlas Ramadhan Bersama Gas PETRONAS"*, by contributing LPG cylinders, food and other essentials to 12 charitable homes and five mosques nationwide. As Malaysia has transitioned to the endemic phase, LPG continued its tradition of hosting *bubur lambuk* at Masjid Jamek Kampung Baru, Kuala Lumpur. Staff, dealers and local residents collaborated to prepare and distribute 3,000 packs of *bubur lambuk* per day throughout Ramadhan, serving almost 100,000 members of the public.

To give back to the communities where we operate

Beneficiaries

148,000

PDB contributed food, clothes and other essential items to 12 charity homes and 5 mosques.

Meanwhile, *"Kasih Ramadhan Entrepreneurs"*, conducted in partnership with Retail Business, was held at Bazaar Pekan and Maran, Pahang to promote Gas PETRONAS and increase local entrepreneurs' knowledge on the safe handling of LPG.





Community Investments

COMMUNITY CARE ASSISTANCE

LPG Business collaborated with Retail in *"Program Masyarakat Prihatin"*, donating LPG cylinders and basic staples to communities in need, particularly in rural areas in Kelantan.

It also partnered with KPDNHEP in a food bank programme at Universiti Malaysia Perlis (UniMAP), sponsoring 10 units of 12kg LPG cylinders, and six stoves through appointed dealer, Majuni Trading.

CONSUMER CAMPAIGNS

PDB collaborated with KPDNHEP, Johor Bahru to organise a three-day *"Kempen Beli Barangan Malaysia"* at Plaza Angsana Johor to promote local brands and stimulate domestic economic growth. A total of 127 local entrepreneurs participated in the event which attracted an estimated 25,000 visitors. LPG ran a booth for LPG merchandise while giving talks on LPG safe handling to the public.

PDB also organised *Mesra Bonanza Lagi Onz!*, a three-month campaign from 1 November 2022 – 31 January 2023 during which customers stood a chance to win exclusive LPG merchandise with fuel or Mesra purchases. LPG contributed a total of 60 exclusive and limited-edition merchandise items worth RM6,000 to 60 winners throughout the campaign.

SETEL AND SITI KHADIJAH

In conjunction with Ramadan, Setel and Siti Khadijah donated RM100,000 worth of *telekung* through the *Setulus Kasih* initiative to support women in need. Proceeds came from a percentage of purchases made by Setel customers at participating Siti Khadijah outlets.

Sponsoring

10 units
of 12kg LPG cylinders

6 stoves
through appointed dealer, Majuni Trading



127
local entrepreneurs participated in *Kempen Beli Barangan Malaysia*





LOOKING AHEAD

Our aim is to establish a flagship community investment programme that is recognisable, targeted and long-term, based on social impact assessment.

At PDB, we have over the years established and initiated various CSR-related initiatives. However, there is an opportunity for us to strengthen our position in developing targeted community investment programmes that address societal needs in a manner that is meaningful and create value not only for the communities but also for our business.

Further, as our business and operations are either directly or indirectly linked to a network of suppliers in which many labourers (foreign and local) are employed, we have a responsibility to be proactive in the management of human rights risks. We will continue to develop mechanisms to measure and assess the effectiveness of the various programmes and initiatives implemented and to continue improving them.

Sustainability
Performance at a Glance

Material Matters	Indicators	Unit	2020	2021	2022
Ethics and Corporate Governance	Percentage of Employees Who Have Received Training On Anti-corruption by Employee Category	Percentage	-	-	**98**
	Percentage of Operations Assessed for Corruption-related Risks	Percentage	-	-	**86**
	Confirmed Incidents of Corruption and Action Taken**	Number	-	-	**2**
Economic Growth and Performance	Dividend Paid to Investors	RM million	606.0	606.0	**615.9**
	Tax Paid to Government	RM million	162.6	150.4	**306.7**
	Salaries Paid to Employees	RM million	226.1	276.9	**296.4**
	Payment to Contractors/Suppliers/Business Partners	RM million	18,719.1	23,249.2	**48,902.3**
	Percentage of Local Suppliers/Contractors	Percentage	99	98.3	**99.4**
Sustainable and Ethical Supply Chain	Employee under Collective Bargaining Agreements	Number	426	447	**531**
	Substantiated Complaints Concerning Human Rights Violations in the Supply Chain	Number	N/A	N/A	**9**
Climate Change and GHG Emissions	Scope 1 Emissions in Tonnes of CO_2e	'000 Tonnes CO_2e	58.3	54.7	**63.8**
	Scope 2 Emissions in Tonnes of CO_2e	'000 Tonnes CO_2e	91.3	76.9	**93.3**
	Scope 3 Emissions in Tonnes of CO_2e	Million Tonnes CO_2e	33.9	33.0	**43.9**
	• Purchased Material (Category 1)		6.1	5.6	**9.0**
	• Use of Sold Products (Category 11)		27.8	27.4	**34.9**
	Total Energy Consumption	'000 GJ	2,035.5	1,876.3	**2,236.1**
	Total Energy Generated from Solar Photovoltaic Installations	MWh	229.7	233.3	**222.7**
	GHG Emissions Avoided from Use of Solar Energy	Tonnes CO_2e	157.1	155.6	**149.8**
Environmental Management	Total Hazardous Waste Generated:	Metric Tonnes	494.7	660.7	**615.3**
	(i) Total Waste Diverted from Disposal		256.4	451.9	**397.3**
	(ii) Total Waste Directed to Disposal		238.3	208.8	**216.2**
	Total Volume of Water Withdrawn	'000 m^3	88.4	70.6	**102.7**
	Water Withdrawal from Harvested Rainwater	m^3	54.6	154.0	**133.9**
	Spill to Environment	>1bbl	2	3	**2**
	Treated Wastewater Discharge				
	1. Oil and Grease	Tonne	0.006	0.004	**0.004**
	2. Chemical Oxygen Demand (COD)		0.117	0.084	**0.162**
Health and Well-being	Fatalities				
	• Employees	Number	0	0	**0**
	• Contractors		0	0	**0**
	Lost Time Incident Rate	Number of LTI per 200,000 Man-hours			
	• Employees		0.07	0.00	**0.13**
	• Contractors		0.00	0.06	**0.04**
	Total Reportable Case Frequency	Number of Total Reportable Case per one million Man-hours			
	• Employees		0.33	0	**0.65**
	• Contractors		0.32	0.57	**0.67**
	HSE Training	Man-days	233	2,146	**1,016**
	Average Training on HSE	Man-days	2.8	3.3	**2.7**
	Employees Trained on Health and Safety Standards	Numbers	721	2,242	**2,521**
	• PDB		154	929	**1,108**
	• Contractors		567	1,313	**1,413**

Sustainability
Performance at a Glance

Material Matters	Indicators		Unit	2020	2021	2022
Human Capital	Total Employees*		Number	1,417	1,466	**2010**
	Breakdown of Employee Category by Age Group					
	Non-Executive	Baby Boomer	Percentage	5	2	**1**
		Gen X		18	26	**22**
		Gen Y		75	70	**66**
		Gen Z		2	2	**11**
	Executive	Baby Boomer		0	0	**0**
		Gen X		11	12	**8**
		Gen Y		86	81	**74**
		Gen Z		2	7	**18**
	Manager and above	Baby Boomer		2	1	**1**
		Gen X		61	61	**58**
		Gen Y		37	39	**40**
		Gen Z		0	0	**1**
	Directors	Baby Boomer		60	38	**40**
		Gen X		40	62	**60**
		Gen Y		0	0	**0**
		Gen Z		0	0	**0**
	Breakdown of Employee Category by Gender					
	Non-Executive	Male		73	75	**28**
		Female		27	25	**72**
	Executive	Male		63	60	**40**
		Female		37	40	**60**
	Manager and above	Male		74	69	**65**
		Female		26	31	**35**
	Directors	Male		70	62	**30**
		Female		30	38	**70**
	Contract Workforce		Percentage	13	18	**7**
	Employee Turnover by Employee Category					
	• Non-Executive		Number	44	54	**50**
	• Executive			32	94	**139**
	• Manager and above			22	2	**28**
	Talent Ratio per Critical Positions*		Ratio	2.0:1	1.8:1	**1:9:1**
Capability Building	Average Training Man-days per Employee*		Man-days	2.8	3.3	**4.0**
	Hours of Training by Employee Category					
	• Non-Executive		Hours	N/A	1,378	**1,910**
	• Executive			N/A	2,185	**2,401**
	• Manager and above			N/A	1,188	**1,146**
	Total Training		Man-days	3,924	4,751	**5,457**
	Functional Training			3,342	4,145	**3,605**
	Leadership Training			582	606	**836**
	Graduate Employability Enhancement Scheme		Number	38	33	**54**
	Internship		Number	115	121	**104**
	Training Investment*		RM million	1.5	1.6	**5.2**
Community Investment	Total Amount Invested in the Communities		RM	-	-	**2,074,917**
	Total Number of Beneficiaries of the Investment in Communities		Number	883,802	1,000,600	**169,009**

* *PDB Company only*

** *Dealt internally*

Board at a Glance



DATUK ANUAR AHMAD
Chairman, Non-Independent Non-Executive Director

LEADING EXPERIENCE



AZRUL OSMAN RANI
Managing Director/Chief Executive Officer



SHAFIE SHAMSUDDIN
Senior Independent Director



ALVIN MICHAEL HEW THAI KHEAM
Independent Non-Executive Director



NIRMALA DORAISAMY
Independent Non-Executive Director



TANG SAW HUA
Independent Non-Executive Director



ARNI LAILY ANWARRUDIN
Non-Independent Non-Executive Director



DATUK SAZALI HAMZAH
Non-Independent Non-Executive Director



TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS
Independent Non-Executive Director



MOHD YUZAIDI MOHD YUSOFF
Independent Non-Executive Director

Board
at a Glance

WITH AND INTEGRITY

10 Directors

7 Male **3** Female

9 Malaysian **1** Non-Malaysian

3 Non-Independent Non-Executive Director

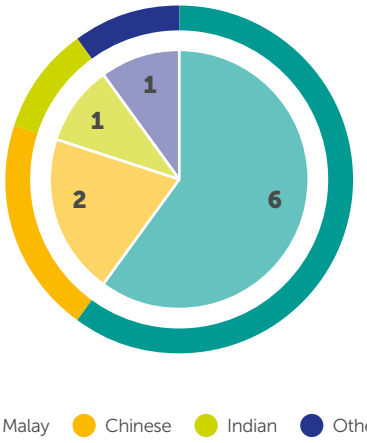
1 Executive Director

6 Independent Non-Executive Director

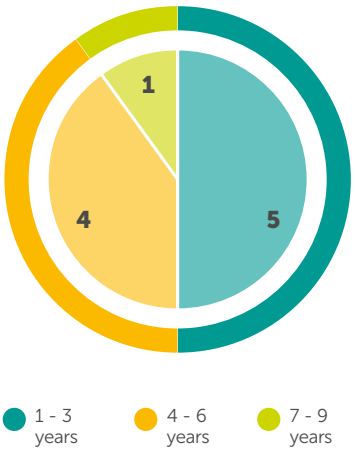
Age



Ethnicity



Length of Service



Skills Matrix and Industry Experiences

- Finance/Audit
- Economics
- Commercial/Marketing
- Operations
- Corporate Planning and Development
- Risk Management
- Human Resource
- Sustainability
- Engineering
- Information Technology/Digital
- Oil and Gas
- Retail
- Shipping/Logistics
- Banking and Finance
- Automative
- Food and Beverage/ Restaurants
- Regional/International
- Education

Board of Directors' Profile



DATUK ANUAR AHMAD

Chairman, Non-Independent Non-Executive Director

Age: 69

Gender: Male

Nationality: Malaysian

Length of Service

8 years 6 months

Date of Appointment

1 Aug 2014
(appointed as Non-Independent Non-Executive Director)

15 Apr 2016
(re-designated as Independent Non-Executive Director)

1 Jan 2022
(re-designated as Chairman, Non-Independent Non-Executive Director)

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Advanced Management Program, Harvard Business School, United States of America.
- Bachelor of Science (Econs) London School of Economics and Political Science, University of London, United Kingdom.

PRESENT DIRECTORSHIPS

Listed Entities:
- PETRONAS Dagangan Berhad
- Nylex (Malaysia) Berhad
- Kumpulan Fima Berhad

Other Public Company:
- Fima Bulking Services Berhad

OTHER PRINCIPAL APPOINTMENTS

- Independent Non-Executive Chairman of Nylex (Malaysia) Berhad (Nylex)
- Member of Audit Committee, Nylex
- Chairman of Audit and Risk Committee, Kumpulan Fima Berhad (FIMA)
- Member of NRC, FIMA
- Chairman of Fima Bulking Services Berhad

PAST EXPERIENCES

- Chairman of NRC, PETRONAS Dagangan Berhad (PDB)
- Member of BAC, PDB
- Member of Board Risk Committee, PDB
- Director of ENRA Group Berhad (ENRA)
- Chairman of NRC, ENRA
- Member, Audit and Risk Management Committee, ENRA
- Director of Chemical Company of Malaysia Berhad (CCM)
- Chairman of Finance and Investment Committee, CCM
- Member of Risk Management Committee, CCM
- Chairman of Audit Committee, E.A. Technique (M) Berhad (EA Technique)
- Member of Remuneration Committee, EA Technique
- Chairman of PETRONAS Gas Berhad
- Chairman of PDB
- Director of PETRONAS
- Member of Executive Committee, PETRONAS
- Member of Management Committee, PETRONAS
- Executive Vice President (EVP) of Gas and Power Business, PETRONAS
- Vice President (VP) of Oil Business, PETRONAS
- VP of Human Resource Management, PETRONAS
- Managing Director/Chief Executive Officer of PDB
- Various senior managerial positions within PETRONAS Group

NUMBER OF BOARD MEETINGS ATTENDED:
5/5

Skills Matrix and Industry Experiences

Board of Directors' Profile



AZRUL OSMAN RANI

Managing Director/ Chief Executive Officer

Age: 49

Gender: Male

Nationality: Malaysian

Date of Appointment

1 January 2020

Length of Service

3 years 1 month

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Advanced Management Program, Harvard Business School, United States of America
- Bachelor of Science in Economics with double major in Industrial Management, Carnegie Mellon University, Pennsylvania, United States of America

PRESENT DIRECTORSHIPS

Listed entities:

- PETRONAS Dagangan Berhad

Other public company:

- Nil

OTHER PRINCIPAL APPOINTMENTS

- Chairman and Director of various companies within PETRONAS

PAST EXPERIENCES

- Head (Commercial Development and JV Formation) of PETRONAS Refinery and Petrochemical Corporation (PRPC), Downstream
- Chief Executive Officer of PRPC Utilities and Facilities
- Business Director, Uzbekistan Gas to Liquid Limited Liability Company
- Senior Manager, International Trading, Malaysian International Trading Corporation Sdn. Bhd. (MITCO)
- Senior Manager for Business Development Oil Portfolio in PETRONAS Business Development Unit
- Manager Trading, Agriculture Product, MITCO
- Country Manager, MITCO Indonesia Office
- Various positions within PETRONAS Group

NUMBER OF BOARD MEETINGS ATTENDED:

5/5

Skills Matrix and Industry Experiences

Board of Directors' Profile



SHAFIE SHAMSUDDIN

Senior Independent Director

Age: 52

Gender: Male

Nationality: Singaporean

Date of Appointment

6 February 2018

Length of Service

5 years

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Business Administration, Nanyang Technological University, Singapore

PRESENT DIRECTORSHIPS

Listed entities:

- PETRONAS Dagangan Berhad

Other public company:

- Nil

OTHER PRINCIPAL APPOINTMENTS

- Chairman of NRC, PDB
- Member of BSRC, PDB
- Non-Executive Chairman of Siti Khadijah Holding Sdn. Bhd.
- Chief Executive Officer/ Deputy Chairman of My Jet Xpress Airlines Sdn. Bhd.

PAST EXPERIENCES

- Managing Director (MD) of Aeon Co. (M) Bhd
- MD of AEON Big Sdn. Bhd.
- Chief Strategy Officer of AEON Asia
- President Director and Chief Executive Officer of PT Trans Retail, Indonesia
- Executive Director of Global Talent Management and Organisational Development, Carrefour Group in France
- President and Chief Executive Officer of Carrefour Indonesia
- MD of Carrefour Singapore and Malaysia
- MD of Singapore and South Regional Director Operations, Malaysia
- Various positions within Carrefour Group

NUMBER OF BOARD MEETINGS ATTENDED:

5/5

Skills Matrix and Industry Experiences

Board of Directors' Profile



ALVIN MICHAEL HEW THAI KHEAM

Independent Non-Executive Director

Age: 59

Gender: Male

Nationality: Malaysian

Date of Appointment

6 February 2018

Length of Service

5 years

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Master of Business Administration, INSEAD-Europe Campus, Fontainebleau, Ile de France
- Bachelor of Commerce (Honours), Queen's University, Kingston, Ontario, Canada
- Bachelor of Arts (Minor Economics), Queen's University, Kingston, Ontario, Canada

PRESENT DIRECTORSHIPS

Listed entities:

- PETRONAS Dagangan Berhad
- Maxis Berhad

Other public company:

- Nil

OTHER PRINCIPAL APPOINTMENTS

- Chairman of BSRC, PDB
- Member of NRC, PDB
- Member of Audit and Risk Committee, Maxis Berhad (Maxis)
- Member of Remuneration Committee, Maxis
- Member of Nomination Committee, Maxis
- Chairman of Maxis Transformation Committee
- Group Managing Director of Southgate Ventures Pte. Ltd.

PAST EXPERIENCES

- Group Managing Director of SIS Group of Schools
- Board Director of Wine Connection Group
- Board Director of I Can Read System
- Board Director of PSGOURMET Pte. Ltd
- Board Director and Chairman of Governance Committee, Taipei American School
- Board Advisor of TORO Limited
- Board Director and Co-Chair of Events and Communications, European Chamber of Commerce Taiwan
- Director and Treasurer of Toronto Condominium Corp YCC 332
- Managing Director of H2O Capital Limited, Taiwan
- Managing Director of L'Oreal Taiwan and Malaysia
- General Manager of Consumer Products Division, L'Oreal Malaysia
- Project Manager of L'Oreal S.A, Paris
- Brand Manager Hair Care of Procter and Gamble, Vietnam
- Brand Manager South Asia of Procter and Gamble AG, Switzerland
- Financial Analyst of Lancaster Financial Inc., Canada
- Account Manager of Toronto-Dominion Bank, Canada

NUMBER OF BOARD MEETINGS ATTENDED:

5/5

Skills Matrix and Industry Experiences

Board of Directors' Profile



NIRMALA DORAISAMY

Independent Non-Executive Director

Age: 56

Gender: Female

Nationality: Malaysian

Date of Appointment

15 October 2019

Length of Service

3 years 4 months

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Fellow, Chartered Institute of Management Accountants, United Kingdom
- Member, Malaysian Institute of Accountants (MIA)
- Chartered Global Management Accountant, United Kingdom
- Master in Business Administration, International Islamic University
- Bachelor of Economics (Honours), Universiti Malaya

PRESENT DIRECTORSHIPS

Listed entities:

- PETRONAS Dagangan Berhad
- Evergreen Fibreboard Berhad
- CTOS Digital Berhad

Other public company:

- Nil

OTHER PRINCIPAL APPOINTMENTS

- Member of BSRC, PDB
- Member of BAC, PDB
- Senior Independent Director of Evergreen Fibreboard Bhd (EFB)
- Chairman of Risk and Sustainability Management Committee, EFB
- Chairman of Nomination Committee, EFB
- Member of Remuneration Committee, EFB
- Member of Audit Committee, EFB
- Member of Auditing and Assurance Standards Board, MIA
- Chairman of Audit and Risk Committee, CTOS Digital Berhad

PAST EXPERIENCES

- Director of Ecobuilt Holdings Berhad (Ecobuilt)
- Chairman of Nomination Committee, Ecobuilt
- Member of Audit Committee, Ecobuilt
- Head of Risk Management, Credit Guarantee Corporation Bhd
- Various positions in Affin Bank Bhd, Alliance Bank Malaysia Berhad and MBf Finance Bhd

NUMBER OF BOARD MEETINGS ATTENDED:

5/5

Skills Matrix and Industry Experiences

Board of Directors' Profile



TANG SAW HUA

Independent Non-Executive Director

Age: 63

Gender: Female

Nationality: Malaysian

Date of Appointment

1 July 2020

Length of Service

2 years 7 months

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Member of Malaysian Institute of Certified Public Accountants
- Member of Malaysian Institute of Accountants

PRESENT DIRECTORSHIPS

Listed entities:

- PETRONAS Dagangan Berhad

Other public company:

- Prasarana Malaysia Berhad

OTHER PRINCIPAL APPOINTMENTS

- Chairman of BAC, PDB
- Member of BSRC, PDB
- Member of NRC, PDB

PAST EXPERIENCES

- Senior Independent Non-Executive Director of Cycle and Carriage Bintang Berhad (CCB)
- Chairperson of Audit Committee, CCB
- Member of Remuneration Committee, CCB
- Member of Nomination Committee, CCB
- Group CFO of Destination Resorts and Hotel Sdn. Bhd.
- Senior General Manager of Integrated Petroleum Services Sdn. Bhd.
- General Manager of Finance, Proton Edar Sdn. Bhd.
- Group Financial Controller of the Oil and Gas Division in UMW Holdings Berhad
- Head of Finance, Edaran Otomobil Nasional Berhad
- Held various other Accountant positions in manufacturing, hotel and property development organisations

NUMBER OF BOARD MEETINGS ATTENDED:

5/5

Skills Matrix and Industry Experiences

Board of Directors' Profile



ARNI LAILY ANWARRUDIN

Non-Independent
Non-Executive Director

Age: 47

Gender: Female

Nationality: Malaysian

Date of Appointment
1 June 2021

Length of Service
1 year 8 months

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Fellow of Institute of Chartered Accountants in England and Wales
- Member of Malaysian Institute of Accountants
- Bachelor of Science degree in Accounting and Finance, London School of Economics and Political Science

PRESENT DIRECTORSHIPS

Listed entities:
- PETRONAS Dagangan Berhad

Other public company:
- Nil

OTHER PRINCIPAL APPOINTMENTS

- Member of BAC, PDB
- Director of various companies within PETRONAS

PAST EXPERIENCES

- Head of Group Corporate Finance, PETRONAS
- Head of Corporate Finance and Financial Services, Upstream Business, PETRONAS
- Chief Financial Officer of Gas and Power Business, PETRONAS
- Senior Manager of Transformation and Special Projects, President's Office, PETRONAS
- Senior Manager of Business Planning, Group Strategic Planning, PETRONAS
- Financial Risk Manager of Dow Chemical Singapore
- Treasury Manager of OPTIMAL Group of Companies (JV) between PETRONAS and Dow Chemical

NUMBER OF BOARD MEETINGS ATTENDED:
5/5

Skills Matrix and Industry Experiences

Board of Directors' Profile



DATUK SAZALI HAMZAH

Non-Independent
Non-Executive Director

Age: 56
Gender: Male
Nationality: Malaysian

Date of Appointment
1 June 2022

Length of Service
8 months

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Chartered Fellow of the Institution of Chemical Engineers (IChemE)
- Advanced Management Programme, the Wharton School, University of Pennsylvania, USA
- Senior Management Program, London Business School, London, United Kingdom
- Bachelor of Chemicals Engineering, Lamar University, USA

PRESENT DIRECTORSHIPS

Listed entities:
- PETRONAS Dagangan Berhad
- PETRONAS Chemicals Group Berhad (PCG)

Other public company:
- Nil

OTHER PRINCIPAL APPOINTMENTS

- Member of BSRC, PDB
- Executive Vice President and Chief Executive Officer of Downstream Business, PETRONAS
- Member of Executive Leadership Team, PETRONAS
- Chairman/Director of various companies within PETRONAS
- Non-Independent Non-Executive Director, PCG

PAST EXPERIENCES

- Senior Vice President and MD/CEO of PCG
- Board member of Institution of Chemical Engineers United Kingdom, Malaysian Branch
- MD/CEO, PETRONAS Penapisan (Melaka) Sdn. Bhd.
- Senior General Manager of Group Technology Solutions, PETRONAS
- Head of Project Management and Delivery, PETRONAS
- Various senior management positions through roles in the refinery and petrochemical business within PETRONAS

NUMBER OF BOARD MEETINGS ATTENDED:
3/3

Skills Matrix and Industry Experiences

Board of Directors' Profile



TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS

Independent Non-Executive Director

Age: 53

Gender: Male

Nationality: Malaysian

Date of Appointment

1 June 2022

Length of Service

8 months

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Master of Business Administration (MBA), Cornell University
- Barrister-at-Law, Honourable Society of Lincoln's Inn (London)
- Bachelor of Law (LLB), King's College University of London

PRESENT DIRECTORSHIPS

Listed entities:

- PETRONAS Dagangan Berhad
- IHH Healthcare Berhad
- Bumi Armada Berhad

Other public company:

- Malaysia Aviation Group Berhad
- Malaysia Airlines Berhad
- Prudential BSN Takaful Berhad
- Malaysia Venture Capital Management Berhad
- Yayasan Amanah Mahkota
- Yayasan Hasanah

OTHER PRINCIPAL APPOINTMENTS

- Member of BSRC, PDB
- Non-Independent Non-Executive Director of IHH Healthcare Berhad (IHH Healthcare)
- Member of Risk Management Committee, IHH Healthcare
- Member of NRC, IHH Healthcare
- Member of Digital Technology Committee, IHH Healthcare
- Independent Non-Executive Director, Bumi Armada Berhad (BAB)
- Member of Remuneration Committee, BAB
- Member of Risk Management Committee, BAB
- Non-Executive Director, Malaysia Airlines Berhad
- Non-Executive Director, Malaysia Aviation Group Berhad (MAGB)
- Chairman of Risk Management Committee, MAGB
- Independent Non-Executive Director, Prudential BSN Takaful Berhad (PruBSN Takaful)
- Chairman of Investment Committee, PruBSN Takaful
- Chairman of Malaysia Venture Capital Management Berhad
- Board Trustee of Yayasan Amanah Mahkota
- Board Trustee of Yayasan Hasanah

PAST EXPERIENCES

- Non-Independent Non-Executive Director of Sime Darby Plantation Berhad (Sime Darby Plantation)
- Member of Sustainability Committee, Sime Darby Plantation
- Chief Executive Officer (CEO) and Deputy CEO (Strategy), Employees Provident Fund of Malaysia
- Director, Battersea Power Station
- Chief Marketing Officer, The Iclif Leadership and Governance Centre
- Director of Strategy Management, Bank Negara Malaysia (Central Bank of Malaysia)
- Director and Head of Strategy and Corporate Affairs, Digi Telecommunications
- Vice President Group Strategy, Maybank
- Non-Independent Non-Executive Director, Astro Malaysia Holdings Berhad
- Non-Independent Non-Executive Director, Dialog Group Berhad
- Non-Independent Non-Executive Director, Sapura Energy Berhad
- Vice Chair of Technical Commission on Organisation, Management and Innovation, International Social Security Association
- Secretary General, ASEAN Social Security Association

NUMBER OF BOARD MEETINGS ATTENDED:

3/3

Skills Matrix and Industry Experiences

Board of Directors' Profile



MOHD YUZAIDI MOHD YUSOFF

Independent Non-Executive Director

Age: 59

Gender: Male

Nationality: Malaysian

Date of Appointment

1 June 2022

Length of Service

8 months

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- M Sc. Business Administration, San Diego State University, USA
- B Sc. Computer Science, Northern Illinois University, USA

PRESENT DIRECTORSHIPS

Listed entities:

- PETRONAS Dagangan Berhad
- Bank Islam Malaysia Berhad

Other public company:

- Prudential Assurance Malaysia Berhad
- Muslim Professionals Forum Berhad
- Board of Trustee, PADU Corporation

OTHER PRINCIPAL APPOINTMENTS

- Member of BAC, PDB
- Independent Non-Executive Director of Bank Islam Malaysia Berhad (BIMB)
- Chairman of Board Strategic and Sustainability Committee, BIMB
- Chairman of Board Information Technology Committee, BIMB
- Member of Board Audit and Examination Committee, BIMB
- Member of Board Risk Committee, BIMB
- Independent Non-Executive Director, Prudential Assurance Malaysia Berhad (PAMB)
- Member of Board Nominating Committee, PAMB
- Member of Board Remuneration Committee, PAMB
- Member of BAC, PAMB
- Member of Board Risk Management Committee, PAMB
- Board of Trustee, PADU Corporation (PADU)
- Member of Audit and Risk Committee, PADU
- Chairman, Muslim Professionals Forum Berhad

PAST EXPERIENCES

- Independent Non-Executive Director, Malaysia Digital Economy Corporation Sdn. Bhd. (MDEC)
- Chairman, Board Audit and Risk Committee, MDEC
- Group Chief Strategy and Corporate Governance Officer, PST Ventures Sdn. Bhd.
- Co-Founder and Managing Director, Clear Minds Sdn. Bhd.
- Senior Manager, Accenture

NUMBER OF BOARD MEETINGS ATTENDED:

3/3

Skills Matrix and Industry Experiences

Board of Directors' Profile



MEK YAM @ MARIAM HASSAN

Company Secretary

Age: 49
Gender: Female
Nationality: Malaysian

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Chartered Company Secretary from the Institute of Chartered Secretaries and Administrators, United Kingdom
- Fellow of Malaysian Institute of Chartered Secretaries and Administrators



YEAP KOK LEONG

Joint Secretary

Age: 62
Gender: Male
Nationality: Malaysian

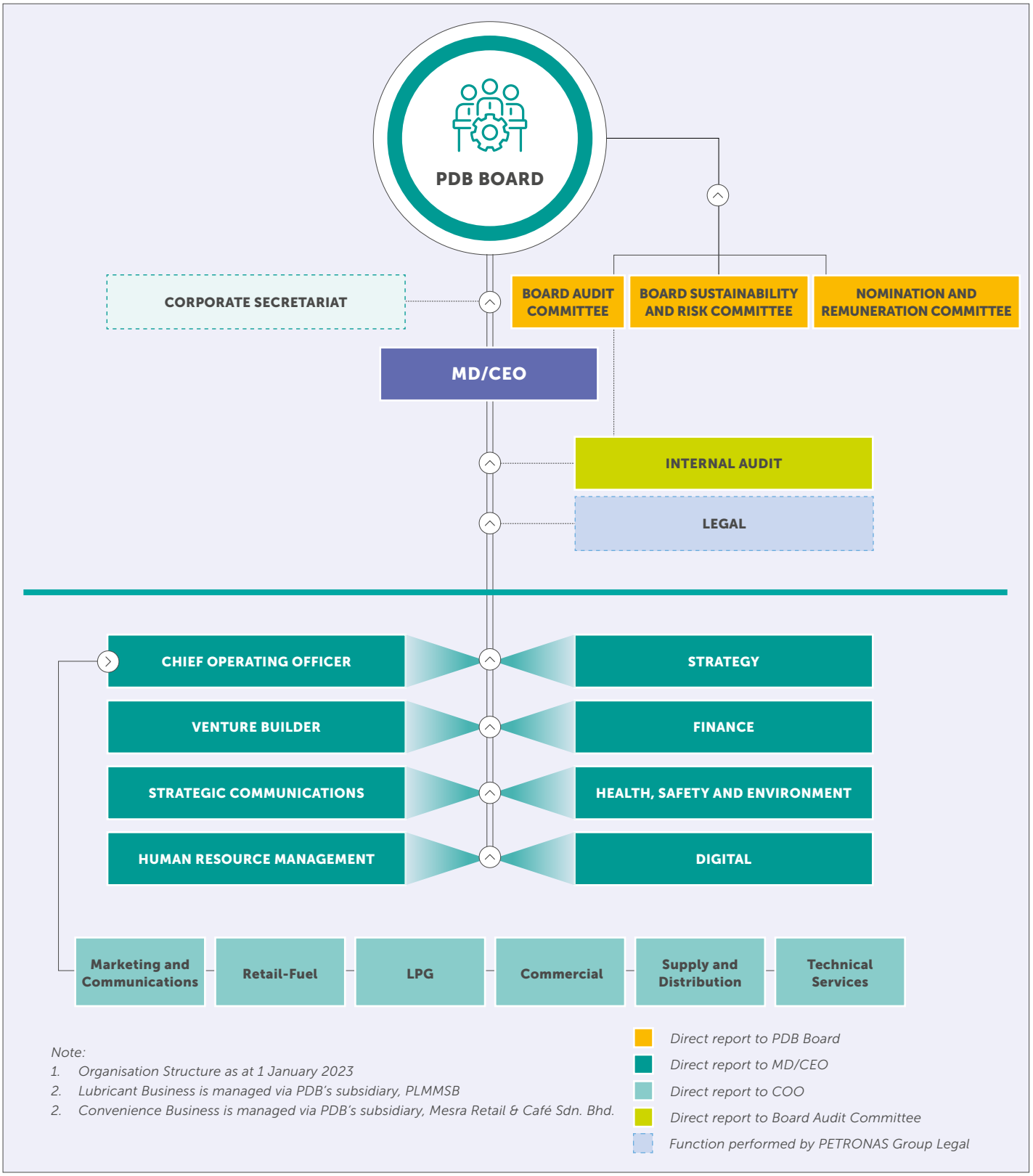
PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Fellow of Malaysian Institute of Chartered Secretaries and Administrators
- Member of Malaysian Institute of Accountants
- Associate and Chartered Global Management Accountant of The Chartered Institute of Management Accountants
- ASEAN Chartered Professional Accountant

Additional Information of the Board of Directors:

- ***Family Relationship :*** *Save as disclosed, none of the Directors have any family relationship with any Director and/or major shareholder of PDB*
- ***Conflict of Interests :*** *Save as disclosed, none of the Directors have any conflict of interests with PDB*
- ***Conviction for Offences :*** *None of the Directors have any conviction for offences, other than traffic offences, if any, for the past 5 years*
- ***Public Sanction of Penalty :*** *None of the Directors have any sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2022*

Organisation Structure



Note:

1. *Organisation Structure as at 1 January 2023*
2. *Lubricant Business is managed via PDB's subsidiary, PLMMSB*
2. *Convenience Business is managed via PDB's subsidiary, Mesra Retail & Café Sdn. Bhd.*

Leadership Team's **Profile**

SKILLS MATRIX

- Finance/Audit
- Economics
- Engineering
- Commercial/ Marketing
- Operations
- Corporate Planning and Development
- Human Resource
- Information Technology
- Risk Management
- HSE



AZRUL OSMAN RANI

Managing Director/ Chief Executive Officer

Age: 49 | Gender: Male

Nationality: Malaysian

Date of Appointment: 1 January 2020

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Advanced Management Programme, Harvard Business School, United States of America
- Bachelor of Science in Economics and Industrial Management, Carnegie Mellon University, United States of America

KEY RESPONSIBILITIES

Responsible for providing strategic, financial and operational leadership including steering PDB's overall strategic growth, new ventures, operational excellence, financial and sustainable performance of PDB and its subsidiaries.

PAST EXPERIENCES

- Head (Commercial Development and JV Formation) of PETRONAS Refinery and Petrochemical Corporation (PRPC), Downstream
- Chief Executive Officer of PRPC Utilities and Facilities
- Business Director, Uzbekistan Gas to Liquid Limited Liability Company
- Senior Manager, International Trading, Malaysian International Trading Corporation Sdn. Bhd. (MITCO)
- Senior Manager for Business Development Oil Portfolio in PETRONAS Business Development Unit
- Manager Trading, Agriculture Product, MITCO
- Country Manager, MITCO Indonesia Office
- Various positions within PETRONAS Group

SKILLS MATRIX

INDUSTRY EXPERIENCES



KHALIL JAFFRI MUHAMMAD MURI

Chief Operating Officer

Age: 49 | Gender: Male

Nationality: Malaysian

Date of Appointment: 1 September 2022

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Science in Industrial Management and Economics, Carnegie Mellon University, United States of America

KEY RESPONSIBILITIES

Responsible for overseeing and steering PDB's diverse business operations, as well as support the execution of PDB's strategic ventures, as PDB continues to grow its non-fuel business.

PAST EXPERIENCES

- Head, Retail Business Division, PETRONAS Dagangan Berhad
- Head, ROVR Project, Retail Business Division, PETRONAS Dagangan Berhad
- Head, Light Distillates, PETRONAS Trading Corporation Sdn. Bhd.
- Senior Manager, Marketing and Trading, Crude Oil for Asia Pacific/Far East, PETRONAS Trading Corporation Sdn. Bhd.
- Senior Manager, LNG Marketing for Korea and Taiwan
- Business Manager, OPTIMAL Group of Companies
- Analyst, PETRONAS Chemicals Group Berhad

SKILLS MATRIX

INDUSTRY EXPERIENCES

- Business Transformation
- Corporate and Marketing Communications
- Brand and Reputation Management
- Law/Secretarial
- Corporate Governance
- Business Model and Venture Formulation
- Strategic Planning and Negotiations
- New Market Penetration
- Economics Model

INDUSTRY EXPERIENCES

- Oil and Gas
- Shipping/Logistics
- Regional/International
- Manufacturing
- Banking and Finance
- Petrochemical
- Education
- Information Technology/Digital
- Legal Practice (Litigation)
- Telecommunications
- Technical Services



FARZLINA AHMAD MURAD

Chief Financial Officer

Age: 46 | Gender: Female

Nationality: Malaysian

Date of Appointment: 1 March 2020

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Science in Accounting (Hons), University of Wales, Cardiff, United Kingdom

KEY RESPONSIBILITIES

Responsible for the management of all financial-related matters for PDB and its subsidiaries, risk management and investor relations.

PAST EXPERIENCES

- Head (Finance), Strategy, Finance and Risk, Downstream Corporate Office, PETRONAS
- Head (Gas and Power Business), Treasury, PETRONAS
- Chief Financial Officer, Vestigo Petroleum Sdn. Bhd., PETRONAS
- Head (New Venture Development and Negotiation), Accounting and Financial Services, PETRONAS Carigali Sdn. Bhd.
- Various positions within PETRONAS Group

SKILLS MATRIX

INDUSTRY EXPERIENCES



KOH TAT CHONG

Chief Technology Officer

Age: 44 | Gender: Male

Nationality: Malaysian

Date of Appointment: 1 October 2021

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Engineering in Electronic Engineering with Computer Science, University College London, United Kingdom

KEY RESPONSIBILITIES

Responsible for the planning, development and implementation of all digital, operations, technology systems and relevant initiatives.

PAST EXPERIENCES

- Head of Product Management, PETRONAS Digital
- Head of Enterprise Systems, Astro
- Head of Digital Transformation and PMO, Astro
- Consultant, Accenture United Kingdom and Malaysia

SKILLS MATRIX

INDUSTRY EXPERIENCES

Leadership Team's **Profile**

SKILLS MATRIX

- Finance/Audit
- Economics
- Engineering
- Commercial/ Marketing
- Operations
- Corporate Planning and Development
- Human Resource
- Information Technology
- Risk Management
- HSE



NORAZLAN SUBAHA

Head, Retail-Fuel Division

Age: 48 | Gender: Male
Nationality: Malaysian
Date of Appointment: 1 August 2022

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Engineering in Computer Engineering (Hons), University of Warwick, United Kingdom

KEY RESPONSIBILITIES

Responsible for the performance, profitability and sustainability of Retail-Fuel Business. Key accountability includes retail-fuel strategy and business development, network development, station operations, dealer management and customer satisfaction.

PAST EXPERIENCES

- Head, Retail Sales and Operations, PDB
- Head, Business Development, VP Marketing Office
- Head, Retail Marketing Strategy, PDB
- Project Leader, PDB Commercial Excellence (CX) Project
- Head, Mesra C-store Department, PDB
- Management Trainee, Engen Petroleum Ltd, SA
- Various positions within PETRONAS Group

SKILLS MATRIX

INDUSTRY EXPERIENCES



RAMZULHAKIM RAMLI

Head, Commercial Business Division

Age: 46 | Gender: Male
Nationality: Malaysian
Date of Appointment: 1 January 2020

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Fellow of CPA Australia (FCPA)
- Bachelor of Commerce (Accounting), University of New South Wales, Australia

KEY RESPONSIBILITIES

Responsible for sustainable value creation and growth of Commercial Business including strategic direction, business planning and development, sales and marketing as well as credit risk management.

PAST EXPERIENCES

- Head, LPG Business Division, PETRONAS Dagangan Berhad
- General Director/Chief Executive Officer, PETRONAS (Vietnam) Co. Ltd. and Thang Long LPG Co. Ltd.
- Chief Financial Officer, PETRONAS (Vietnam) Co. Ltd. and Thang Long LPG Co. Ltd.
- Head, Business Development, Vice President Downstream Marketing Office, PETRONAS
- Project Manager (Thailand), Downstream Marketing, PETRONAS
- Various positions within PETRONAS Group

SKILLS MATRIX

INDUSTRY EXPERIENCES

- Business Transformation
- Corporate and Marketing Communications
- Brand and Reputation Management
- Law/Secretarial
- Corporate Governance
- Business Model and Venture Formulation
- Strategic Planning and Negotiations
- New Market Penetration
- Economics Model

INDUSTRY EXPERIENCES

- Oil and Gas
- Shipping/Logistics
- Regional/International
- Manufacturing
- Banking and Finance
- Petrochemical
- Education
- Information Technology/Digital
- Legal Practice (Litigation)
- Telecommunications
- Technical Services



ANTON SALLEH HASHIM

Head, LPG Business Division

Age: 49 | Gender: Male
Nationality: Malaysian
Date of Appointment: 1 August 2022

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Arts Accounting and Finance (Hons), University of Lancaster, United Kingdom

KEY RESPONSIBILITIES

Responsible for LPG's business growth and value creation, direction and strategic planning for the business, as well as the efficiency of LPG's distribution network.

PAST EXPERIENCES

- Chief Executive Officer, PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.
- Chief Executive Officer, PETCO Trading (UK) Ltd.
- Head, Light Distillates Trading, PETCO Trading Labuan Co. Ltd.
- Head, Light Distillates LPG and Petroleum Product Group
- Various positions within PETRONAS Group

SKILLS MATRIX

INDUSTRY EXPERIENCES



HARDEEP SINGH KIRPAL SINGH

Chief Executive Officer, PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.

Age: 53 | Gender: Male
Nationality: Malaysian
Date of Appointment: 1 February 2019

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor in Mechanical Engineering, Universiti Teknologi Malaysia

KEY RESPONSIBILITIES

- Responsible for strategic decisions and guiding the overall operational, financial and sustainable performance of PLMMSB
- Director of PT PLI INDONESIA

PAST EXPERIENCES

- Head, International Markets, PETRONAS Lubricants International
- Interim CEO, PT PETRONAS Lubricants Indonesia
- Interim CEO, PETRONAS Lubricants Australia
- Various senior positions in Shell Global and Shell Malaysia

SKILLS MATRIX

INDUSTRY EXPERIENCES

Leadership Team's **Profile**

SKILLS MATRIX

- Finance/Audit
- Economics
- Engineering
- Commercial/ Marketing
- Operations
- Corporate Planning and Development
- Human Resource
- Information Technology
- Risk Management
- HSE



IAN MALCOLM CRUDDAS

Chief Executive Officer,
Mesra Retail & Cafe Sdn. Bhd. (MESRA)

Age: 53 | Gender: Male
Nationality: United Kingdom
Date of Appointment: 1 August 2021

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Eastbourne Sixth College, United Kingdom

KEY RESPONSIBILITIES

Responsible for guiding strategic growth agenda for MESRA business which includes both operational and financial perspectives. In addition, he oversees continuous value creation for Non-Fuel income, Mesra C-Stores, Café Mesra and Complementary Business Partners.

PAST EXPERIENCES

- Head of Non-Fuel, Retail Business Division, PETRONAS Dagangan Berhad
- Various consultancy roles with SEA FMCG Retailers, including working with key private equity companies
- Chief Executive Officer, Nando's Malaysia
- Multiple senior director roles at Dairy Farm Group operating Giant, Mercato and Cold Storage Malaysia
- General Manager/Managing Director, Watson's Personal Care Stores, Malaysia and Taiwan

SKILLS MATRIX

INDUSTRY EXPERIENCES



MAZLIN ERAWATI AB MANAN

Head, Venture Builder

Age: 43 | Gender: Female
Nationality: Malaysian
Date of Appointment: 1 April 2020

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Member, Institute of Chartered Accountants in Australia
- Bachelor of Commerce, University of Melbourne, Australia

KEY RESPONSIBILITIES

Responsible for the creation, incubation and scaling of strategic businesses, leveraging the Group's assets to create new and sustainable revenue streams.

PAST EXPERIENCES

- Head, CEO's Office, Pengerang Refining Company Sdn. Bhd.
- Head, Joint Venture Setup Readiness, PETRONAS Refinery and Petrochemical Corporation (PRPC) Sdn. Bhd.
- Head (Refinery and Logistics), Commercial Development and JV Formation, PETRONAS Refinery and Petrochemical Corporation (PRPC) Sdn. Bhd.
- Head (Downstream), Merger and Acquisition, PETRONAS
- Head (Commercial), Unconventional Energy Unit, PETRONAS
- Head (Portfolio Management), EVP Downstream, PETRONAS
- Various positions within PETRONAS Group
- Senior Associate (Assurance), PwC Malaysia

SKILLS MATRIX

INDUSTRY EXPERIENCES

- Business Transformation
- Corporate and Marketing Communications
- Brand and Reputation Management
- Law/Secretarial
- Corporate Governance
- Business Model and Venture Formulation
- Strategic Planning and Negotiations
- New Market Penetration
- Economics Model

INDUSTRY EXPERIENCES

- Oil and Gas
- Shipping/Logistics
- Regional/International
- Manufacturing
- Banking and Finance
- Petrochemical
- Education
- Information Technology/Digital
- Legal Practice (Litigation)
- Telecommunications
- Technical Services



NORMAH BASRI

Head, Supply and Distribution Division

Age: 50 | Gender: Female
Nationality: Malaysian
Date of Appointment: 1 June 2020

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Accountancy, Universiti Utara Malaysia

KEY RESPONSIBILITIES

Responsible for PDB's overall operational excellence and supply reliability across the integrated value chain.

PAST EXPERIENCES

- Chief Executive Officer, Kertih Port Sdn. Bhd.
- Head, Supply and Distribution Division, PETRONAS Chemicals Marketing Labuan, PETRONAS Chemicals Group Berhad
- Senior Manager, Logistics and Distribution, PETRONAS Chemicals Marketing Labuan, PETRONAS Chemicals Group Berhad
- Operations Manager (Polymer and Fertiliser), Malaysian International Trading Corporation Sdn. Bhd. (MITCO)
- Project Services and Procurement, PETRONAS LNG business (LNG Tiga Project)
- Project Economics, Marketing and Project, PETRONAS LNG business (LNG Tiga Project)

SKILLS MATRIX

INDUSTRY EXPERIENCES



NORLIANA AIDA RAMLI

Head, Strategy Division

Age: 46 | Gender: Female
Nationality: Malaysian
Date of Appointment: 1 January 2022

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Engineering in Chemical Engineering, University College London, United Kingdom

KEY RESPONSIBILITIES

Responsible for the implementation of long-term strategies and business development to future-proof PDB business, as well as business optimisation across the organisation for efficiency improvement, including culture, government and stakeholder strategy for smooth business operations.

PAST EXPERIENCES

- Head of Project Development, Strategic Planning and Ventures, PETRONAS Chemicals Group Berhad
- Head of Commercial Development and Venture Formation, Petrochemicals, PRPC
- Head of C2 and C3 Chain, Project RAPID
- Manager (Vinyls, Olefins and its Derivatives), Malaysian International Trading Corporation Sdn. Bhd. (MITCO)

SKILLS MATRIX

INDUSTRY EXPERIENCES

Leadership Team's **Profile**

SKILLS MATRIX

- Finance/Audit
- Economics
- Engineering
- Commercial/ Marketing
- Operations
- Corporate Planning and Development
- Human Resource
- Information Technology
- Risk Management
- HSE



P SUJATANI POOSPARAJAH

Head, Strategic Communications Division

Age: 49 | Gender: Female
Nationality: Malaysian
Date of Appointment: 1 March 2022

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- LLB (Hons), University of South Wales, United Kingdom
- Member, Chartered Institute of Public Relations, United Kingdom
- Member, International Association of Business Communicators
- Member, Asia-Pacific Association of Communication Directors

KEY RESPONSIBILITIES

Responsible for PDB's strategic communications, reputation, crisis and issues management, brand management, digital communications, integrated advertising and marketing communications, media relations and stakeholder management.

PAST EXPERIENCES

- Head of Corporate Communication, Upstream Strategic Communications, PETRONAS
- Manager, Strategic Communications (Content Management), Group Strategic Communications, PETRONAS
- Senior Journalist, New Straits Times Press

SKILLS MATRIX

INDUSTRY EXPERIENCES



CHEOK YEN KWAN

Head, Marketing Strategy and Communication Division

Age: 50 | Gender: Female
Nationality: Malaysian
Date of Appointment: 11 November 2022

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Bachelor of Science (Economics), Universiti Putra Malaysia

KEY RESPONSIBILITIES

Responsible for marketing, consumer lifecycle management, as well as development of marketing strategies and communication.

PAST EXPERIENCES

- General Manager, Marketing, PETRONAS Lubricants Marketing Malaysia
- Asia Pacific Senior Marketing Manager, Kimberly Clark
- Marketing Manager, Fonterra Brands
- Marketing Manager, Kraft/Cadbury Confectionery
- Product Manager, Standard Chartered Bank
- Various positions in Sony Malaysia Sdn. Bhd.

SKILLS MATRIX

INDUSTRY EXPERIENCES

- Business Transformation
- Corporate and Marketing Communications
- Brand and Reputation Management
- Law/Secretarial
- Corporate Governance
- Business Model and Venture Formulation
- Strategic Planning and Negotiations
- New Market Penetration
- Economics Model

INDUSTRY EXPERIENCES

- Oil and Gas
- Shipping/Logistics
- Regional/International
- Manufacturing
- Banking and Finance
- Petrochemical
- Education
- Information Technology/Digital
- Legal Practice (Litigation)
- Telecommunications
- Technical Services



AHMAD MUNIR AKRAM AHMAD FAIZ

Head, Human Resource Management Division

Age: 46 | Gender: Male | Nationality: Malaysian | Date of Appointment: 1 July 2021

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Master of Science in Business Psychology, Heriot Watt University
- Bachelor of Business Administration in Marketing and International Management (Hons), University of Waikato, New Zealand

KEY RESPONSIBILITIES

Responsible for being a strategic partner supporting business leaders on human resource and talent matters.

PAST EXPERIENCES

- Head, Experience Factory, Project emb. arc, PETRONAS
- Chief Executive Officer, PETRONAS Energy (India) Pvt. Ltd.
- Senior Manager HRM, Centre of Excellence, Upstream Business, PETRONAS
- Senior Manager, People Planning and Organisation Design, Upstream Business, PETRONAS
- Human Resource Management Advisor, Pacific NorthWest LNG (Canada)
- Head, Human Resource Management, Gas and Power Business, PETRONAS
- Manager, Strategic Planning and Business Development PICL (Egypt) Corporation Ltd., PETRONAS
- Various positions within PETRONAS Group

SKILLS MATRIX

INDUSTRY EXPERIENCES



AHMAD YUSMADI MOHAMED YUSOFF

Head, Legal Division

Age: 52 | Gender: Male | Nationality: Malaysian | Date of Appointment: 1 September 2022

PROFESSIONAL/ACADEMIC QUALIFICATIONS

- Executive Development Program, Wharton
- Certificate In Legal Practice
- LLB (Hons), Leeds University, United Kingdom

KEY RESPONSIBILITIES

Responsible for providing legal strategy, and steering, driving and overseeing the legal services and advisory for PDB and its Group of Companies.

PAST EXPERIENCES

- General Counsel, Compliance Strategy and Planning, Group Legal PETRONAS
- General Counsel, Gas and LNG Business, Group Legal, PETRONAS
- Senior Legal Counsel, Middle East, Africa and Americas, Legal Upstream Business, Group Legal, PETRONAS.
- Senior Legal Counsel, Egypt Operations
- Legal Counsel, Egyptian LNG
- Legal Counsel (Africa), PETRONAS Carigali Sdn. Bhd.
- Legal Counsel, Malaysia LNG Sdn. Bhd.

SKILLS MATRIX

INDUSTRY EXPERIENCES

Leadership Team's Declaration

- *No family relationship with any Director/Major Shareholder*
- *No conflict of interest with PETRONAS Dagangan Berhad*
- *Has never been charged for any offence within the past five years other than traffic offences, if any*
- *All Leadership Team members at present have no present directorship in public companies and listed issuers, save for Azrul Osman Rani who, in his capacity as MD/CEO, is a Director on the Board of PETRONAS Dagangan Berhad*

Corporate Governance
Overview Statement



Working responsibly is at the core of what we do, and we strive to deliver value for stakeholders in a safe, secure, and environmentally and socially responsible manner.

As we move through the energy transition, the importance of our culture becomes ever stronger. The Board works with integrity at all times, in an open and honest environment, setting the tone for the culture throughout the organisation. Key to our success is our people and we are proud of the behaviours that they demonstrate in undertaking their work.

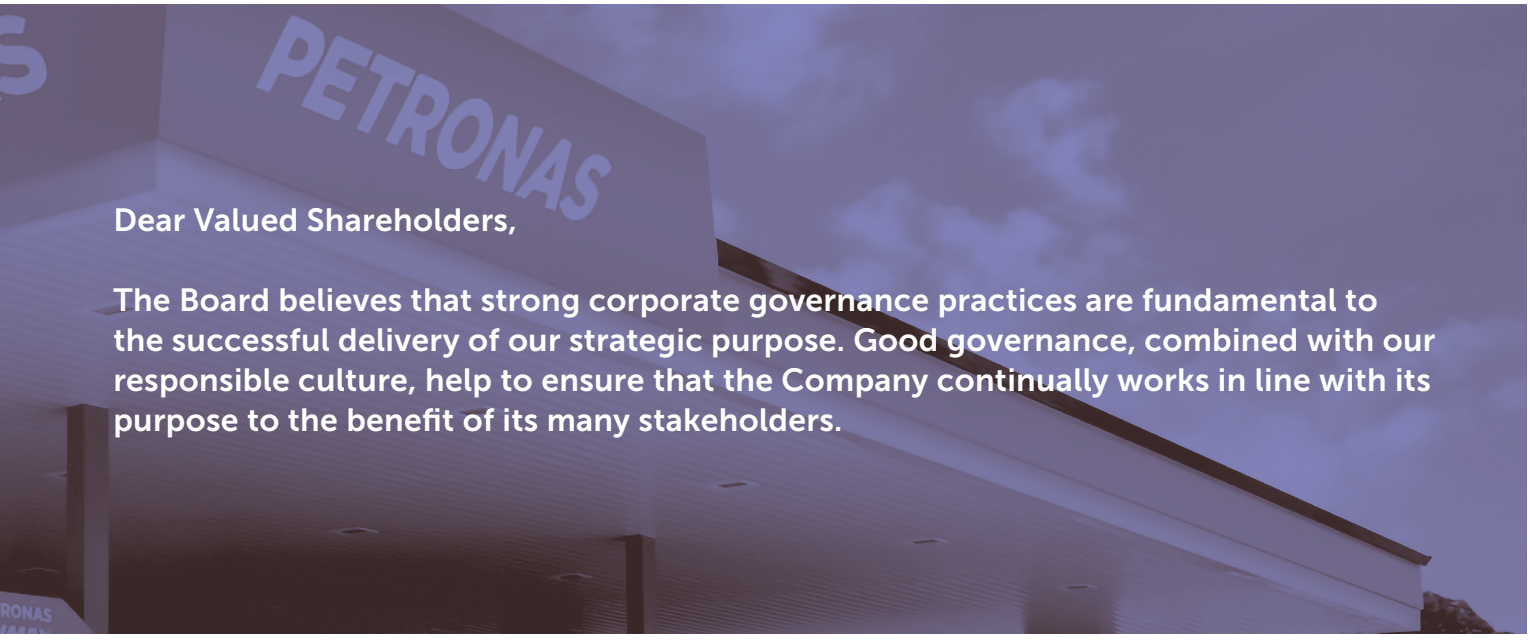
SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Our Board has always believed that long-term, sustainable growth and profitability can only be delivered by respecting those who are impacted by our activities, and this is a cornerstone of our shared values. As Boards are increasingly measured by how they contribute to society, we continue to focus on developing and maintaining strong relationships with our customers, colleagues, suppliers and communities, to ensure that workers are treated correctly, and to seek to limit our impact on climate change and the environment. We are increasingly embedding considerations of climate change and environmental matters into our decision-making. The Board is keen to continue to show leadership in this matter, and to include our progress in how we judge our performance.

GOVERNANCE AND REPORTING DEVELOPMENTS

Each year we review and aim to lay the groundwork for upcoming regulatory changes and important reporting guidance. This year we considered the Main Market Listing Requirements (MMLR) amendments on disclosures relating to climate risk and TCFD reporting, taking on recommendations where it makes pragmatic sense for us to do so.

Corporate Governance
Overview Statement



Dear Valued Shareholders,

The Board believes that strong corporate governance practices are fundamental to the successful delivery of our strategic purpose. Good governance, combined with our responsible culture, help to ensure that the Company continually works in line with its purpose to the benefit of its many stakeholders.

The Company is fully committed to applying and achieving compliance with the Principles and Practices set out in the MCCG 2021 and the Board is responsible for ensuring that an appropriate framework is in place to do so.

This Statement provides an overview on the manner, in which the Company has applied the Principles and Practices of the MCCG 2021. The Board is of the view that the Company has applied all the Practices contained in the MCCG 2021 except Practice 8.2 (disclosure of remuneration of top five senior management in bands of RM50,000) and the details of how PDB has applied the MCCG 2021's Principles and Practices are explained in our Corporate Governance Report 2022, which is accessible to the public on PDB's corporate website at www.mymesra.com.my.

Your Board had welcomed Tunku Alizakri Raja Muhammad Alias and Mohd Yuzaidi Mohd Yusoff as Independent Directors and Datuk Sazali Hamzah as Non-Independent Non-Executive Director on 1 June 2022.

On behalf of the Board, I would like to record my utmost appreciation to Ahmad Adly Alias who had resigned on 1 June 2022, for his contribution and services to the Company.

DATUK ANUAR AHMAD
Chairman

PRINCIPLE A

EFFECTIVE LEADERSHIP

For more information please refer to page 163.

PRINCIPLE B

EFFECTIVE AUDIT AND RISK MANAGEMENT

For more information please refer to page 189.

PRINCIPLE C

EFFECTIVE COMMUNICATION WITH STAKEHOLDERS

For more information please refer to page 190.

OUR SUSTAINABILITY GOVERNANCE

As a member of the PETRONAS Group, policies. We adhere to the Group's Code of and Cohesiveness. CoBE underlines our our operations, the code is also applied to

BOARD

- Highest oversight on sustainability, including climate change and human rights matters
- Receives updates on sustainability performance quarterly and throughout the year through strategic engagements

BOARD SUSTAINABILITY AND RISK COMMITTEE

- The Board Risk Committee was renamed as Board Sustainability and Risk Committee, whereby the committee will carry out sustainability oversight function and shall report its recommendations to the Board for decision

SUSTAINABILITY ACTION COUNCIL

- Discuss and deliberate on any sustainability management, strategy and policy issues and shall act in an advisory capacity
- Tracks and monitors progress of sustainability performance indicators against targets
- Deliberates and endorses sustainability plan prior to approval
- Provides effective direction and intervention on any other sustainability related matter
- Ensures capital availability and evaluate capital sourcing



The Board of PDB has ultimate oversight of our sustainability matters, initiatives and performance, with sustainability being fully integrated into its mandate.

Amongst sustainability-related matters tabled and/or discussed at the Board in 2022:

- Sustainability performance updates, including our progress in GHG emissions reduction, safety performance, human rights, and community investment initiatives, amongst others
- Review of PDB sustainability governance structure
- Sustainability reporting direction
- Inclusion of Sustainability KPIs, including climate-related, onto corporate scorecard, carried by MD/CEO and key LT members

The Board continues to develop its knowledge and expertise on sustainability matters, including on climate change. For example, in 2022, the Group Legal updated the Board on legal opinion regarding Directors' duties in the context of climate change risks and considerations. The Board also attended training on a wide range of sustainability topics related to climate, nature and social actions.

At the management level, our MD/CEO and Leadership Team (LT) play a leading role in ensuring that sustainability matters are addressed and integrated effectively and efficiently throughout our business processes and operations.

Sustainability Action Council (SAC), comprising selected LT members and employees across the various functions, departments and units monitors our sustainability initiatives and programmes, ensuring good progress by addressing potential 'roadblocks' or other impediments. Pertinent matters raised during SAC meetings that require further deliberation are escalated to the MD/CEO and LT, as and when required. PDB Sustainability department, a dedicated team established to drive the execution and implementation of company-wide Sustainability Roadmap, plays the role of SAC secretariat.

Corporate Governance
Overview Statement

sustainability governance at PDB is largely underpinned by PETRONAS' sustainability framework and Business Ethics (CoBE) while prescribing to its Shared Values of Loyalty, Integrity, Professionalism commitment to sustainable economic, environmental and social development. In addition to guiding our partners, contractors and suppliers to ensure a sustainable and responsible value chain.

The SAC is supported by Economic, Environmental and Social 'tribes' – essentially working committees represented by key personnel from across the organisation with the specific responsibilities of identifying, executing and implementing sustainability initiatives and programmes identified. Tribes will be formed as and when required, to help progress new initiatives as these are established. Each tribe will be formed and led by an LT.

We are in the midst of formalising some changes in our sustainability governance, to further enhance its effectiveness:

- Expanding the role of Board Risk Committee to include oversight on sustainability matters, thereby renaming it Board Sustainability and Risk Committee (BSRC);

- Strengthening the role of SAC in providing operational oversight role, with MD/CEO as the chairman.

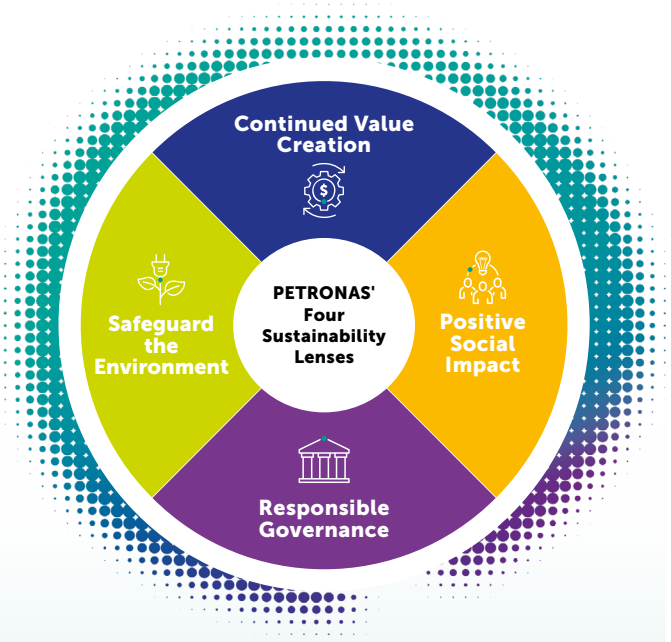
PDB is also a member of the PETRONAS' Downstream Sustainability Transformation Committee (DSTC), a forum where PETRONAS' downstream subsidiaries/entities interact, network and share good sustainability practices and challenges, as well as increasing their alignment with PETRONAS Group.

ESG RISK MANAGEMENT

PDB undertakes a consistent approach to addressing the risks and uncertainties affecting our business. PDB Enterprise Risk Management (ERM) aims of supporting Management in a risk based decision-making process by providing a balanced and holistic view of exposures in achieving our business objectives through comprehensive and pervasive risk assessments which includes Environmental, Social and Governance (ESG) elements.

During the year 2022, PDB identified, assessed and integrated relevant ESG indicators into our ERM practices. PDB has also included FTSE4Good as part of PDB Risk Appetite to ensure continuous demonstration of good sustainability practices in order to encourage positive change as it measures the performance of companies demonstrating specific ESG practices.

On the other hand, we review and identify our key risks from the EESG lens and mapped to respective elements as illustrated below to ensure a more robust, structured and systematic process with more intent and purpose during our formulation of decision-making process.



- HSE
- Financial
- Operation
- Technology and Cyber Security
- Strategic
- Market
- Talent
- Legal and Regulatory
- Sustainability

Corporate Governance
Overview Statement

PRINCIPLE A
EFFECTIVE **LEADERSHIP**

THE BOARD

Responsible for setting the Group's strategy for delivering long-term value to our shareholders and other stakeholders and setting the culture, values and governance framework for the Group. Provides effective challenge to management concerning execution of the strategy and ensures the Group maintains an effective risk management and internal control system.

The Board has approved a schedule of matters reserved for decision by the Board.

GOVERNANCE STRUCTURE AND BOARD AND BOARD COMMITTEE MEETINGS ATTENDANCE

Board of Directors	Datuk Anuar Ahmad *Chairman*	Azrul Osman Rani *Managing Director / Chief Executive Officer*	Shafie Shamsuddin *Senior Independent Director*	Alvin Michael Hew Thai Kheam *Independent Non-Executive Director*	Nirmala Doraisamy *Independent Non-Executive Director*
Total Meetings Attended	5/5 100%	5/5 100%	5/5 100%	5/5 100%	5/5 100%

BAC

Board Audit Committee (BAC)

- Financial Reporting
- Audit Report and Compliance

Members

- **Tang Saw Hua** — *Attendance: 100%* (4/4)
- **Nirmala Doraisamy** — *Attendance: 100%* (4/4)
- **Arni Laily Anwarrudin** — *Attendance: 100%* (4/4)
- **Mohd Yuzaidi Mohd Yusoff** — *Attendance: 100%* (2/2)

NRC

Nomination and Remuneration Committee (NRC)

- Board and Senior Management's Appointment, Remuneration and Performance

MD/CEO

Responsible for the overall operations of the business, organisational effectiveness and implementation of the Group's strategies and policies

LEADERSHIP TEAM

- Regular reporting/progress updates from respective business and enablers
- Advisory to MD/CEO in implementing strategies and business operations

WORKING GROUP

Credit Control Committee, HSE Steering Committee, Business Information Technology Committee, Project Steering Committee, Sustainability Action Council

Corporate Governance Overview Statement

Chairman
Responsible for the orderly conduct and function of the Board

Senior Independent Director (SID)
Acts as the point of contact between Non-Executive Directors (NEDs) and Chairman as well as shareholders

Independent Non-Executive Directors (INEDs)
Provide independent judgement and views

Non-Independent Non-Executive Directors (NINEDs)
Provide in-depth knowledge and insight from PETRONAS' perspective

Tang Saw Hua	Arni Laily Anwarrudin	Datuk Sazali Hamzah	Tunku Alizakri Raja Muhammad Alias	Mohd Yuzaidi Mohd Yusoff	Ahmad Adly Alias
Independent Non-Executive Director	*Non-Independent Non-Executive Director*	*Non-Independent Non-Executive Director (Appointed effective 1 June 2022)*	*Independent Non-Executive Director (Appointed effective 1 June 2022)*	*Independent Non-Executive Director (Appointed effective 1 June 2022)*	*Non-Independent Non-Executive Director (Resigned effective 1 June 2022)*
5/5 100%	5/5 100%	3/3 100%	3/3 100%	3/3 100%	2/2 100%

Members

Shafie Shamsuddin (3/3)
Attendance: 100%

Alvin Michael Hew Thai Kheam (3/3)
Attendance: 100%

Tang Saw Hua (3/3)
Attendance: 100%

BSRC

Board Sustainability and Risk Committee (BSRC)

- Risk Management
- Sustainability

Members

Alvin Michael Hew Thai Kheam (4/4)
Attendance: 100%

Shafie Shamsuddin (4/4)
Attendance: 100%

Nirmala Doraisamy (4/4)
Attendance: 100%

Tang Saw Hua (4/4)
Attendance: 100%

Tunku Alizakri Raja Muhammad Alias (2/2)
Attendance: 100%

Datuk Sazali Hamzah (1/2)
Attendance: 50%

RISK MANAGEMENT AND GOVERNANCE COMMITTEE
Discuss, deliberate and support PDB management on risk and governance matters

110
Board and Board Committee Hours

Corporate Governance
Overview Statement

BOARD LEADERSHIP

DOING THINGS PROPERLY

We believe that good governance – in our words 'doing things properly' – leads to stronger value creation, the building of greater understanding and trust of our business, lowering risks and creating opportunities for all stakeholders.

SETTING THE TONE FROM THE TOP

It is the Board's responsibility to instil and maintain a culture of openness, integrity and transparency throughout the business, through our policies and communications, and by the way in which the Board, and therefore the Company, acts.

ALWAYS AIMING TO COMPLY

We always intend to comply with the prevailing principles of good governance and codes of best practice honestly, simply, transparently, and with clarity and integrity.

THE BOARD'S **KEY FOCUS**

STRATEGY

Reviewed and approved Group strategic initiatives and plans

The Board deliberated on strategic initiatives and provided the relevant feedback and directions. The Board also oversaw the conduct of the Company's business and execution of the initiatives against the 2021 target.

Oversaw and evaluated progress of growth projects

The Company's strategic direction, achievements and challenges in pursuing growth strategy were periodically and as and when necessary, updated to the Board for guidance and directions on the way forward. During the year, the Company had completed the Business Transfer and Share Subscription Agreement in relation to the divestment of PDB's Sarawak Liquefied Petroleum Gas Marketing and Distribution Business to Petrosniaga Sdn. Bhd. (PNiaga) and Subscription of 49% equity stake in PNiaga by PDB.

Reviewed and approved PDB's Business Plan and Budget

The Board deliberated and approved PDB's business plan which spans over five years. Projections presented to the Board were prepared against market forecasts and market/consumer trends. Future growth projects and financial forecasts were also presented to the Board for their deliberation. The Board also deliberated PDB's resource allocation plans and potential challenges towards achieving PDB's aspirations.

FINANCIAL PERFORMANCE

Reported Group's performance on Quarterly basis

The Group's performance report is circulated on a monthly basis and mandatory to be presented at quarterly board meeting, including respective performance of business segments and companies within the Group. Performance is measured and tracked against the approved performance targets as well as prior periods. The MD/CEO and Key Management's KPIs and their performance were presented to the Board to oversee, measure and track against the approved KPI targets for the year in achieving the Group's aspirations and objectives.

Reviewed and approved the quarterly interim dividend

The Board consider and approve the proposal of declaration of dividend on quarterly basis.

SUSTAINABILITY

Strengthened our sustainability governance strutures

Advancing on the sustainability journey requires deeper conversations in the Board room and other parts of the organisation. For PDB, Strengthening Sustainability Governance and ESG Risk Management are prioritised to ensure further Board oversight into sustainability matters. Collective sustainability expertise of Board was also elevated through appointment of new Board member with strong experience in sustainability to ensure broader expert views are included in Board considerations. Effective 2023, the Board Risk Committee is renamed as Board Sustainability and Risk Committee, whereby the Committee will carry out sustainability oversight function, including on climate change, and shall report its recommendations to the Board for decision.

As a player in the oil and gas industry, we take seriously our responsibility to be part of the global transition to a low-carbon economy. Our climate actions are driven by PETRONAS' Climate Change Position, PETRONAS Carbon Commitments (PCC) and its aspiration to be a Net Zero Carbon Emissions (NZCE) organisation by 2050. Based on the PCC and NZCE, we are reducing our GHG emissions across our operations and investing in renewable energy while creating value and strengthening our businesses.

RISK AND INTERNAL CONTROL

Management of risks

The Board has approved the PDB risk appetite which sets its key boundaries to ensure risks undertaken in pursuit of business objectives are within Board acceptable level of risk or boundaries PDB is willing to assume within its risk capacity in pursuing strategic and business objectives.

PDB continuously reviews, identifies and manages the critical risks that may significantly impact PDB's business goals and targets through annual approval of PDB Corporate Risk Profile (CRP). PDB reviewed its existing risks and considered the emerging risks which manifest from internal or external environment that could potentially impact delivery of business objectives. Climate related risks and opportunities were also assessed and considered during deliberations which includes transition risks, physical risks and cleaner energy solutions.

The Board also monitors the Key Risk Indicators (KRIs) identified as part of the CRP which serves as early warning signals on the increasing likelihood or impact of the risks whereas mitigations were also identified to manage or reduce the impact for each critical risk. Status of both KRIs and mitigations were monitored by the Board through quarterly Business Risk Report (BRR).

In achieving comprehensive risk-based decision making, the Board also considers risks related to high impact business matters such as commercial

Corporate Governance Overview Statement

PRAGMATIC APPLICATION

We are pragmatic in our approach and apply corporate governance guidelines in a way that is beneficial to our business, and our stakeholders, consistent with our culture and true to our shared values.

COMPLY OR EXPLAIN

If we decide that the interests of the Group can be better served by doing things in a different way – without compromising our purpose, culture or shared values – we will explain our reasons why in a thoughtful, compelling way, including how we have mitigated any impacts.

CONSIDERED DECISION-MAKING

Our Board members believe it is more important to focus on what is right for the Company than be in the spotlight; we trust our decisions for the long term, and we care about and listen to our stakeholders.

AREAS IN 2022

transactions with high complexity and exposure, key capital projects, new business ventures and/or special projects whilst weighing the feasibility and commerciality of these projects and investments.

Establishment of Diversity & Inclusion (D&I) Statement and focus area

At PDB Group, we believe a diverse and inclusive workplace is important for our employees' well-being and for the continued success and growth of our business. PDB Board is committed to the Company's D&I policy in ensuring mix profiles of age, background and gender that provide the necessary range of perspectives, experience and expertise required to achieve effective results for the organisation. To date, there are three female Directors on the Board of PDB which constitutes 30% of the Board composition. In tandem with the emphasis on gender diversity, the Board is committed in developing a corporate culture that also embraces the aspect of gender diversity.

As part of the D&I policy, PDB Group of Companies is adopting the PETRONAS D&I statement where D&I is about all of us progressing in this world together, in aligning with the Group's aspiration. Moreover, PDB Group of Companies is anchoring on the following D&I Focus Areas with its long terms targets to be achieved by year 2026, in alignment with FTSE4Good timeline.

The four key Focus Areas are:

1. **Gender**: Increase women representation in Leadership roles as successors for Key/Critical positions, Top Talents (TT) and Potential Leaders (PL)
2. **Background**: Inclusivity and unbiased consideration for every positions and equal opportunities are given regardless of ethnicity, nationality and/or disability
3. **Age**: Opportunities for young talents to be leaders of tomorrow, in bringing new ideas and perspectives for the organisation by increasing the involvement of young talents in project leadership/managerial role as well as talent pools as successors for PDB Group business critical and key positions
4. **Culture**: Differences in perspective are respected and valued in order to create a safer and respectful environment to foster open conversation and ensure differences in perspectives are valued at all levels in the organisation

Refer to the details of the D&I content in the Sustainability Report page 118.

Key internal control enhancements

The following key internal control has also been revised and approved by the Board:

1. Limits of Authority (LOA)

The Group has established LOA which defines the appropriate approving authority and decision-making limits to govern and manage business decision process. LOA revision is undertaken periodically, as and when required to reflect changes in organisational structure as well as business arrangement in ensuring effective decision making. During the year, LOA has been revised to include new authority level following the creation of COO position.

2. PDB Data Secrecy Manual

The Data Secrecy Manual (DSM) was first developed in 2017 and was updated in 2022 to incorporate the requirements in the Management of Customer Information and Permitted Disclosure (MCIPD) Policy Document by Bank Negara Malaysia issued on 12 Oct 2021.

It sets out the requirements with regards to PDB's measures and controls in handling SmartPay customer data throughout the information lifecycle, from collection until disposal of customer data in accordance with MCIPD requirements. It also serves as a guide for staff with regards to data secrecy implementation within PDB and aims to ensure consistent practice in managing Smartpay customer data. Some of the enhancements to the DSM include stipulating the roles and responsibilities of the Board and Senior Management and frequency of independent review on PDB operations as well as third party service providers.

GOVERNANCE AND COMPLIANCES

Implementation and monitoring of succession planning

As part of the role of the Board of PDB, the Board ensures that there is an appropriate succession plan for members of the Board. During the year under review, the Board has approved the changes to the Board and Board Committees to strengthen its composition.

The Board through its Board Committee, NRC also ensures that there is an appropriate succession plan for key Senior Management.

Related Party Transactions and Recurrent Related Party Transaction

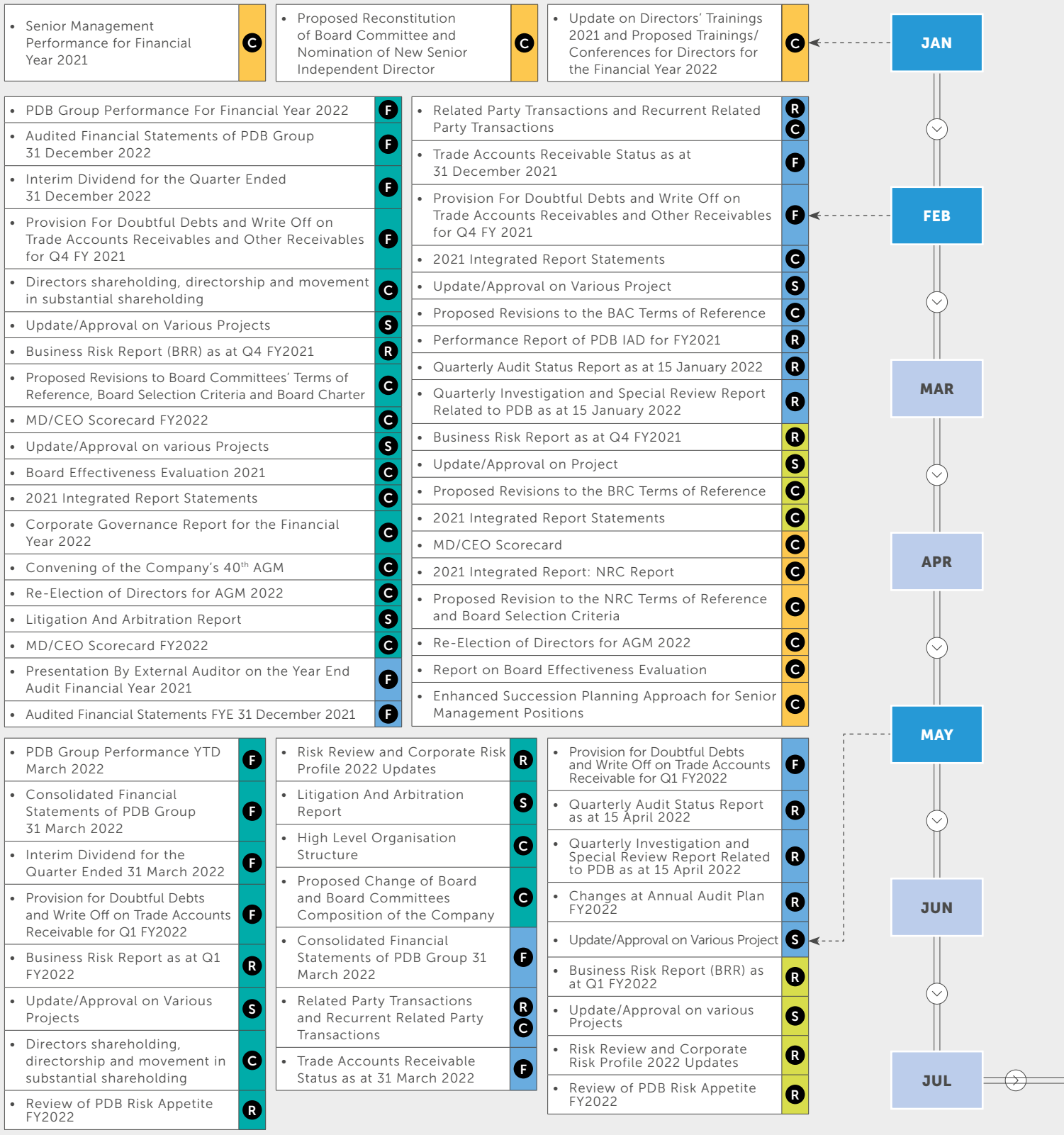
The Board through its Board Committee, BAC ensures all related party transactions are at arm's length basis and were carried out on normal commercial terms and not to the detriment of the minority shareholders of PDB.

Fit and Proper Policy

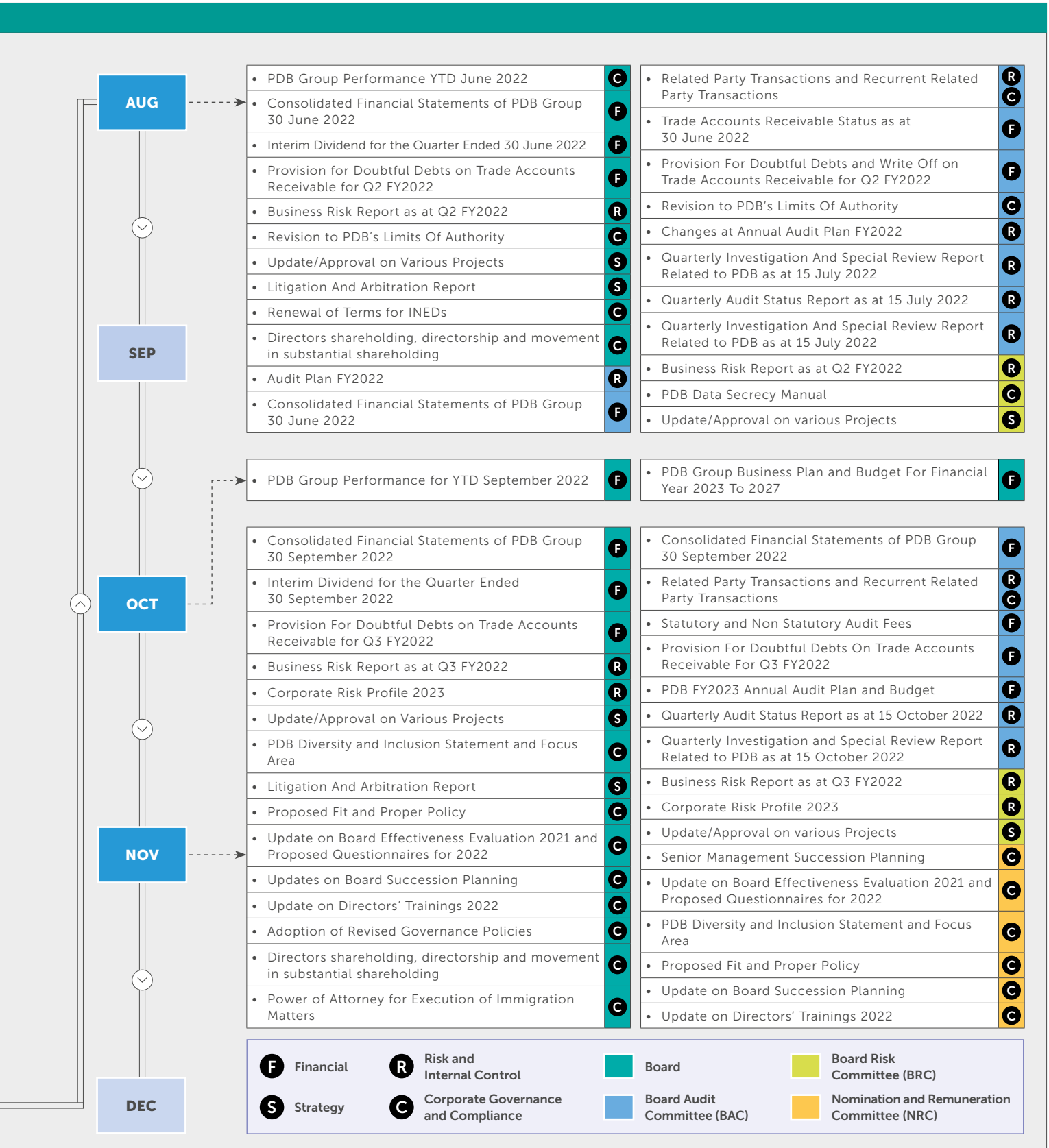
The Board had established Fit and Proper Policy for adoption by PDB and its subsidiaries to be in compliance with Para 15.01A of MMLR of the Bursa Malaysia.

Corporate Governance
Overview Statement

HIGHLIGHTS OF THE BOARD ACTIVITIES DURING 2022



Corporate Governance **Overview Statement**



Corporate Governance
Overview Statement

HOW THE BOARD OPERATES

Board Charter

In discharging the Board's duties and responsibilities effectively, the Board is guided by its Board Charter, a document which sets out the principles and guidelines that are to be applied by the Board. This Board Charter has been developed to accentuate the Board's commitment to high standards of corporate governance.

It adopted best practices, applicable rules and regulations, process and procedures to guide the Board in the discharge of its duties and functions.

The Board Charter sets out the roles and responsibilities of the Board, the Chairman and the Managing Director/Chief Executive Officer (MD/CEO), Board appointments and succession planning, establishment of Board Committees, stakeholder communication and risk management, among others.

The segregation of authority as set out in the Board Charter is clear and ensures that the line of authority is in line with the legal and regulatory requirements. The Board Charter are reviewed and updated from time to time to reflect relevant changes to the policies, procedures and processes as well as amendments to rules and regulations to ensure the document remains relevant and consistent with the applicable rules and regulations and recommended best practices.

For more information on the Board Charter, please refer to PDB's corporate website at www.mymesra.com.my

Board Leadership

The Board is responsible for the overall leadership of the Group and for promoting its long-term sustainability and success by providing leadership within a framework of prudent and effective controls.

The Board safeguards stakeholder value-creation. Prudent and effective controls make it possible for the Board to assess and manage emerging risks and opportunities continuously to ensure long-term sustainable development and growth.

The Board commits itself and its Members to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

All Board members exercise their powers for a proper purpose and in good faith in the best interest of the Company. In directing or managing the Company's business and affairs, they exercise reasonable care, skill and diligence by applying their knowledge, skill and experience.

The Board ensures that key transactions or critical decisions are deliberated and decided on by the Board in a meeting. The Board also ensures that decisions and basis for those decisions, including any dissenting views are made known and properly minuted.

Principal Roles and Responsibilities of the Board

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interest of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated. The Board is satisfied that it has fulfilled these duties and obligations during the year under review.

In discharging its functions, the main roles and responsibilities of the Board are as follows:

- To review, approve and monitor the strategic business plans, goals and key policies proposed by the Management to ensure sustainability and optimisation of long-term returns;
- To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed;
- To review and approve financial statements;
- To review and manage principal risks and adequacy of PDB's internal control systems including systems for compliance with applicable laws, regulations, rules and guidelines;
- To ensure that there is an appropriate succession plan for members of the Board and LT; and
- To be accountable to its shareholders, and to some extent, accountability towards a wider range of stakeholders affected by PDB's decision such as employees, suppliers, customers, the local community and the state/country where PDB is operating.

The above roles and responsibilities are clearly set out in the Board Charter.

Corporate Governance
Overview Statement

Board Balance and Composition

As at the date of this Statement, the Board comprises ten members, one of whom holds an Executive Office, having a dual role as MD/CEO. There are six members who are Independent Non-Executive, three Non-Independent Non-Executive members, including the Chairman and one Executive Director. PDB has complied with Practice 5.9 of the MCCG 2021, by having 30% women directors in its Board.

Designation	Number of Directors
Executive Director *(Managing Director/Chief Executive Officer)*	1 out of 10
Independent Non-Executive Directors	6 out of 10
Non-Independent Non-Executive Directors *(including Chairman)*	3 out of 10

The ten members of the Board are persons of integrity and calibre who have sound knowledge and understanding of PDB's business and provide a diversity of breadth in experience and knowledge.

The composition of the Board exceeds the requirements of Paragraph 15.02 of the MMLR as more than one-third of its members are Independent Non-Executive Directors (INED). This composition enables an effective and objective check and balance on the Board's deliberation and decision making. The Board took cognizance of Practice 5.2 of MCCG 2021 which requires the Board of large companies to comprise a majority of independent directors.

During the year under review, the Company had seen some changes in the composition of the Board. On 1 June 2022, Datuk Sazali Hamzah was appointed as Non-Independent Non-Executive Director (NINED), Mohd Yuzaidi Mohd Yusoff and Tunku Alizakri Raja Muhammad Alias were appointed as INEDs. The Board wishes to record its appreciation and gratitude to Ahmad Adly who resigned on the same day, for his significant contribution and services during his tenure as Director of the Company.

The Directors are selected based on their individual merits and experience. The current Board composition comprises individuals of diverse backgrounds with good corporate leadership, experience, expertise and skills, amongst others, finance/audit, economics, engineering, information technology/digital, sustainability, commercial/marketing, operations, corporate planning and development, risk management, human resource, oil and gas, retail, shipping/logistics, regional/international, banking and finance, education, automotive and food and beverage/restaurants. These are important to ensure diversity of views, which facilitates effective decision making and constructive Board deliberation during its meetings.

The current overall Board composition is diverse in terms of age, gender and has a blend of skills, experience and knowledge enabling them to provide effective oversight, strategic guidance and constructive challenge, examine proposals on strategy and empower the MD/CEO to implement strategies approved by the Board. This is to ensure diversity and inclusiveness of views as well as to facilitate effective decision-making and constructive deliberation during its meetings.

In considering new appointments to the Board, the Board through the NRC, takes into account corporate leadership skills, experience and expertise required to advance the strategic direction of the Company. The NRC also ensures that the Board has the right balance of skills, experience, independence and business knowledge necessary to discharge its responsibilities in keeping with the highest standards of governance while providing meaningful contributions to the business of the Company.

The balance on the Board with the presence of Non-Executive Directors (NEDs) ensures no individual or small group of Directors are able to dominate the decision-making process and that the interests of shareholders are protected. The Board considers each NEDs to be independent in character and judgement.

The NEDs possess the necessary expertise and experience to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the interests of the shareholders and stakeholders. They contribute to the formulation of policy and decision making through their expertise and experience.

The INEDs play a significant role in providing unbiased and independent views, advice and judgment which brings objectivity and scrutiny to the Board's deliberations and decision-making. Their role is also particularly critical for related party transactions as these require independence of judgment and objective impartiality to protect the interests of minority shareholders. The Board is also of the view that all directors exercise independent judgment at all times.

To avoid any conflict of interest, all Board members declare their interests where applicable at all Board meetings.

In line with Paragraph 15.06 of MMLR of Bursa Malaysia, none of the members of the Board holds more than five directorships in listed companies. Prior to acceptance of other appointment for directorship in other listed companies, the Directors are required to seek consent from the Chairman of PDB to ensure that such appointment would not unduly affect their time commitment and responsibilities to the Board. In addition, none of the Directors have appointed alternates.

Corporate Governance
Overview Statement

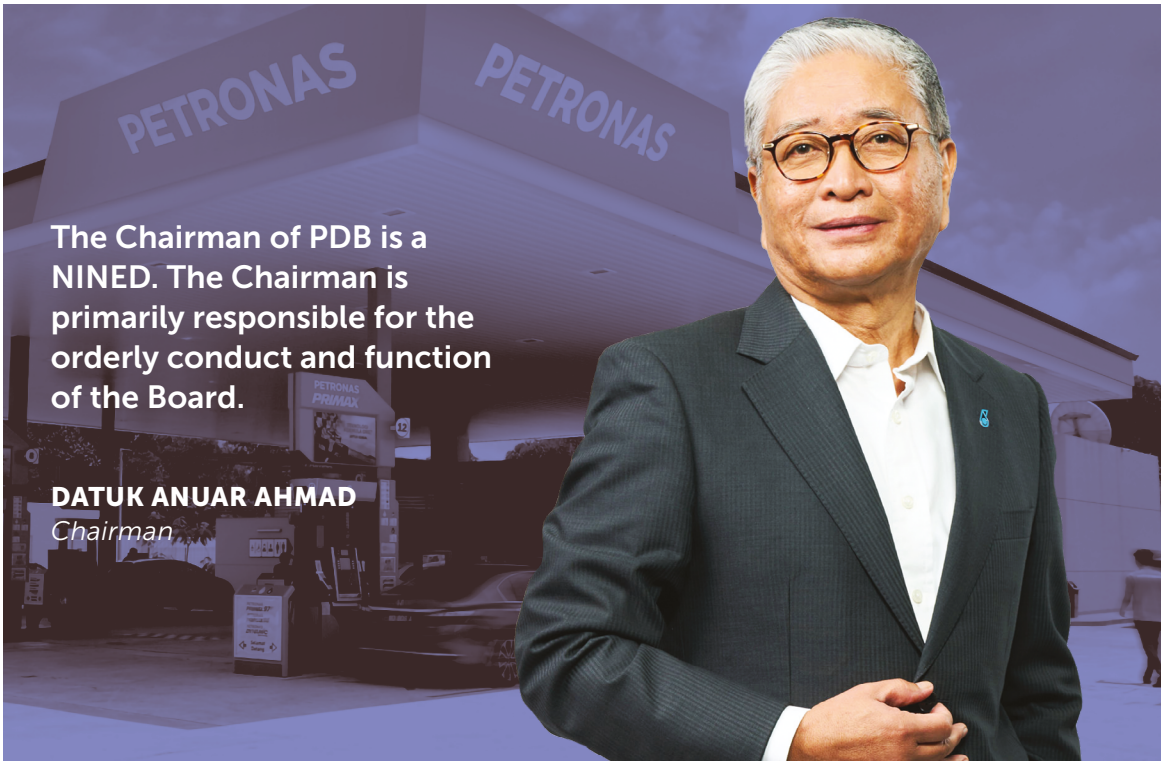
Separate Roles of Chairman, Managing Director/Chief Executive Officer and Senior Independent Director

An effective Board is crucial to the long-term prospects and strategic aims of the Company. This is achieved through strong and open working relationships between the Directors.

Additionally, the Board practices a clear demarcation of duties and responsibilities between the Chairman and MD/CEO to ensure a balance of power and authority in the Board. The positions of Chairman and MD/CEO are held separately by Datuk Anuar Ahmad and Azrul Osman Rani, respectively. This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the MD/CEO's responsibility to manage the Company's business. Separation in the role of the Chairman and the MD/CEO is imperative as both roles have different expectations and serve distinct primary audiences.

The Senior Independent Director (SID) acts as a point of contact between the NEDs and the Chairman as well as the designated contact to whom shareholders' concerns may be raised.

A short summary of their roles and division of responsibilities is set out below:





The respective roles and responsibilities of the Chairman and MD/CEO can be viewed under the Board Charter in the PDB's corporate website at www.mymesra.com.my

Corporate Governance
Overview Statement

Roles and Responsibilities

- Leading the Board in setting the values and ethical standards of PDB;
- Chairing Board meetings and stimulating debates on issues and encouraging positive contributions from each Board member;
- Consulting with the Company Secretaries in setting the agenda for Board meetings and ensuring that all relevant issues are on the agenda;
- Maintaining a relationship of trust with and between the MD/CEO and NEDs;
- Ensuring the provision of accurate, timely and clear information to Directors;
- Ensuring effective communication with shareholders and relevant stakeholders;
- Ensuring the annual effectiveness evaluation is performed for the performance of Board members, its Committees and individual Directors, including assessment of the independence of Independent Directors;
- Ensuring that all Directors are properly briefed on issues arising at Board meetings and there is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparations;
- Allowing every Board resolution to be voted on and ensuring the will of the majority prevails;
- Casting his votes in accordance with PDB's Constitution;
- Ensuring that all Board members, upon taking up their office, are fully-briefed on the terms of their appointment, time commitment, duties and responsibilities, and the business of PDB; and
- Acting as liaison between the Board and Management, and between the Board and the MD/CEO.

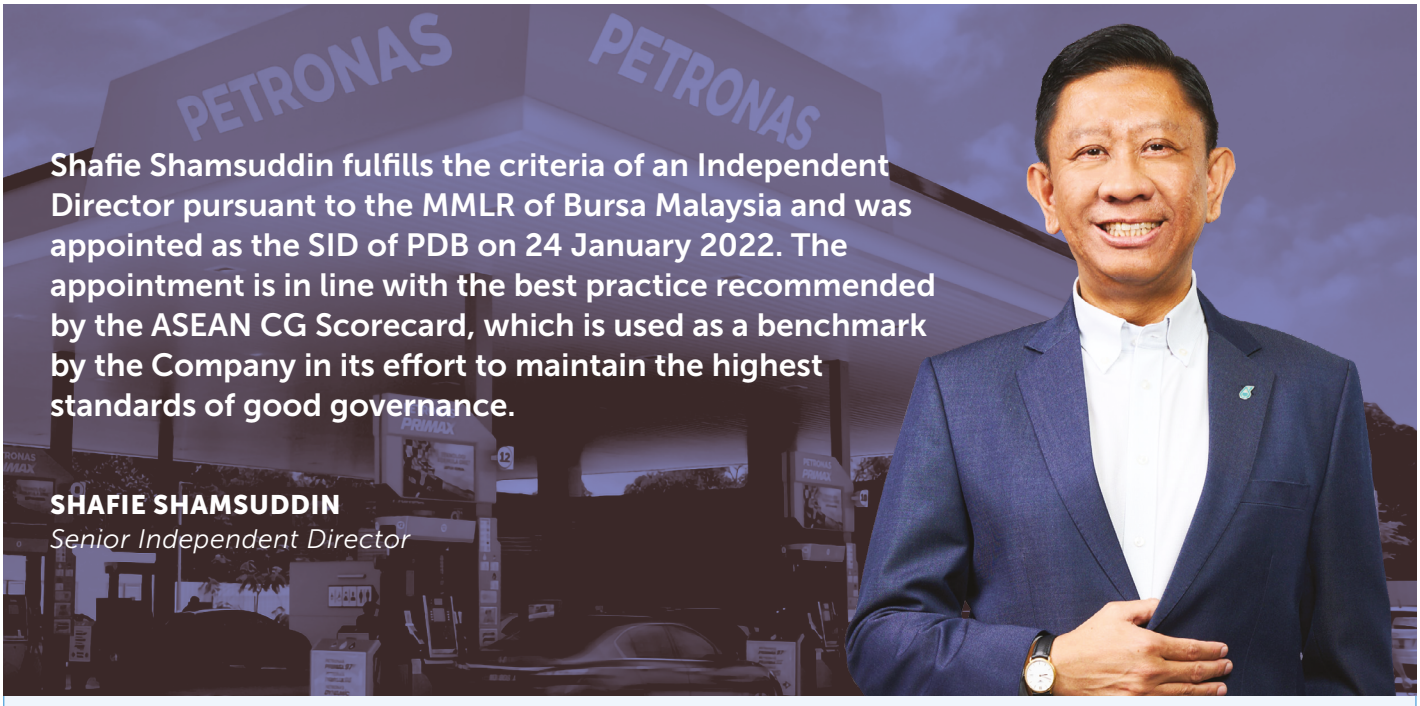
For more information on Chairman's profile, please refer to page 139 of this <IR>.

Roles and Responsibilities

- Develops and recommends to the Board the long-term strategy and vision for PDB and/or Group that will lead to the creation of long-term prosperity and stakeholder value;
- Develops and recommends to the Board the business plan and budget that support PDB's and/or Group's long-term strategy;
- Fosters a corporate culture that promotes ethical practices, encourages individual integrity and the fulfillment of PDB's corporate social responsibilities;
- Maintains a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse work-force at all levels;
- Recommends suitable management structures and operating authority levels which include delegations of responsibilities to the Management;
- Ensures an effective LT below the level of the MD/CEO and developing an appropriate succession plan;
- Formulates and oversees implementation of major corporate policies;
- Accountable to the Board for the financial management and reporting, including forecasts and budgets of PDB;
- Reports periodically to the Board on the Group's financial and business performance;
- Ensures continuous improvement in quality and value of PDB's products and services; and
- Serves as spokesperson for PDB.

For more information on the MD/CEO's profile, please refer to page 140 of this <IR>.

Corporate Governance
Overview Statement



Shafie Shamsuddin fulfills the criteria of an Independent Director pursuant to the MMLR of Bursa Malaysia and was appointed as the SID of PDB on 24 January 2022. The appointment is in line with the best practice recommended by the ASEAN CG Scorecard, which is used as a benchmark by the Company in its effort to maintain the highest standards of good governance.

SHAFIE SHAMSUDDIN
Senior Independent Director

Based on his experience with the Board and seniority amongst the INEDs, Shafie Shamsuddin satisfies the prescribed criteria, and is the most appropriate candidate for the role of SID. His familiarity with the operations throughout the years and on the workings of the Board as well as his involvement with NRC and Board Sustainability and Risk Committee (BSRC) have also provided him with in-depth experience on the respective member's individual roles and forte. Shafie Shamsuddin also has significant influence within the Board and is able to deliver his role as a SID of PDB.

Roles and Responsibilities

As a SID, Shafie Shamsuddin acts as the main liaison between the INEDs and the Chairman on matters that may be deemed sensitive and is available for confidential discussions with other NEDs who may have concerns which they believe have not been considered by the Board as a whole. He also provides an alternative communication channel for shareholders and stakeholders to convey their concerns and raise issues so that these can be channeled to the relevant parties.

All queries relating to the Group can be channeled to the SID's email address, shafie.shamsuddin@petronas.com.my or directed to the following address:

Shafie Shamsuddin
Senior Independent Director
PETRONAS Dagangan Berhad
Level 67, Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia

For more information on the SID's profile, please refer to page 141 of this <IR>.

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Separation of Powers between the Board and Management

The MD/CEO is assisted by the LT and Risk Management and Governance Committee in managing the business on a day-to-day basis, whom he consults regularly. The LT ensures that effective systems, controls and resources are in place to execute business strategies and decisions taken by the Board and/or the MD/CEO. These committees report the performance and strategic Key Performance Indicators (KPIs) on a monthly basis to the MD/CEO, whilst progress and updates are reported regularly by working groups within the business units.

Board Diversity

PDB's Diversity Policy ensures that the mix and profiles of our Board members, in terms of age and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Board also supports the country's aspirational target of 30% representation of women directors in line with Practice 5.9 of MCCG 2021. To date, there are three female Directors on the Board of PDB which constitutes 30% of the Board composition and there are six women on the LT of PDB which represents 43% of the LT composition. In tandem with the emphasis on gender diversity, the Board is committed in developing a corporate culture that also embraces the aspect of gender diversity.

We believe that a truly diverse and inclusive Board will leverage on differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age and gender all of which will ensure that PDB retains its competitive advantage. Diversity is also important to ensure the Company remains relevant and sustainable in the rapidly transforming and evolving business environment.

In this regard, the Nomination and Remuneration Committee (NRC) is empowered to review and evaluate the composition and performance of the Board annually. At any given time, the Board may seek to improve one or more aspects of its diversity and measure the progress accordingly.

In connection with its effort to create and maintain a diverse Board, the NRC will:

A. Adhere to the recruitment and sourcing process that seeks to include diverse candidates, including women in any director search;

B. Assess the appropriate mix of diversity including gender, age, skills, experience and expertise required on the Board and address gaps, if any;

C. Make recommendations to the Board in relation to the appointments and maintain an appropriate mix of diversity, skills, experience and expertise on the Board; and

D. Periodically review and report to the Board on requirements in relation to diversity on the Board, if any.

For more information on the Board Diversity Policy, please refer to PDB's corporate website at www.mymesra.com.my.

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Board Appointment Process

PDB practices a formal and transparent process on the appointment of new Directors. The nomination of NINEDs to the Board is made by Petroliam Nasional Berhad (PETRONAS) being the majority shareholder of the Company. The nomination of INEDs to the Board is made through the engagement of a professional recruiting firm to find most suitable candidates to fill the vacant positions or via recommendations by the Board members.

In its selection of suitable candidates, the NRC is delegated in developing and deliberating selection criteria based on competencies and attributes required. The NRC will also screen, conduct initial selection, consider and present their findings on the candidates prior to making recommendation to the Board. Once a potential candidate has been shortlisted for recommendation, the Company Secretaries will conduct comprehensive background checks, including checks on financial and character integrity.

All candidates for Board positions are first considered by the NRC, taking into consideration the mix of skills, competencies, experience, integrity, personal attributes and time commitment required to effectively fulfil his or her role as a director. Diversity in terms of age and gender is also considered during the selection process.

Moreover, the Board Selection Criteria requires that persons (such as an existing or former officer, adviser or transacting party of the listed issuer or its related corporation) to observe a 3-year cooling-off period before being appointed as INED and also require a NINED to observe the above mentioned cooling-off period.

The Board appointment process is summarised in the chart below:

BOARD APPOINTMENT PROCESS

1. Circumstances giving rise to the appointment of Directors
2. The NRC shall develop and deliberate selection criteria combining competencies and attributes required
3. Search for candidates
4. Assess and shortlist the potential candidates in consultation with the NRC
5. To perform background check
6. Interview shortlisted candidates/consultation with Chairman of the Board
7. Deliberation by the NRC on the suitability of the candidate
8. PDB Board Approval
9. Orientation/Induction
10. Continuous Training and Annual Performance Assessment

Corporate Governance Overview Statement

Director's Re-Election and Re-appointment

In accordance with the MMLR of Bursa Malaysia and Article 107 of the Company's Constitution, one-third of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting (AGM) of the Company provided always that all Directors shall retire from office at least once in every three years but shall be eligible for re-election at the AGM. A Director retiring at the AGM shall retain office until the close of the meeting whether adjourned or not. Whilst according to Article 100 of the Company's Constitution and the CA 2016, Directors appointed to fill a casual vacancy or as an addition to the Board of Directors shall hold office only until the conclusion of the next AGM and shall be eligible for re-election.

The Board at its meeting held on 22 February 2023 endorsed the recommendation of the NRC for the following Directors to be considered for re-election pursuant to the Articles 100 and 107 of PDB's Constitution at the Company's forthcoming 41st AGM:

Article 100

(a) Datuk Sazali Hamzah
(b) Mohd Yuzaidi Mohd Yusoff
(c) Tunku Alizakri Raja Muhammad Alias

Article 107

(a) Shafie Shamsuddin
(b) Alvin Michael Hew Thai Kheam

All the Directors named above have given their consent for re-election at the AGM and signed the Fit and Proper Declaration in accordance with PDB's Fit and Proper Policy.

In assessing Directors' eligibility for re-election and re-appointment, the NRC considers their competencies, commitment, contribution, performance based on the Board Effectiveness Evaluation (BEE) and their ability to act in the best interest of PDB. The Directors' rotation list was presented to the NRC for endorsement prior to recommendation to the Board for approval and the affected Directors are required to give their consent on their re-election prior to NRC's deliberation and Board approval.

Board Meetings and Attendance

The Board meets at least quarterly with additional meetings convened as and when necessary. The Board, Board Committees, Board and Management Strategy Retreat and AGM for the year under review were scheduled in November 2021 to facilitate the Directors in planning ahead and incorporating the said meetings into their respective schedules. It also served to provide the Board with ample notice of the meetings. Aside from Board meetings, urgent matters were also decided via nine Director's circular resolutions. Resolutions in writing signed by all of the Directors shall be valid and effectual as if it had been passed at a Board meeting. During the year under review, all circular resolutions were signed by all Directors, via e-Signature tool.

The robust and vigorous deliberations at Board and Board Committee meetings provide opportunities to all Directors to participate and contribute to the decision-making process as well as to ensure that the process of constructive and healthy dialogue is achieved.

In discharging their responsibilities, during each Board and Board Committees meeting, the INEDs were inquisitive in the quest for better understanding of items being discussed, vocal during discussions and judicious in the decision-making process. They were impartial in their views, with the Company's and stakeholders' best interests at the forefront of every major decision.

Although the minimum quorum for Board meeting is two, Board meetings are mostly attended by all Directors. While a decision of the Board and Board Committees only requires a majority of votes of the Directors, all decisions made are on consensus basis. In the case of a tied vote, the Chairman has a second or casting vote. During the year under review, the Chairman did not exercise his casting vote to pass any resolution.

At all meetings, the Board practices a strong culture of open debate and raises challenging questions. Matters deliberated at Board meetings include amongst others, strategies, business plans and budget, financial and business performance reports, investment decisions, corporate risks reports, changes to the organisation structure within the Group, policies, limits of authority and corporate governance. The agenda of the Board and Board Committees meetings is finalised upon consultation between the Chairman of the Board and respective Committees, MD/CEO and the Company Secretaries. Board meetings are convened immediately following the finalisation of the Company's quarterly and annual results for the Board to review and approve prior to announcement to Bursa Malaysia. The respective Chairmen of Board Audit Committee (BAC), NRC and BSRC also update the Board on the proceedings of their respective Board Committee meetings.

Relevant members of the LT and external advisers attend Board meetings by invitation and report to the Board on matters pertinent to their respective areas of responsibility, present new proposals or brief on actions implemented pursuant to recommendations made by the Board. In the event a Director is unable to attend a meeting, his/her views are sought in advance and put to the meeting to facilitate a comprehensive discussion. Each Director therefore makes himself/herself available to fellow Directors and may contribute to all major decisions that the Board has to make.

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All proceedings of Board and Board Committees' meetings and deliberations including comments made by the Directors are duly minuted and signed. Minutes of each Board and Board Committees' meeting are properly kept by the Company Secretaries. The minutes of each Board and Board Committee meetings were circulated in a timely manner to all Directors for their perusal prior to the minutes being tabled for confirmation at the next Board and Board Committee meetings. The Directors may request for clarification or raise comments on the minutes prior to their confirmation.

The Directors' commitment in carrying out their duties and responsibilities is reflected by their attendance at the Board and Board Committee meetings held during the year. Although some Directors hold multiple directorships, they were able to commit and devote their time for the Board and Board Committee meetings. The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities.

A total of five Board meetings were held during the year under review. All Directors complied with the minimum attendance requirement of at least 50% of the Board meetings pursuant to Paragraph 15.05(3)(c) of the MMLR of Bursa Malaysia. Post COVID-19 pandemic, Board meetings were held either virtually, physically or hybrid depending on the suitability and availability of the Board members.

Board Committee

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees with their own Terms of Reference (TOR). The Chairman of the Board is not a member of any Board Committee. The Chairman of the NRC, BAC and the BSRC report to the Board on the deliberations, discussions and outcome of their respective Committee meetings.

In delegating its authority to Board Committees, the Board does not abdicate its responsibility and exercises collective oversight at all times. The Board further ensures that its delegation does not hinder or reduce its ability to discharge its functions. In this regard, the Board clearly sets out the division of responsibilities in the respective TORs.

The TOR of the NRC, BAC and BSRC are available on PDB's corporate website at www.mymesra.com.my

The reports of these three Committees are set out on pages 193 to 207 of this <IR>.

Board and Management Strategy Retreat

The Board and Management Strategy Retreat with the LTs were held on half-yearly basis during 2022 to provide the Board with updates and to deliberate on market outlook and external environment analysis that facilitated the Board's deliberation on the Group's strategies and future growth plans.

The details of the meetings of the Board, Board Committees, Board and Management Strategy Retreat and AGM convened during the year under review are set out below:

Meeting	Quarter 1 2022	Quarter 2 2022	Quarter 3 2022	Quarter 4 2022
AGM	-	25 April 2022	-	-
Nomination and Remuneration Committee Meeting	19 January 2022 and 11 February 2022	-	-	14 November 2022
Board Audit Committee Meeting	14 February 2022	18 May 2022	11 August 2022	17 November 2022
Board Sustainability and Risk Committee Meeting	17 February 2022	17 May 2022	18 August 2022	24 November 2022
Board Meeting	22 February 2022	26 May 2022	24 August 2022	21 October 2022 and 28 November 2022
Board and Management Strategy Retreat	-	9 – 10 June 2022	-	9 December 2022

Details of attendance for the Board, BAC, NRC and BSRC meetings can be found on pages 163 to 164 of the IR.

Corporate Governance Overview Statement

Sustainability

Our Sustainability Report for 2022 articulates our commitment to improving the Group's sustainability practices so that we are more competitive, more resilient and adaptable to change which has been reinforced amid the unprecedented challenges of COVID-19. The Report sets out in detail the scope of our sustainability reporting and sustainability framework that addresses stakeholder expectations across various sustainability issues.

The Sustainability Report 2022 is set out from pages 85 to 136 of this <IR>.

Directors' Indemnity

PDB continues to provide and maintain indemnification for its Directors throughout the year under review as allowed under the CA 2016. To the extent it is insurable under the Directors' and Officers' Liability Insurance (D&O) procured by the Company, Directors and Officers are indemnified against any liability incurred by them in discharging their duties while holding office as Directors and Officers of the Company.

All Directors may opt to obtain D&O insurance to provide insurance protection (to the extent it is insurable) against unindemnified liabilities by the Company or uninsured circumstances. The premium to be paid by all Directors is determined by the insurance company.

Qualified and Competent Company Secretary

The Company Secretaries of PDB are qualified to act as Company Secretary under Section 235 of the CA 2016. During the year under review, Wong Lay See vacated her position as company secretary effective 13 January 2023 and was replaced by Mek Yam @ Mariam Hassan.

Following the changes, the Company Secretaries of the Company are Mek Yam @ Mariam Hassan and Yeap Kok Leong. Both are Fellow of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and act as advisor to the Board, particularly with regard to PDB's Constitution and its compliance with regulatory requirements, codes, guidance and legislations. All Directors have unrestricted access to the advice and services of the Company Secretaries to facilitate discharge of their duties.

The Company Secretaries ensure that discussions and deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the Management for appropriate actions. The Company Secretaries update the Board on the follow-up of its decisions and recommendations. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions in the year under review.

During the year under review, the Company Secretaries attended the following development programmes:

No	Company Secretary	Development Programmes	Organisers	Date
1	**Mek Yam @ Mariam Hassan**	• LEaders GAlvanising Change with EmpathY (LEGACY) Programme	PETRONAS GHRM	26 July 2022
		• PETRONAS Board Excellence - Advance 1	PETRONAS	10 August 2022
		• ICDM International Directors Summit 2022	Institute of Corporate Directors Malaysia	26 September 2022
		• Managing Recurrent Related Party Transaction	CKM Advisory Sdn. Bhd.	12 October 2022
		• Strategic Excellence	PETRONAS	5 - 9 October 2022 / 13-16 December 2022 and 10 January 2023
		• PETRONAS ESG Conference	PETRONAS	7 February 2023
2	**Yeap Kok Leong**	• MIA International Accountants Conference 2022 – Leading ESG, Charting Sustainability	Malaysian Institute of Accountants	8 – 9 June 2022
		• MAICSA Annual Conference 2022: Challenging The Challenges In Governance	Malaysian Institute of Chartered Secretaries and Administrators	5 – 6 October 2022
		• ADP Partner Executive Convention 2022	ADP Global	29 November – 1 December 2022

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INDEPENDENCE

The Board recognises the important contributions that INEDs make to good corporate governance. All Directors, regardless of their independent status, are required to act in the best interests of the Company and to exercise unfettered and independent judgement.

Board decisions are made taking into account the views of the INEDs which carry substantial weight. They fulfil their role in ensuring that strategies proposed by Management are well deliberated and examined taking into account the interests of shareholders and various stakeholders.

Directors must immediately declare if they have any interest in transactions that are to be entered directly or indirectly with the Company. They must disclose the extent and nature of their interest at a Board meeting or as soon as practicable after they become aware of the conflict of interest. They must abstain from participating in the deliberation and Board decision on the matter that he/she is interested or deemed interested.

As at the date of the report, the Board comprises 60% of Independent Directors, and that all the six INEDs satisfy the following criteria:

A

Independent from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interests of the Company.

B

Not involved in the day-to-day operations of the Company other than when collective Board approval is required. This mitigates the risk of undue influence from third parties and allows INEDs to exercise fair judgement.

C

Declare their interest or any possible conflict of interest in any matter tabled prior to the commencement of Board meetings. Directors are able to ascertain their involvement in any proposal as the papers are disseminated to them at least five business days before each meeting. In a situation where there is conflict of interest, Directors are required to recuse themselves and abstain from deliberation to allow unbiased and free discussion and decision making. This also holds true for and applies to NINEDs.

In line with the exemplary practice as recommended by the MCCG 2021, the Company has adopted a tenure policy whereby an INED's total tenure on the Board is capped at nine years. This is also subject to NRC's endorsement and Board approval on the renewal of terms which take place every three years in accordance with PDB's Board Succession Planning Framework.

Supply and Access of Information

The Board has direct, timely and unrestricted access to the Management and relevant information to enable it to discharge its duties. Under the direction of the Chairman, the Company Secretaries are responsible for ensuring good information flows within the Board and its committees and between the Leadership Team and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. The Company Secretaries are responsible to ensure the presentation of high quality information to the Board and its committees and that all Papers and information are delivered in a timely fashion. The Board papers were circulated to all Directors within five days prior to each Board meeting. This enables the Directors to have sufficient time to peruse the Board papers and seek clarifications or further details from the Management or the Company Secretaries before each meeting. Any Director may request matters to be included in the agenda. Urgent papers may be presented and tabled at meetings under the item "Any Other Business", subject to the approval of both the Chairman and MD/CEO or Chairman of the respective Board Committees.

Access to Board papers was granted via a secure collaborative software, within five days of each scheduled meeting. This allows the Directors to securely access, read and review the Board documents and collaborate with other Directors and the Company Secretaries electronically. This software eases the process of distribution of Board papers and minimises leakage of sensitive information.

The Company Secretaries are responsible for advising the Board, through the Chair, on all corporate governance matters, and each Director has access to the advice and services of the Company Secretaries. There is also a procedure agreed by the Board for Directors, in furtherance of their duties, to take independent professional advice if necessary, at the Company's expense.

Corporate Governance Overview Statement

Board Effectiveness Evaluation 2022

The Board Effectiveness Evaluation (BEE) is being carried out on an annual basis, and as recommended by MCCG 2021, PDB appoints an external independent consultant to conduct the BEE once in every three years. The BEE is to evaluate the performance of Board/ Board Committees/Members of the Board as well as identifying any gaps or areas of improvement, where required. Every year, under the purview of the NRC, a formal evaluation is undertaken to assess the effectiveness of the following:

a) The Board as a whole and the Board Committees
b) Independence of Independent Directors
c) Contribution of each individual Director (Self and Peer Assessment)

The BEE 2022 was conducted internally via a digital platform in order to simplify the assessment process, which covered the Board, Board Committees, Peer and Self Evaluations of the Board members. The BEE allows the Directors to focus on assessing the effectiveness and performance of the Board and its Committees in the best interest of the Company. The BEE results were compiled internally by PDB Corporate Secretariat.

In accordance with Practice 4.4 of the MCCG 2021, the performance evaluations of the Board and Senior Management shall include reviews of their performance in addressing the company's material sustainability risks and opportunities. Hence, BEE Questionnaires for 2022 has been enhanced by incorporating questionnaires to assess the Board's performance in addressing Company's material sustainability risks and opportunities.

The BEE questionnaires were circulated through a digital platform in December 2022. The evaluation process covered a variety of aspects associated with Board effectiveness, including amongst others, the composition of the Board, Board Committees, Board working relationships and organisation of the Board. The assessment criteria were anchored on governance framework, best practices and industry norms.

The Board, through the NRC, reviewed the outcome of BEE 2022 and noted that PDB continued to be led by an effective, committed and well-run Board. The results of the BEE 2022 were presented at the NRC and Board meetings held on 3 February 2023 and 22 February 2023 respectively. The Board noted the findings and areas that necessitated further improvements.

INDUCTIONS AND TRAININGS

New Directors receive a full and appropriate induction on joining the Board. This involves a tailored programme of meetings with other Board members, the Leadership Team and the Company Secretaries.

The Company ensures that new Directors also receive additional induction support and training when assuming any additional responsibilities such as membership of Board Committees. Where appropriate, the Company arranges for new Non-Executive Directors to receive additional briefings on key matters regularly discussed by the Board. The Company provides, on an ongoing basis, the necessary resources for developing and updating its existing Directors' knowledge and capabilities. In particular, the Company is committed to the provision of continuing professional development training for its Directors. In 2022, the Company continued with its practice of providing a Directors' education programme consisting of a number of seminars for Board members, which are presented by the Company's external advisers/guest speakers/members of senior management, on subjects appropriate to the Company's business. During the year under review, the Directors participated in conferences, seminars, and training programmes that covered areas of corporate governance, finance, global business developments and relevant industry updates, details of which are as set out below:

Director Name	Programme Title	Organiser	Date
Datuk Anuar Ahmad	Corporate Governance Guide 4th Edition: Rise Together	Ancom Nylex Bhd	22 Mar 2022
	FCD Series Module E: Digital Awareness and Upskilling for Board	Institute of Corporate Directors Malaysia (ICDM)	23 Mar 2022
	Keys to Effective Shareholders Engagement via Annual General Meeting	Malaysian Investor Relations Association (MIRA)	24 Mar 2022
	PETRONAS Board Conversation Series: A Session with Peter Bakker, Chief Executive Officer (CEO) of World Business Council for Sustainable Development (WBCSD)	PETRONAS	24 Mar 2022
	PETRONAS Board Conversation Series 02/22: A Session with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) Experts	PETRONAS	31 May 2022
	PDB Board Briefing: Requirements Under Bank Negara Malaysia Guidelines Applicable to PDB	PDB	16 Aug 2022
	PETRONAS Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	PETRONAS Board Conversation Series: A Session with John Morrison, Chief Executive, Institute for Human Rights and Business	PETRONAS	30 Nov 2022
	Sustainability Training: 1) Development and Imperatives in ESG and Climate for PDB 2) Reinforcing the Case for Sustainability	PDB	8 Dec 2022

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Director Name	Programme Title	Organiser	Date
Azrul Osman Rani	Agile Leadership Programme - Cohort 2	PETRONAS	11 Jan 2022 until 12 Jan 2022
	Ascend: Transformational Leadership Programme - Cohort 2	PETRONAS	16 Feb 2022
	Ascend: Inspirational Leadership Programme – Cohort 2	PETRONAS	15 Mar 2022 until 16 Mar 2022
	PETRONAS Board Conversation Series: A Session with Peter Bakker, Chief Executive Officer (CEO) of World Business Council for Sustainable Development (WBCSD)	PETRONAS	24 Mar 2022
	Ascend: Train-The-Trainer Cohort 2	PETRONAS	20 Apr 2022
	Ascend Challenge - Cohort 2	PETRONAS	20 May 2022
	PETRONAS Board Conversation Series 02/22: A Session with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) Experts	PETRONAS	31 May 2022
	Conscious Inclusion (Module 1) for Cohort 2	PETRONAS	7 Jun 2022
	Conscious Inclusion (Module 2) for Cohort 2	PETRONAS	12 Jul 2022
	PETRONAS Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	Sustainability Training: 1) Development and Imperatives in ESG and Climate for PDB 2) Reinforcing the Case for Sustainability	PDB	8 Dec 2022
Shafie Shamsuddin	PETRONAS Board Conversation Series: A Session with Peter Bakker, Chief Executive Officer (CEO) of World Business Council for Sustainable Development (WBCSD)	PETRONAS	24 Mar 2022
	A Session with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) Experts	PETRONAS	31 May 2022
	PDB Board Briefing: Requirements Under Bank Negara Malaysia Guidelines Applicable to PDB	PDB	16 Aug 2022
	PETRONAS Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	Sustainability Training: 1) Development and Imperatives In ESG and Climate for PDB 2) Reinforcing the Case for Sustainability	PDB	8 Dec 2022

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Director Name	Programme Title	Organiser	Date
Alvin Michael Hew Thai Kheam	PETRONAS Board Conversation Series: A Session with Peter Bakker, Chief Executive Officer (CEO) of World Business Council for Sustainable Development (WBCSD)	PETRONAS	24 Mar 2022
	"The Ukraine Crisis: How To Respond And Reposition" by Karen Harris and Joe Terino, Partners	Bain & Co	27 Mar 2022
	"Global Financial Forecast - Opportunities and Risks: What Comes Next in a Post-Pandemic World" by Professor Wei Wang - Professor of Finance	Queen's University	31 Mar 2022
	"Thoughts on People, Planet and Profits" by Mark Zurack, Senior Lecturer of Discipline in Business and Amy Domini, Founder and Chair of Domini Impact Investments	Columbia Business School Tamer Centre for Social Enterprise	7 Apr 2022
	Activating ESG and Sustainability through Supplier Diversity	Korn Ferry	9 May 2022
	"The Future of the Global Economy" by Llian Mihov, Dean of Insead	INSEAD	10 May 2022
	"Talent Uprising - How Board Should Rethink Their Talent Strategy in This Era of Opportunity" by Ridhima Khanduja, Partner at Kincentric a Spencer Stuart Company	ICDM	19 May 2022
	PETRONAS Board Conversation Series 02/22: A Session with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) Experts	PETRONAS	31 May 2022
	"Leading in an Exponentially Changing World" by Henrik Bresman, Associate Professor of Organisational Behaviour Insead	INSEAD	14 Jun 2022
	ICDM Powertalk ESG Series #2: Why Investors Care About ESG	ICDM	27 Jun 2022
	PDB Board Briefing: Requirements Under Bank Negara Malaysia Guidelines Applicable to PDB	PDB	16 Aug 2022
	PETRONAS Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	Columbia Webinar: Four Investment Strategies to Combat Climate Change	Columbia	20 Sep 2022
	Webinar How to Combat the Talent Shortage	Queen's University	29 Sep 2022
	Webinar - Navigating the New World of Work	INSEAD	5 Oct 2022
	Eat, Heat, or Office Meet - Tim Harford's Economic Outlook	Tim Harford	14 Oct 2022
	Webinar by Clarke Murphy - How to Reconcile Sustainability and Profitability	Institute for Management Development	20 Oct 2022
	Decarbonisation - Business and Investor View by Al Gore - Former US VP and Joseph Brodin, CEO Ingka Group (IKEA)	INSEAD	10 Nov 2022
	Sustainability Training: 1) Development and Imperatives in ESG and Climate for PDB 2) Reinforcing the Case for Sustainability	PDB	8 Dec 2022

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Director Name	Programme Title	Organiser	Date
Nirmala Doraisamy	Ethics, Integrity and Trust Conference	Malaysian Institute of Accountants (MIA)	16 Mar 2022 until 17 Mar 2022
	ESG Oversight for Boards	MIA	18 Mar 2022
	FCD Series Module E: Digital Awareness and Upskilling for Board	ICDM	23 Mar 2022
	PETRONAS Board Conversation Series: A Session with Peter Bakker, Chief Executive Officer (CEO) of World Business Council for Sustainable Development (WBCSD)	PETRONAS	24 Mar 2022
	Certification on Moving Forward Together 50.30.0 and PETRONAS Cultural Beliefs	PETRONAS	4 Apr 2022
	Sustainability and Its Impact on Organisations: What Directors Need to Know	Asia School of Business (ASB)	10 May 2022
	Corporate Governance | Open Enrollment: Sustainability and Its Impact on Organisations: What Directors Need to Know |	ASB	10 May 2022
	PETRONAS Board Conversation Series 02/22: A Session with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) Experts	PETRONAS	31 May 2022
	MIA Conference	MIA	8 Jun 2022
	Embracing a Cashless Transformation	WIFE & WBN	16 Jun 2022
	Ethical Finance Asean 2022	GEFI	29 Jun 2022
	The Audit Committee: Unpacking the Roles of the Committee and Honing Its Effectiveness Discharging Its Responsibilities Holistically	Malaysian Institute of Corporate Governance	27 Jun 2022
	RMIT - Sharing of Insights and Discussion on the Strategic Aspects of IT Risk	ASB	20 Jul 2022
	Building a Formidable Tax Governance Framework	ICDM	4 Aug 2022
	PDB Board Briefing: Requirements Under Bank Negara Malaysia Guidelines Applicable to PDB	PDB	16 Aug 2022
	PETRONAS Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	Advocacy Session for Directors and Senior Management of Main Market Listed Issuers	Bursa Malaysia Bhd	13 Sep 2022
	International Directors Summit	ICDM	26 Sep 2022 until 28 Sep 2022
	Audit Oversight Board Conversation with Audit Committees	Securities Commission Malaysia	6 Dec 2022
	Sustainability Training: 1) Development and Imperatives in ESG and Climate for PDB 2) Reinforcing the Case for Sustainability	PDB	8 Dec 2022

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Director Name	Programme Title	Organiser	Date
Tang Saw Hua	Beyond Box-Ticking: Essentials for Effective Nominating Committees	ASB	8 Mar 2022
	Beyond Box-Ticking: Essentials for Effective Remuneration Committees	ASB	9 Mar 2022
	Sustainability and Its Impact on Organisations: What Directors Need to Know	ASB	21 Mar 2022
	PETRONAS Board Conversation Series: A Session with Peter Bakker, Chief Executive Officer (CEO) of World Business Council for Sustainable Development (WBCSD)	PETRONAS	24 Mar 2022
	Conversations on Climate Governance	ACGN	5 Apr 2022
	Understanding Sustainability and Climate Risk	HSBC	15 Apr 2022
	Executive Masterclass Developing Malaysia Roadmap to Net Zero	MICPA-KPMG	27 Apr 2022
	Remuneration Committee Update : A Focus on Climate and ESG	Deloitte	11 May 2022
	Audit Committee Conference 2022	MIA	23 May 2022 until 24 May 2022
	PETRONAS Board Conversation Series 02/22: A Session with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) Experts	PETRONAS	31 May 2022
	PDB Board Briefing: Requirements Under Bank Negara Malaysia Guidelines Applicable to PDB	PDB	16 Aug 2022
	PETRONAS Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	Reforms for Recovery of East Asia and Pacific Economic	World Bank	28 Sep 2022
	Inflation, Looming Recession and Climate Change: A Tricky Balancing Act?	ASB	7 Nov 2022
	Rail Convention 2022	Terrapinn	29 Nov 2022 until 1 Dec 2022
	Sustainability Training: 1) Development and Imperatives in ESG and Climate for PDB 2) Reinforcing the Case for Sustainability	PDB	8 Dec 2022

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Director Name	Programme Title	Organiser	Date
Arni Laily Anwarrudin	The Impact of the Energy Transition On Downstream and Petrochemicals	Woodmackenzie	14 Jan 2022
	Ceraweek 2022 Navigating a World in Upheavel: Energy, Climate and Security	S&P Global	7 Mar 2022 until 9 Mar 2022
	System Innovation – A Case for Paypal with Guest Speaker, Dan Schulman, the Ceo of Paypal	Stanford University	10 Mar 2022
	PETRONAS Board Conversation Series : A Session with Peter Bakker, Chief Executive Officer (CEO) of World Business Council for Sustainable Development (WBCSD)	PETRONAS	24 Mar 2022
	PETRONAS Top Leaders Engagement on Integrity	PETRONAS	21 Apr 2022
	PETRONAS Board Conversation Series 02/22 : A Session with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) Experts	PETRONAS	31 May 2022
	PETRONAS Top Leaders Dialogue	PETRONAS	15 June 2022 until 16 June 2022
	Microsoft Malaysia Empowering Startups in Malaysia for Growth in the Digital Era	Microsoft Malaysia	9 Aug 2022
	PDB Board Briefing : Requirements Under Bank Negara Malaysia Guidelines Applicable to PDB	PDB	16 Aug 2022
	PETRONAS Experience Ventures	PETRONAS	12 Sep 2022 until 13 Sep 2022
	PETRONAS Top Leaders Dialogue	PETRONAS	12 Oct 2022 until 14 Oct 2022
	Securities Industry Development Corp: Business Foresight Forum 2022 – Scaling Up Innovations Towards Future Sustainable Business Now	Securities Industry Development Corp.	19 Oct 2022
	Audit Committee: The Megatrends and Priorities for Boards	ICDM	8 Nov 2022
	PETRONAS Board Conversation Series: A Session with John Morrison, Chief Executive, Institute for Human Rights and Business	PETRONAS	30 Nov 2022
	Bursa Malaysia PLC Transformation Guidebook 5 Panel	Bursa Malaysia	5 Dec 2022
	Audit Oversight Board Conversation with Audit Committees	Securities Commission Malaysia	6 Dec 2022
	Sustainability Training: Development and Imperatives in ESG and Climate for PDB	PDB	8 Dec 2022

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Director Name	Programme Title	Organiser	Date
Datuk Sazali Hamzah *(Appointed effective 1 June 2022)*	Top Leaders Dialogue 2022 - Session #1	PETRONAS	16 Jun 2022
	PETRONAS Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	Taskforce on Climate-Related Disclosures (TCFD)	Ernst & Young	29 Aug 2022
	46th IPA Convex "Addressing the Dual Challenge: Meeting Indonesia's Energy Needs While Mitigating Risks of Climate Change"	Indonesia Petroleum Association	21 Sep 2022 until 23 Sep 2022
	Top Leaders Dialogue 2022 - Session #2	PETRONAS	13 Oct 2022 until 14 Oct 2022
	PETRONAS Board Conversation Series: A Session with John Morrison, Chief Executive, Institute for Human Rights and Business	PETRONAS	30 Nov 2022
Mohd Yuzaidi Mohd Yusoff *(Appointed effective 1 June 2022)*	Conversations on Climate Governance Climate Change: Directors' Duties and Governance - Part I How ESG (With an Emphasis on Climate) Considerations are Changing Fiduciary Duties	ASEAN Climate Governance Network (ACGN) and Sustainable Finance Institute Asia (SFIA)	7 Jun 2022
	Risk Assessment for Lenders and Asset Managers	Bank Islam / Moody's Analytics	22 Jun 2022
	Onboarding Sessions with PDB Business Heads	PDB	24 Jun 2022, 30 Jun 2022, 1 Jul 2022, 13 Jul 2022 and 22 Jul 2022
	Conversations on Climate Governance Climate Change: Directors' Duties and Governance – Part II How Does Good Governance Practices Impact Climate Change, and Can Executive Compensation Have an Effect on Climate Performance?	ACGN and SFIA	5 Jul 2022
	FIDE Forum Leadership Perspective Forum - Board Effectiveness	FIDE Forum	14 Jul 2022
	Board Strategy and Risk Management Oversight	ICDM	27 Jul 2022 until 28 Jul 2022
	Conversations on Climate Governance Climate Change and the Banking Sector – How Will IT Affect My Company? New Banking Requirements, and How Corporates are Going to be Ready for Them	ACGN and SFIA	2 Aug 2022
	PETRONAS Board Conversation Series: A Session with Dr. Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	World Congress Innovation and Technology (WICT) 2022	World Innovation, Technology Services Alliances (WITSA)	13 Sep 2022 until 15 Sep 2022
	Islamic Fintech Leaders Summit 2022	EMNES	21 Sep 2022 until 22 Sep 2022
	Global Islamic Finance Forum 2022	Association of Islamic Banks Malaysia (AIBIM)	5 Oct 2022 until 6 Oct 2022
	Development of ESG Framework	Bank Islam / Moody's Analytics	7 Oct 2022
	Singapore Fintech Festival 2022	Monetary Authority Singapore (MAS)	2 Nov 2022 until 4 Nov 2022
	Audit Oversight Board Conversation with Audit Committees	Securities Commission Malaysia	6 Dec 2022
	Sustainability Training: Development and Imperatives in ESG and Climate for PDB	PDB	8 Dec 2022

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Director Name	Programme Title	Organiser	Date
Tunku Alizakri Raja Muhammad Alias *(Appointed effective 1 June 2022)*	Securities Industry Development Corporation's Sustainable and Responsible Investment (SRI) Virtual Conference 2022 : Preserving the Climate through Sustainable Business and Living	Securities Industry Development Corporation	22 Jun 2022 until 23 Jun 2022
	Onboarding Sessions with PDB Business Heads	PDB	24 Jun 2022, 30 Jun 2022, 1 Jul 2022, 13 Jul 2022 and 22 Jul 2022
	Malaysia Aviation Group Berhad Board Onboarding Session	Malaysia Aviation Group Berhad	6 Jul 2022
	PDB Board Briefing: Requirements Under Bank Negara Malaysia Guidelines Applicable to PDB	PETRONAS	16 Aug 2022
	PETRONAS Board Conversation Series: A Session with Dr Fiona Wild, Vice President, Sustainability and Climate Change at BHP	PETRONAS	29 Aug 2022
	Sustainability Training: 1) Development and Imperatives in ESG and Climate for PDB 2) Reinforcing the Case for Sustainability	PDB	8 Dec 2022

Board and Senior Management Succession Planning

We have always had a formal, long-range plan for how Board membership should develop. This aims to balance continuity of service with a regular refreshment of skills and experience needed to deliver our evolving strategy.

We regularly review the balance of skills on the Board as a whole, taking into account of the future needs of the business, and the knowledge, experience, length of service and performance of the Directors. All Board appointments irrespective of background must satisfy the high standards the Company requires. Candidates must have the competence to contribute to wide-ranging debates and cope with the demands of a stretching future-focused agenda, and share our values.

The Board has a Board Succession Planning Framework in place, with the assistance of the NRC in ensuring the orderly identification and selection of new NEDs in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, an unanticipated departure, the expansion of the size of the Board, or otherwise. Such structured succession plan addresses the composition and effectiveness of the Board. In addition to the succession plan for Directors, the NRC also reviews the succession planning for the Senior Management of the Company.

During the year under review, the NRC continued to conduct reviews for the Senior Management positions. Based on the review of the succession plan, the NRC is satisfied that there is a sufficient pool of potential successors for the Senior Management positions.

Diversity and Inclusion

The Board's ambition to secure the best talent in PDB includes being known for our inclusive, diverse and tolerant culture. For the Company to continually improve as a business, it is crucial that we select and recruit the best people in the industry. This involves calling on the widest possible pool of candidates and selecting them based on their ability to do the job.

The Board agrees that diversity of input helps to promote better decision-making and is focused on three broad activities:

- Refine the way we recruit.
- Identify, support and mentor existing diverse talent in the business.
- Increase the diversity amongst senior appointments as they are made.

Our overriding concern is to ensure that the Board and Company comprise outstanding individuals who can lead the business effectively in a manner aligned to our purpose and shared values. We believe the Group's best interests are served by ensuring that these individuals represent a range of skills, experiences, backgrounds and perspectives. Our Company culture must be inclusive, and it is our policy that the Board should always be at least 30% female, and ideally higher to meet increasing expectations.

- We support the objective of promoting diversity in all of its forms on our Board and throughout the Group.
- We shall continue to ensure that specific effort is made to bring forward diverse candidates for senior management and Board appointments.
- We will monitor the Group's approach to people development to ensure that it continues to enable talented individuals.

Corporate Governance Overview Statement

DIRECTOR'S REMUNERATION

The Directors' fees structure which embraces market practices and trends is designed to attract and retain high calibre Board members and to ensure they are appropriately paid for their time and effort.

The Board has established a formal and transparent Directors' Remuneration Framework which comprises retainer fees, meeting allowances and benefits in-kind. In compliance with Section 230(1) of the CA 2016, the resolution on the payment of the following Directors' fees from the 41st AGM until the conclusion of the next AGM will be tabled at the forthcoming AGM for shareholders' approval:

		Meeting allowance per attendance				
	Monthly Fees	Board	Board Audit Committee	Nomination and Remuneration Committee	Board Sustainabilty and Risk Committee	Board and Management Strategy Retreat
Chairman	RM24,000	RM3,500	RM3,500	RM3,500	RM3,500	RM3,500
Member	RM12,000	RM3,500	RM3,500	RM3,500	RM3,500	RM3,500

Note: Malaysian Resident INEDs are entitled to fuel allowance of RM6,000 per annum

The fees and allowances for NEDs are determined by the Board and are subject to the approval of the shareholders of PDB. The Company also reimburses all expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors. PDB noted on the departure from the Guidance 7.2 of MCCG 2021 as the Company does not have any plan to table separate resolutions on the approval of the fees of each NED and may explore ways to meet the intended outcome in future.

The Directors' fees and meeting allowances for NINEDs who are also employees of PETRONAS are paid directly to PETRONAS. The breakdown of the detailed Directors' remuneration paid during the year under review is disclosed in the Corporate Governance Report 2022 which is accessible to the public at PDB's corporate website at www.mymesra.com.my.

Azrul Osman Rani, the MD/CEO and Executive Director of PDB, is an employee of PETRONAS and is seconded to PDB. During the year, he was remunerated an amount of RM1,894,805.68 as MD/CEO of PDB.

SENIOR MANAGEMENT REMUNERATION

The remuneration philosophy reflects the Group's commitment to be compliant with best practices in the areas of remuneration, retention and reward to ensure that the Group attracts and retains exceptional talents. The remuneration packages and incentives are regularly evaluated against market-related surveys.

PETRONAS REMUNERATION PHILOSOPHY AND GUIDING PRINCIPLES

Competitive and differentiated remuneration to attract and retain talents to drive business needs

- Pay for job and performance
- Competitive within the relevant industry
- Internal equity
- Conformance to statutory requirements
- Affordability of the company

Employees of the Company are seconded from PETRONAS. Their remuneration has been benchmarked against the industry and is aligned with the market. In addition, their training, succession planning and performance appraisals are aligned to the PETRONAS Human Resources Policies and Strategies. The Board ensures that only suitable personnel with the relevant skills and experiences are appointed to management positions of PDB.

Their remuneration is based on the prevailing PETRONAS' Remuneration Philosophy and Guiding Principles, which can be found on PDB's corporate website at www.mymesra.com.my.

PDB noted on the departure from the Practice 8.2 of MCCG 2021 as the components of the remuneration of Senior Management, which include their salary, bonus, benefits in-kind and other emoluments are subject to the Personal Data Protection Act (PDPA) 2010 and PETRONAS Group including its listed companies opt not to disclose the personal data of their Senior Management personnel to the public at large. At the moment, the Company does not have an alternative plan to meet the intended outcome.

PRINCIPLE B

EFFECTIVE AUDIT AND RISK MANAGEMENT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to providing a fair and objective assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, Integrated Report and all other reports or statements to shareholders, investors and relevant regulatory authorities.

The Statement of Responsibility by Directors in respect of preparation of the annual audited financial statements is set out on page 227 of this <IR>

Related Party Transactions and Conflict of Interest Situations

The Company has established its Policies and Procedures on RPT and Conflict of Interests Situations (COIs), including RRPTs, to ensure that they are undertaken on arm's length basis and normal commercial terms and are not to the detriment of the Company's minority shareholders.

The information relating to Policies and Procedures on RPTs and COIs, Risk Management processes and Internal Control procedures can be found in the BAC Report and Statement on Risk Management and Internal Control (SORMIC) on pages 199 to 204 and pages 211 to 224 of this <IR>, respectively.

All RPTs including RRPTs entered into by the Company or its subsidiaries are reviewed by the BAC. The list of transactions entered into with related parties are incorporated at pages 292 to 294 of the Audited Financial Statements.

Risk Management and Internal Control

The Board continues to maintain and review its risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Company and the Group.

The SORMIC provides an overview of the risk management and internal controls within the Group and further details can be found on pages 211 to 224 of this <IR>.

PRINCIPLE C

EFFECTIVE COMMUNICATION WITH STAKEHOLDERS

RELATIONSHIP WITH SHAREHOLDERS

Communications between PDB and Investors

The dissemination of timely and accurate information is important for shareholders and investors to enable them to make informed investment decisions about PDB. The Board recognises the importance of effective communication with PDB's shareholders and other stakeholders including the general public. The two-way communication with our shareholders, investors and other stakeholders enables us to evaluate their views, feedback and concerns when making decisions. The Board believes its practices in this area are consistent with both the MCCG 2021's provisions concerning dialogue with the shareholders, investors and other stakeholders and with good governance. Information on the Group's business activities and financial performance is disseminated through announcements to Bursa Malaysia, postings on PDB's website, press releases, issuance of the Integrated Report and where required, press conferences.

Immediately after the conclusion of AGM, PDB will hold a press conference with the media and any materials distributed during the press conference are published in PDB's corporate website.

The MD/CEO together with the Chief Financial Officer (CFO) and the Company's Investor Relations Unit conduct regular engagements with institutional shareholders and analysts, and hold quarterly analyst briefings to further explain the Group's quarterly financial results. These engagements promote better understanding of the Group's financial performance and operations.

PDB actively updates its corporate website www.mymesra.com.my with the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, analyst briefings and quarterly results of the Group are also made available on the website and this helps to promote accessibility of information to PDB's shareholders and other stakeholders.

Event	Date	Format	Audience
CORPORATE CONFERENCE			
CGS-CIMB 14th Malaysia Corproate Day	7 January 2022	Virtual Meeting	9 Analysts
CLSA Investors Forum	13 September 2022		9 Analysts
CGS-CIMB ESG Corporate Day	21 September 2022	Physical Meeting	23 Analysts
ANALYST BRIEFING			
Q4 FY2021	23 February 2022	Virtual Meeting	130 Analysts
Q1 FY2022	27 May 2022		
Q2 FY2022	25 August 2022		
Q3 FY2022	29 November 2022		
GROUP MEETING			
Bursa Broadcast with PETRONAS Chemicals and PETRONAS Gas	27 September 2022	Virtual Meeting	86 Analysts
Terminal Visit with Investment Community	28 – 29 September 2022	Physical Meeting	6 Analysts
ANNUAL GENERAL MEETING			
PDB 40th AGM	25 April 2022	Virtual Meeting	1,149 Shareholders

Corporate Governance
Overview Statement

Annual General Meeting

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of our 40th AGM together with Forms of Proxy are given to shareholders not less than 28 days before the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxies to attend and vote on their behalf. Each item of ordinary business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution.

The 40th AGM was held virtually on Monday, 25 April 2022 as PDB continued leveraging on technology and offer remote shareholders' participation in PDB's general meetings.

The Company had notified the shareholders on the conduct of the virtual AGM via the Remote Participation Voting (RPV) application, together with the instructions in the Administrative Guide on 25 March 2022. The same was also published through the announcement to Bursa Malaysia and the PDB's corporate website respectively.

During the virtual AGM, the MD/CEO presented a comprehensive review of the Group's performance initiatives and value created for shareholders. This review was supported by a visual and graphic presentation of the key points and financial figures. Before the commencement of the AGM, shareholders were encouraged and given sufficient opportunity as well as time by the Board to submit questions pertaining to the Integrated Report, resolutions being proposed and the business of the Company or the Group in general prior to seeking approval from members and proxies on the resolutions. The Board, Senior Management, external auditors and other advisors, were also present virtually at the virtual AGM to provide answers and clarification to shareholders.

At AGM, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Senior Management.

Answers to the queries by MSWG prior to the AGM were also shared with shareholders during the AGM and the same was uploaded on PDB's corporate website prior to the AGM day.

The Company received 58 live questions and 16 pre-submitted questions from shareholders. The minutes of the AGM together with the responses for the remaining questions were published in the PDB's corporate website after the meeting.

Pursuant to Paragraph 8.29A of the MMLR of Bursa Malaysia Securities Berhad, all resolutions to be tabled at the AGM will be put to vote on a poll. At the 40th AGM, PDB had engaged Tricor Investor and Issuing House Services Sdn. Bhd. as the Poll Administrator and Boardroom Corporate Services Sdn. Bhd. as Independent Scrutineer for conduct of poll via e-Vote application. The Board also encouraged active participation by the shareholders and investors during the AGM. The shareholders who participated through RPV facilities were also able to cast their votes online. A total number of 1,149 shareholders and proxies logged in through RPV, which represented a total of 216,849,569 shares.

For more information on minutes of AGMs, please refer to PDB's corporate website at www.mymesra.com.my.

FINANCIAL CALENDAR

2023

22 February 2023

Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2022

24 February 2023

Announcement of the audited financial statements for the financial year ended 31 December 2022

23 March 2023

Date of payment of the interim dividend for the 4th quarter ended 31 December 2022

2022

22 February 2022

Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2021

28 February 2022

Announcement of the audited financial statements for the financial year ended 31 December 2021

24 March 2022

Date of payment of the interim for the 4th quarter ended 31 December 2021

25 April 2022

40th Annual General Meeting

26 May 2022

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2022

Corporate Governance
Overview Statement

10 April 2023

Date of Notice of 41st Annual General Meeting and date of issuance of FY2022 Integrated Report

10 May 2023

41st Annual General Meeting

24 June 2022

Date of payment of the interim dividend for the 1st quarter ended 31 March 2022

24 August 2022

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2022

22 September 2022

Date of payment of the interim dividend for the 2nd quarter ended 30 June 2022

28 November 2022

Date of payment of the interim dividend for the 2nd quarter ended 30 June 2022

27 December 2022

Date of payment of the interim dividend for the 3rd quarter ended 30 September 2022

RELATIONSHIP WITH AUDITORS

External Auditors

Through the BAC, PDB maintains a professional and transparent relationship with its External Auditors, KPMG PLT. The BAC met the External Auditors during the year under review without the presence of the Management, to review the scope and adequacy of the Group's audit process, the annual financial statements and their audit findings. There were no major matters that warranted BAC's attention.

The role of the BAC in relation to the external auditors is described in the BAC Report on pages 201 to 203 of this <IR>

Directors' Responsibility Statement

The Directors have provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the results and cash flow of the Group for the financial year as required by the CA 2016.

The Statement of Responsibility by Directors for the audited financial statements of the Company and Group is as outlined on page 227. Details of the Company and the Group's financial statements for the financial year ended 31 December 2022 are set out on pages 225 to 316 of this <IR>.

Internal Audit

PDB's Internal Audit reports directly to the BAC with unrestricted access to BAC function. The Internal Audit function is an independent unit and conducts regular audit engagements on the effectiveness of PDB's Governance, Risk Management and Internal Control (GRC) within auditable entities. The audit reports highlight the findings with sustainable recommendations and presents to the BAC on quarterly basis.

For more information on Internal Audit function, please refer to pages 203 to 204 of this <IR>

STATEMENT BY THE BOARD ON COMPLIANCE

The Board has deliberated, reviewed and approved this Statement and is satisfied that the Group has fulfilled its obligations under the relevant paragraphs of the MMLR of Bursa Malaysia, CA 2016 and Corporate Governance Guide – 4th Edition issued by Bursa Malaysia in addition to being benchmarked against the ASEAN Corporate Governance Scorecard and other applicable laws and regulations throughout the year ended 31 December 2022.

The Board is also satisfied that the Company has adopted the practices and has applied the key Principles of the MCCG 2021 for the year under review. Details of how the Company has applied the MCCG Principles and complied with its Practices during the year under review are set out in the CG Report 2022. The explanation for the departures is further elaborated in the CG Report 2022.

The Board will continue its efforts to raise the bar in terms of the Company's corporate governance standards and instill a culture that promotes ethical conduct, transparency and sustainable value creation, with the ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

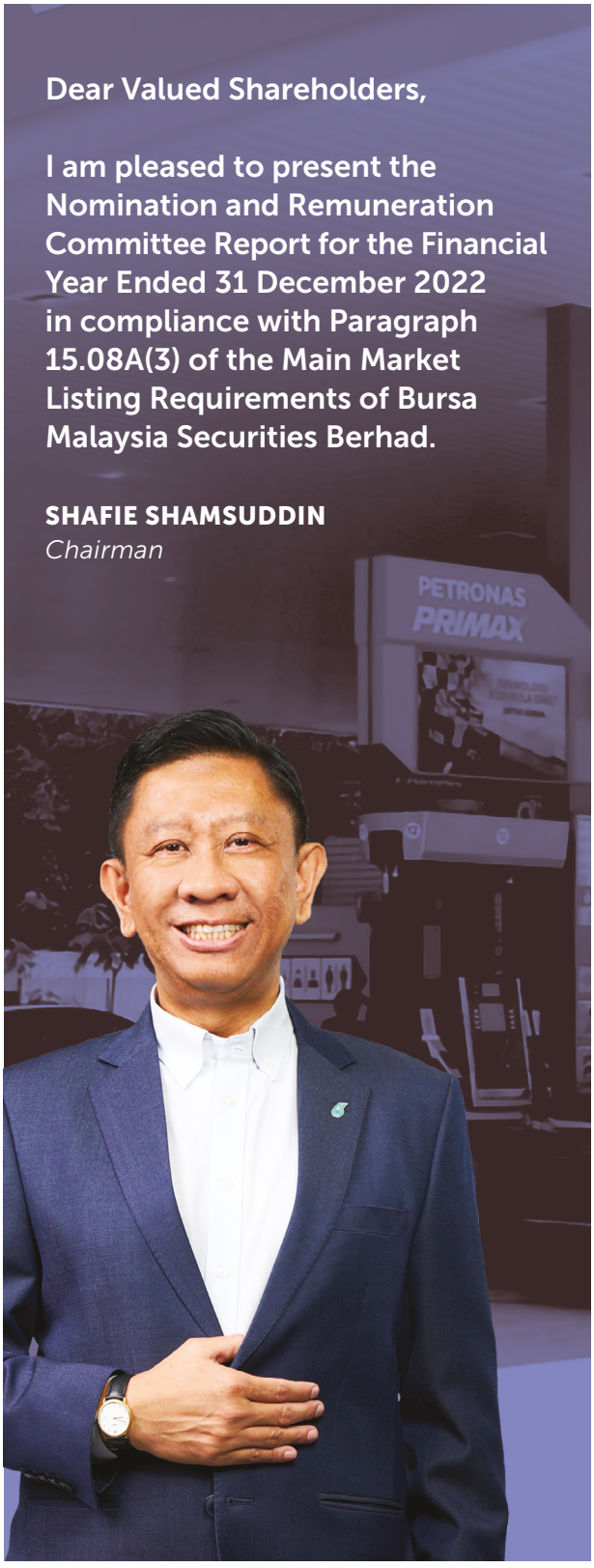
Additional Compliance Information – Material Contracts

There were no material contracts or loans entered into by the Company or its subsidiaries involving Directors' or major shareholders' interests, either still subsisting at the end of the year ended 31 December 2022 or entered into since the end of the previous period, except as disclosed in the audited financial statements.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 February 2023.

DATUK ANUAR AHMAD
Chairman

Nomination and Remuneration Committee Report



Dear Valued Shareholders,

I am pleased to present the Nomination and Remuneration Committee Report for the Financial Year Ended 31 December 2022 in compliance with Paragraph 15.08A(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

SHAFIE SHAMSUDDIN
Chairman

OVERVIEW

This report provides shareholders with valuable insight into the activities of the Nomination and Remuneration Committee (NRC) during the year under review and how the NRC plays a key oversight role for the Board, particularly on overseeing all aspects of succession planning, remuneration and performance of directors and Leadership Team (LT). As at the date of this report, the NRC is made up of three Independent Non-Executive Directors (INEDs).

TERMS OF REFERENCE

The Terms of Reference (TOR) of the NRC sets out the authority, duties and responsibilities of the NRC which are consistent with the requirements of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and the Malaysian Code on Corporate Governance 2021 (MCCG 2021). The TOR of NRC has been updated from time to time to ensure compliance with MMLR of Bursa Malaysia and MCCG 2021 and all activities of the NRC are in line with its TOR.

The NRC is mainly responsible for reviewing and making recommendations in regards to:-

(i) Board Composition, whereby NRC shall consider the mix of skills, expertise, composition, size and experience of the Board, including core competencies of the Non-Executive Directors, as well as considering aspects of boardroom diversity, including gender, age and ethnicity to ensures that an appropriate balance exists at the Board. The NRC also assists with the identification and nomination of new directors and appointment by the Board and/or shareholders.

(ii) Board Effectiveness Evaluation (BEE), whereby NRC shall oversee the BEE exercise to evaluate the performance, contributions and effectiveness of the Board as a whole, Board Committees and individual Directors.

(iii) Directors' Training and Development, where NRC shall assess the Directors' training needs and identify the relevant and suitable trainings/activities to be attended by the Board.

(iv) Board and LT Succession Planning, whereby NRC oversees the succession planning for the Board and LT.

Nomination and Remuneration Committee Report

(v) Remuneration, where NRC shall review and recommend the Company's framework, relating to the policies and procedures in determining the remuneration and compensation packages of the Directors and LT.

(vi) In respect of the MD/CEO and LT, NRC shall review and endorse the appointment of MD/CEO, CFO, COO and Head of Venture Builder, evaluate their performance against KPI and oversee their succession planning.

The TOR of the NRC is accessible to the public on PDB's corporate website at www.mymesra.com.my

COMPOSITION

The NRC comprises exclusively INEDs, in compliance with the requirement of Paragraph 15.08A(1) of the MMLR of Bursa Malaysia, which provides that the NRC must comprise exclusively of Non-Executive Directors (NEDs), majority of whom are independent directors. The composition also observed the recommendation of Practice 5.8 of MCCG 2021, where the NRC is chaired by an Independent Director or the Senior Independent Director (SID). In the case of PDB, the NRC is chaired by the SID.

In addition, PDB has also applied Practice 1.4 of MCCG 2021 which provides, inter-alia, that the Chairman of the Board should not be a member of the NRC.

During the year under review and up to the date of this report, there were no changes made to the composition of the NRC.

As at the date of this report, the composition of the NRC is as follows:

Members	Date of Appointment as NRC Member	Tenure on the NRC
Shafie Shamsuddin *Chairman, SID*	6 February 2018	5 years
Alvin Michael Hew Thai Kheam *INED*	17 November 2020	2 years 3 months
Tang Saw Hua *INED*	17 November 2020	2 years 3 months

MEETINGS AND ATTENDANCE

The NRC meetings for the financial year 2022 were pre-scheduled in November 2021, to facilitate the members in planning ahead and incorporating the NRC meeting dates into their respective schedules. This also serves to provide the members with ample notice of the meetings. All members of NRC attended all three NRC meetings held in 2022. Aside from the NRC meetings, urgent decisions were also endorsed for approval of the Board via NRC Circular Resolution, which was circulated via e-Signature tool for approval. The manner on how the NRC conducts its meetings has changed post COVID-19 pandemic. The NRC TOR has recently been updated to formalise the conduct of meetings via telephone conferencing, video conferencing or via any digital means. Any member participating via the said means shall be deemed to be present in person and counted as quorum for the meeting.

The agenda and meeting papers encompasses qualitative and quantitative information relevant to the business of the meetings were distributed to the NRC members via a secure collaborative software, within five days of each scheduled meeting. This secured platform eases the process of distribution of meeting papers, minimises leakage of sensitive information and enables the Directors to access the NRC papers electronically.

During the year under review, the NRC met three times to discharge its duties and functions as a committee of the Board. The record of attendance of the NRC members are as follows:

Members	Number of Meetings Attended
Shafie Shamsuddin *Chairman, SID*	3/3
Alvin Michael Hew Thai Kheam *INED*	3/3
Tang Saw Hua *INED*	3/3

The Managing Director/Chief Executive Officer (MD/CEO), Head of Human Resources Management and any other persons deemed necessary by the NRC are invited to attend NRC meetings, to brief and furnish the NRC with necessary information and clarification to relevant items on the agenda. The Company Secretary acted as Secretary to the NRC.

Nomination and Remuneration **Committee Report**

In 2022, as practiced in the previous years, the NRC invited all other members of the Board for the January meeting to discuss the annual performance of the LT including that of the MD/CEO.

All proceedings of the NRC meetings and deliberations including comments made by the Directors were duly recorded in the minutes of each meeting and the signed minutes of each NRC meeting were properly kept by the Secretary. Minutes of the NRC meetings and Circular Resolution were tabled for confirmation at the following NRC meeting, after which the minutes were presented to the Board for notation.

FUNCTIONS OF THE NRC AND RELATED ACTIVITIES IN 2022

SUCCESSION PLAN

Board and Senior Management Succession Planning

The Board has established a Board Succession Planning Framework to ensure the orderly identification and selection of new NEDs in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, unanticipated departure, the expansion of the size of the Board, or otherwise. The NRC has the responsibility in ensuring appropriate succession planning of Directors and reviewing the Board's required mix of skills and experience as well as reviewing the tenure of INEDs on the Board.

In addition to the Succession Planning for the Directors, the NRC is tasked to oversee the development of a succession plan for the MD/CEO and LT. During the year under review, NRC continued to focus on conducting all relevant reviews and assessments of the LT positions. The NRC is satisfied that there is a sufficient talent pool of potential successors for PDB LT and that for critical positions, external talents will be recruited if there are no suitable internal talents available. The NRC also highlighted to the Board on the importance of an effective human capital planning and management which are vital in delivering the best available talent for sustainable future success.

The NRC has implemented a policy whereby INEDs are appointed for a tenure of three years. Further extension of the tenure is subject to the review and recommendation of the NRC which is subsequently submitted to the Board for consideration and approval.

During the year under review and up to the date of this report, the NRC, having conducted all relevant reviews and assessment, has recommended to the Board the following appointments, renewal of term of INED and re-election of Directors during the AGM and/or noted the following cessation of office (as applicable):

1. Re-election of Arni Laily Anwarrudin in accordance with Article 100 of the Company's Constitution during 40th AGM held on 25 April 2022
2. Re-election of Azrul Osman Rani and Nirmala Doraisamy in accordance with Article 107 of the Company's Constitution during 40th AGM held on 25 April 2022
3. Resignation of Ahmad Adly Alias effective 1 June 2022
4. Appointment of Datuk Sazali Hamzah, Mohd Yuzaidi Mohd Yusoff, Tunku Alizakri Raja Muhammad Alias effective 1 June 2022
5. Appointment of Datuk Sazali Hamzah and Tunku Alizakri Raja Muhammad Alias as BSRC Member on the same day.
6. Appointment of Mohd Yuzaidi Mohd Yusoff as a BAC Member on the same day.
7. Renewal of terms of Nirmala Doraisamy effective 15 October 2022.
8. Renewal of terms of Tang Saw Hua effective 1 July 2023.

Having reviewed the Board composition, the NRC acknowledged that the composition of PDB Board is in line with Practice 5.2 of MCCG 2021 which provides that the board of large companies to comprise a majority of independent directors.

The NRC with the help of independent sources identifies suitably qualified candidates for appointment as INED. The selection process of the INED candidate is being undertaken vigorously to ensure the candidates possessed the relevant qualification, skill and experiences suitable to be appointed on Board of PDB.

In the selection of suitable candidates, the NRC adheres to the guidelines stipulated in the Board Succession Planning Framework set out in the Board Appointment Process.

The process flow for appointment of Director is set out in the Corporate Governance Overview Statement on page 175 of this <IR>.

Nomination and Remuneration Committee Report

DIRECTORS' RE-ELECTION AND RE-APPOINTMENT

The NRC is responsible for recommending to the Board, Directors who are standing for re-election at the Annual General Meeting (AGM) pursuant to Articles 100 and 107 of PDB's Constitution.

Article 100 of the Constitution stipulates that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

Article 107 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM at least once in three years and shall be eligible for re-election at the AGM.

The Directors' retirement rotation list was presented to the NRC for endorsement prior to recommendation to the Board and thereafter to the shareholders for approval. The affected Directors have given their consent on their re-election at the forthcoming AGM to be held on 10 May 2023 and signed the Fit and Proper Declaration.

In assessing the candidates' eligibility, the NRC considers their competencies, commitment, contribution and performance based on the Board Effectiveness Evaluation (BEE) 2022 and their ability to act in the best interest of PDB.

There were three new Board appointment during the year under review namely Datuk Sazali Hamzah, Mohd Yuzaidi Mohd Yusoff and Tunku Alizakri Raja Muhammad Alias who shall retire and shall be considered for re-election pursuant to Article 100 of the Company's Constitution.

In line with Article 107 of the Constitution, Shafie Shamsuddin and Alvin Michael Hew Thai Kheam are the Directors representing one-third and have been the longest in office since their last election. They shall retire at the forthcoming AGM and shall be eligible for re-election.

The NRC and the Board had at their respective meetings held on 3 February 2023 and 22 February 2023 endorsed and approved the aforesaid re-election of Directors.

In line with the exemplary practice as recommended by MCCG 2021, the Board has also adopted a tenure policy whereby INED's total tenure is now capped at nine years. As at the date of this report, none of the INEDs has served the Board more than nine years.

MD/CEO and LT Performance Appraisal

During the year under review and up to the date of this report, the NRC deliberated on the MD/CEO and LT's 2022 scorecard and their performance against the set targets.

BOARD EFFECTIVENESS EVALUATION 2022

The Board Effectiveness Evaluation (BEE) is being carried out on an annual basis, and as recommended by MCCG 2021, PDB appoints external independent consultant to conduct the BEE once in every three years. Every year, under the purview of the NRC, a Board Effectiveness Evaluation (BEE) is undertaken to assess the effectiveness of the following:



Nomination and Remuneration **Committee Report**

The BEE 2022 was conducted via a digital platform in order to simplify the assessment process, which covered the Board, Board Committees, Peer and Self Evaluations of the Board members. The BEE allows the Directors to focus on assessing the effectiveness and performance of the Board and its Committees in the best interest of the Company. The BEE results were compiled internally by PDB Corporate Secretariat.



The BEE questionnaires were circulated through a digital platform in December 2022. The evaluation process covered a variety of aspects associated with Board effectiveness, including amongst others, the composition of the Board and Board Committees and Board working relationships. Questionnaires on Succession Planning and Sustainability related elements were also incorporated. The assessment criteria were anchored on governance framework, best practices and industry norms.

The NRC, reviewed the outcome of BEE 2022 and noted that PDB continued to be led by an effective, committed and well-run Board. The results of the BEE 2022 were presented at the NRC and Board meetings on 3 February 2023 and 22 February 2023 respectively. The Board noted the findings and areas that necessitated further improvements.

One of the key areas for improvement highlighted in the BEE 2022 is for the Board to focus on ESG related training program and activities for the Board, to address concerns of the Board members on "Board's Focus on Sustainability" based on the 2022 BEE findings.

The results of the BEE for the Board, Board Committees and individual Directors for the year under review enabled the Board to put in place actions to address areas for improvement. The evaluation confirmed the strength of the Board and its high performing boardroom culture. Priority areas and key findings have since been incorporated in the action plans that would further improve the Board performance in the new financial year.

ANNUAL REPORTING

Reviewed and endorsed the disclosures in the NRC Report for the financial year ended 31 December 2022 to ensure that it was prepared in compliance with the relevant regulatory requirements and guidelines in particular Bursa Malaysia MMLR and MCCG 2021.

NRC'S EFFECTIVENESS REVIEW AND PERFORMANCE

Based on the BEE 2022 findings, the Board believes that the NRC has played an effective role in managing board transitions during the year, thus providing valuable contribution to the Board. The Board is very satisfied with the performance and effectiveness of the NRC in providing sound advice and recommendations to the Board, particularly on managing competencies and succession planning for the Directors and LT.

Nomination and Remuneration Committee Report

ACTIVITIES OF THE NRC DURING THE FINANCIAL YEAR 2022

During the year under review, the NRC carried out the following activities in discharging its functions and duties:

i) Board Membership and Succession Plan

- Reviewed, assessed and recommended the appointment of the new NINED;
- Reviewed, assessed and recommended the nomination of BSRC and BAC Member;
- Reviewed, assessed and recommended the nomination of NRC Chairman and SID;
- Renewal of terms of INEDs;
- Reviewed updates on Board Succession Planning;
- Reviewed and assessed the performance of and make recommendations to the Board with regard to Directors standing for re-election at the 40th AGM;
- Reviewed the trainings needs of Board members, and identified programmes and/or events for the continuous education of the Board members to ensure that they are up-to-date on new regulations and are conversant with industry trends and developments; and
- Reviewed and endorsed the Fit and Proper Policy.

ii) Senior Management's Appointment, Remuneration and Performance

- Reviewed the Succession Planning and Talent Strategy for Senior Management;
- Reviewed and endorsed the appointment of Chief Operating Officer;
- Reviewed and evaluated the LT performance for financial year 2021;
- Reviewed the PDB Senior Management Succession Planning; and
- Reviewed the MD/CEO Scorecard.

iii) Board Effectiveness Evaluation

- Assessed the BEE findings financial year 2021;
- Reviewed the follow up actions on BEE 2021 recommendations; and
- Established questionnaires for 2022 BEE.

iv) Annual Reporting

- Reviewed and endorsed the disclosures in the NRC Report for the financial year ended 31 December 2021 for inclusion in the Integrated Report 2021.

v) Others

- Reviewed and endorsed the Diversity and Inclusion Statement.

DIVERSITY AND INCLUSION (D&I) STATEMENT

As part of the D&I policy, PDB Group of Companies is adopting the PETRONAS D&I statement where D&I is about all of us progressing in this world together, in aligning with the Group's aspiration. Moreover, PDB Group of Companies is anchoring on the following D&I Focus Areas with its long terms targets to be achieved by year 2026, in alignment with FTSE4Good timeline.

The four key Focus Areas are:

1. **Gender:** Increase women representation in Leadership roles as successors for Key/Critical positions, Top Talents (TT) and Potential Leaders (PL).

2. **Background:** Inclusivity and unbiased consideration for every positions and equal opportunities are given regardless of ethnicity, nationality and/or disability.

3. **Age:** Opportunities for young talents to be leaders of tomorrow, in bringing new ideas and perspectives for the organisation by increasing the involvement of young talents in project leadership/managerial role as well as talent pools as successors for PDB Group business critical and key positions.

4. **Culture:** Differences in perspective are respected and valued in order to create a safer and respectful environment to foster open conversation and ensure differences in perspectives are valued at all levels in the organisation.

NRC PRIORITY AREAS IN FY2023

In addition to the matters which are under the purview of the NRC, the Succession Planning for Directors and LT will continue to be NRC Priority Area in 2023.

NRC shall also focus on ESG related training program and activities for the Board, to address concerns of the Board members on "Board's Focus on Sustainability" based on the 2022 BEE findings.

SHAFIE SHAMSUDDIN
Chairman
Nomination and Remuneration Committee

Board Audit Committee Report



Dear Valued Shareholders,

On behalf of the Board Audit Committee (BAC), I am pleased to present the BAC Report for the Financial Year Ended 31 December 2022 in compliance with paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

TANG SAW HUA
Chairman

OVERVIEW

This report provides an insight into the activities of the BAC during the year under review. As at the date of this report, the BAC is made up of four Non-Executive Directors (NEDs).

TERMS OF REFERENCE

The Terms of Reference (TOR) of the BAC sets out the authority, duties and responsibilities of the BAC which are consistent with the requirements of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and the Malaysian Code on Corporate Governance 2021 (MCCG 2021). All activities carried out by the BAC are in compliance with its TOR.

The BAC is responsible mainly to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, internal and external audit functions, internal control system and review of audit results.

The TOR of the BAC is accessible to the public on the PDB's corporate website at www.mymesra.com.my

COMPOSITION

The BAC composition is in compliance with Paragraph 15.09(1)(b) of the MMLR of Bursa Malaysia where all four BAC members including its Chairman are NEDs whereby three are Independent Directors, who fulfil the criteria of independence as defined in the MMLR. None of the Independent Directors has appointed alternate directors.

In line with the MCCG 2021, the BAC Selection Criteria has incorporated the requirement that a former partner of the Company's external auditors is to observe a cooling-off period of at least three years before being appointed as a member of the BAC.

During the year under review, there were changes made in the composition of the BAC whereby Mohd Yuzaidi Mohd Yusoff was appointed as BAC member upon his appointment as Director on 1 June 2022.

Board Audit Committee Report

As at the date of this report, the composition of the BAC is as follows:

Members	Date of Appointment as BAC Member	Tenure on the BAC
Tang Saw Hua *Chairman, INED*	1 July 2020	2 years 7 months
Nirmala Doraisamy *INED*	19 February 2021	2 years
Arni Laily Anwarrudin *NINED*	1 June 2021	1 years 8 months
Mohd Yuzaidi Mohd Yusoff *INED*	1 June 2022	9 months

Majority of BAC members are qualified accountants. Tang Saw Hua is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants whilst Nirmala Doraisamy is a Fellow of Chartered Institute of Management Accountants, United Kingdom, member of the MIA and a member of the Auditing and Assurance Standard Board of MIA. In addition, Arni Laily Anwarrudin, a new member of BAC is a Fellow of the Institute of Chartered Accountants in England and Wales.

In this regard, the composition of the BAC is made up of persons who have sound knowledge and understanding of financial reporting and management requirements. The Company is in compliance with Paragraph 15.09(c)(i) of the MMLR of Bursa Malaysia which requires at least one member of the BAC to be a qualified accountant.

MEETINGS AND ATTENDANCE

The BAC meetings for the year under review were pre- scheduled in November 2021, to facilitate the members in planning ahead and incorporate the BAC meetings into their schedules. This also serves to provide the members ample notice of the meetings.

The BAC meets quarterly with additional meetings convened as and when necessary. During the year under review, the BAC met four times in discharging its duties and functions as a committee of the Board. The record of attendance of the BAC members are as follows:

As at the date of this report, the composition of the BAC is as follows:

Members	Number of Meetings Attended
Tang Saw Hua *Chairman, INED*	4/4
Nirmala Doraisamy *INED*	4/4
Arni Laily Anwarrudin *NINED*	4/4
Mohd Yuzaidi Mohd Yusoff *INED* *(Appointed as a Member of BAC on 1 June 2022)*	2/2

The record of attendance of the BAC members met the requisite quorum as stipulated in the BAC TOR. Aside from the said meetings, urgent decision was also endorsed for approval of the Board via BAC circular resolution, which was circulated via e-Signature tool for approval. The manner on how the BAC conducts its meeting has changed post COVID-19 pandemic.

As the Board is ultimately responsible for the oversight of the Company, it is consistently kept informed by the BAC of its activities. In this connection, the BAC meeting is always held before a Board meeting to ensure that all critical issues, significant findings and irregularities are communicated to the Board on a timely basis.

To facilitate deliberation of audit issues, the Managing Director/ Chief Executive Officer (MD/CEO), Chief Financial Officer (CFO), Head of Internal Audit Department (IAD), Head of Legal and External Auditors and any other persons deemed necessary by the BAC were invited to attend the BAC meetings and provided the BAC their inputs, advice and furnish the BAC with necessary information and clarification to relevant items on the agenda. The Company Secretary acted as secretary to the BAC.

The Head of IAD presented the internal audit reports to the BAC. As and when required, relevant members of the Leadership Team (LT) were invited to apprise the BAC on specific issues arising from the audit findings or other areas impacting the financial results of the Company. The External Auditors also attended the BAC meetings to present the external audit plan for the year and the outcome of the statutory audits conducted on the Company

Board Audit Committee Report

and its subsidiaries. Both internal and external auditors provide integral support to the BAC by acting as a sounding board. During the year under review, the BAC had one private session on 14 February 2022, with the External Auditors without the presence of the Management. There were no major matters that warranted BAC's attention.

The agenda and meeting papers encompasses qualitative and quantitative information relevant to the business of the meetings were distributed to the BAC members via a secure collaborative software, within five days of each scheduled meeting. This secure platform eases the process of distribution of meeting papers, minimises leakage of sensitive information and enables the Directors to access the BAC papers electronically.

Deliberations include the review of the Company's proposed annual and interim financial reporting to Bursa Malaysia, assessment on related party transactions (RPTs) and recurrent related party transactions (RRPTs) proposed to be entered into by PDB Group and its subsidiaries, external and internal audit reports, status of open audit findings together with the agreed corrective actions as well as matters on internal control.

All proceedings of the BAC meetings and deliberations including comments made by the Directors were duly recorded in the minutes of each meeting and the signed minutes of each BAC meeting were properly kept by the Secretary. Minutes of the BAC meeting and Circular Resolution were tabled for notation at the following BAC meeting, after which the minutes were presented to the Board for notation. In addition to communicating to the Board on matters deliberated during the BAC meeting, the BAC also recommends to the Board the approval of annual financial statements and quarterly financial results.

CONTINUOUS TRAINING

BAC members acknowledged the need for continuous education trainings. During the year under review, all BAC members attended training on the developments in accounting and auditing standards, practices and rules, which is in line with Practice 9.5 of the MCCG 2021.

ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR 2022

Principal activities performed during the year under review were as follows:

1. Financial Reporting

(a) Reviewed the quarterly financial results prior to the approval by the Board, to ensure compliance with the MMLR of Bursa Malaysia, the applicable financial reporting standards as well as other relevant legal and Regulatory requirements. The reviews and discussions were conducted with the MD/CEO and the CFO of PDB.

(b) Reviewed the audited financial statements for the year under review prior to the approval by the Board, to ensure that they were prepared in accordance with the provisions of the Companies Act 2016 (CA 2016) and the applicable financial reporting standards. The reviews and discussions were conducted with the MD/CEO and the CFO of PDB.

(c) Reviewed and deliberated specific key areas affecting the Group's financial results, and endorsed recommendations made by Management. The key areas deliberated include assessments on impairment of trade receivables and inventory.

2. External Audit

(a) Reviewed and recommended the terms of engagement of the External Auditors for the Board's approval.

(b) Reviewed the independent auditor's review report for half year financial statements in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

(c) Reviewed and approved the External Auditor's annual audit plan for the Group, outlining their scope of work.

(d) Reviewed the proposed fees for the statutory audit as well as for the non-audit services. The BAC endorsed the proposed audit fees and the said fees were duly approved by the Board.

Board Audit Committee Report

(e) Total audit and non-audit fees paid to the External Auditors are as follows:

Particulars	2022		2021	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Statutory Audit Fees	**846**	**553**	784	557
Non-Audit Fees	**90**	**90**	190	120
Percentage of Non-Audit Fees over Statutory Audit Fees	**11%**	**16%**	24%	22%

3. Internal Audit

(a) Reviewed and approved the risk based Financial Year 2023 Annual Audit Plan and budget to ensure comprehensiveness of audit coverage, resources and competencies to execute the internal audit functions effectively.

(b) Reviewed the internal audit, review and investigation reports, recommendations and the relevant corresponding action plans to strengthen PDB's overall system of governance, risk and internal controls. The BAC had also put forward various suggestions for improvement to reinforce the oversight role and to ensure that Management holds individuals accountable for their internal control, risk and governance responsibilities.

(c) Monitored the quarterly audit, review and investigation findings status with deliberation on the rectification actions and timelines taken by Management to ensure the control lapses were addressed and resolved timely. The BAC also deliberated on the justifications given by Management for extension of rectification timeline and approved such request based on justifications.

(d) Assessed the performance of the Head of IAD with regards to his ability to provide independent and objective assurance in conformance with recognised international standards.

4. Internal Control and Compliance

(a) Reviewed the effectiveness of the system of internal controls, taking into account the findings from internal and external audit reports.

5. Corporate Governance

(a) The BAC reviewed the changes to the PDB Limits of Authority (LOA) and Summary of Authority (SOA) whereby revisions were made due to the New Areas of Decision Making, enhanced business requirement and LOA simplification. The BAC also reviewed the PDB Management Framework to ensure alignment throughout PDB Group in meeting its strategic objectives.

(b) Reviewed RPTs and RRPTs in accordance with PDB Policies and Procedures on RPT and Conflict of Interest Situations to ensure the transactions are at all times carried out on arm's length basis and normal commercial terms, and not to the detriment of the minority shareholders. The BAC also reviewed the status update of the RPTs and RRPTs on quarterly basis.

(c) Conducted external auditors' assessment in accordance with the Framework on External Auditor.

6. Annual Reporting

Reviewed and endorsed the disclosures in the Corporate Governance Overview Statement, BAC Report and Statement on Risk Management and Internal Control (SORMIC) for the financial year ended 31 December 2021 for inclusion in the Integrated Report 2021.

Board Audit Committee Report

EXTERNAL AUDIT

In ensuring that the external auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company will be rotated every seven years and is required to observe a cooling-off period of five years before being re-appointed (in line with the MIA's requirements). Internally, the external auditors conduct an Independent Partner Review in order to preserve their independence.

The external auditors had also provided their written assurance to the BAC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.

The BAC had also carried out an assessment on the performance, suitability and independence of the external auditors based on the following four key areas, and will continue to do so on an annual basis:

- Quality of the audit engagement team and services;
- Adequacy of resources;
- Quality of communication and interaction; and
- Independence, objectivity and professional scepticism.

ANNUAL REPORTING

The BAC reviewed the Corporate Governance Overview Statement, BAC Report and SORMIC for the financial year ended 31 December 2022 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

These statements are as set out on pages 159 to 192, 199 to 204 and 211 to 224 respectively of this <IR>

INTERNAL AUDIT FUNCTION

The BAC is supported by an in-house internal audit function, the IAD, in discharging its governance responsibilities stated in the BAC's TOR. The internal audit function of the Company is premised on the requirements of an 'independent and objective function'. The mission of PDB IAD is to enhance and protect the organisation's value by providing risk-based and objective assurance, advice and insights.

IAD assists the organisation to accomplish its goal by bringing a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, control and governance processes within the Group.

The Head of IAD reports directly to the BAC and administratively to MD/CEO to ensure impartiality and independence in executing its role. It is currently headed by Baba-A Rahman Tiriman who holds a Bachelor Degree in Business Administration from International Islamic University, Malaysia. He helmed the position since April 2018 and prior to that he has spent more than four years in Internal Audit function at PETRONAS Group specifically overseeing the downstream business. He had nine years' experience specialising in retail and commercial businesses within the PDB Group.

The Internal Audit function is guided by its Audit Charter for the effective and efficient functioning of IAD as approved by the BAC which defines its responsibilities, authority and scope of work within the Group.

Internal Audit activities are guided by Audit Manual as well as the International Professional Practices Framework (IPPF) and adopted the five components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) namely:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

The IAD and internal auditors declare their independence, objectivity and free from any conflict of interest situation through an annual declaration of independence and compliance with IPPF's Code of Ethics. In the event a potential conflict of interest occurs after the annual declaration has been made, internal auditors shall immediately report to Head of IAD and will not be assigned an audit scope that would lead to a conflict of interest.

IAD continues to adopt a risk-based approach to ensure that audit plans are prioritised based on the Group's key risks covering critical areas and functions to support business strategic objectives. In deriving the audit plan, the IAD gathers inputs from various sources including:

- Group Risk Profiles and PETRONAS Downstream Emerging Risks
- Group Strategy and Objectives and Business Development
- Materiality/Criticality of business operations
- Previous audit history
- Feedback and input from BAC and LT

During the year under review, IAD performed audits based on the approved internal audit plan and presented the reports to the BAC. List of the audits are as below:

- Audit on Cost to Serve of Aviation Operations
- Audit on PDB Digital Blueprint and Transformation
- Review on Implementation of Sustainability in PDB
- Follow-Up Audit on ROVR Activities and its Overall Governance
- Audit on Management and Implementation of Salesforce in PDB
- Audit on SmartPay Operations
- Audit on Management and Implementation of Key Strategies at PLMM
- Audit on Business Continuity Management Activities in PDB
- Audit on Land Matters in PDB

Board Audit Committee Report

- Review on Project Management of New Station Development and Upgrading Activities
- Review on Data Governance and Management in PDB and Its Subsidiaries
- Review on Overall Governance of MRCSB and COCO Operations

The audit reports were presented to the Management who are responsible to ensure that the Agreed Corrective Actions are closed satisfactorily within the agreed time frame. Agreed Corrective Actions status are reported to the BAC through the Quarterly Audit Status Report.

The Quality Assurance and Improvement Programme (QAIP) continues to be used to assess the quality of audit processes. It is an ongoing and periodic assessment that covers the entire spectrum of Internal Audit activities. The QAIP assesses the efficiency and effectiveness of the audit processes and opportunities for improvement are identified through the internal and external assessments. The results of the QAIP are reported to the BAC.

The Group continues its commitment to equip the internal auditors with adequate knowledge to discharge their duties and responsibilities. IAD resources are adequate, appropriate, sufficient and effective to implement the approved plan including some collaborative effort with external line experts and resources from PETRONAS Group specifically on IT, Risk Management, Finance, Sustainability and Project Management related areas. There are 11 internal auditors in PDB with diverse backgrounds and disciplines such as accounting, finance, business management, marketing, engineering, energy management, commerce and information technology. The internal auditors have sufficient mix of knowledge, skills and competencies to execute the audit plan.

Annually, internal auditors are assessed via individual online Superior Managed Assessment (SMA) to determine the learning and development needs to further enhance their competencies. The functional competencies are continuously developed guided with the established Internal Audit Competency Framework issued by The Institute of Internal Auditors.

The BAC reviews the IAD performance annually and responsible on the appointment and replacement of Head of IAD.

In order to perform their functions effectively, the auditors undergo trainings to equip themselves with business acumen, standard practices and leveraging both from in-house and external accredited training providers. Online e-learning programmes and continuous on-the-job observations also act as platforms to assess the capability and competency of the auditors.

To enhance the auditors' competencies and their continued professional development, PDB supports education programme to enable them to pursue their careers in relevant internal auditor certifications such as Certified Internal Auditors (CIA), Certified Integrated COSO framework and Certified Fraud Examiner (CFE). Additionally, one staff had undergone the exchange programme initiative within PETRONAS to accelerate learning and exposure across the Group.

The total costs incurred by the internal audit function for the financial year 2022 was RM4.48 million.

RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST SITUATION

During the year under review:

(a) The BAC reviewed all RPTs/RRPTs and Conflict of Interest (COI) situations based on the Policy and Procedures of RPT and COI (the P&P). This P&P lays out the principles and procedures which govern the activities on RPTs/RRPTs and COI situations across the PDB Group in complying with the applicable MMLR and other laws and regulations.

(b) PricewaterhouseCoopers (PwC) had undertaken review on the Company's RPTs and RRPTs P&P. Based on the review, PwC viewed that there are adequate procedures as described in the P&Ps to determine that the terms of the RPTs/RRPTs were carried out on normal commercial terms and will not be to the detriment of its minority shareholders.

The BAC is satisfied that the P&P has put in place adequate procedures and processes to identify, monitor and track all RPTs/RRPTs in a timely and orderly manner to ensure that the RPTs/RRPTs are at all times, carried out in the best interests of the Group, are fair, reasonable and on normal commercial terms and are not to the detriment of the minority shareholders. The BAC has, from time to time reviewed any RPTs/RRPTs that have risen within the Group in accordance with the P&P.

BAC EFFECTIVENESS REVIEW AND PERFORMANCE

During the year under review, the Board assessed the performance of the BAC through annual Board Effectiveness Evaluation. The Board is satisfied that the BAC has discharged its functions, duties and responsibilities in accordance with its TOR. In addition, the Board also agreed that BAC continued to support the Board in reviewing financial and audit matters, contributing to the overall effectiveness of the decision-making process by the Board for the Company and the Group and has played an effective role in ensuring governance, compliance and safeguarding of company assets.

REPORTING TO THE EXCHANGE

In 2022, the BAC was of the view that PDB was in compliance with the MMLR of Bursa Malaysia and as such, the reporting to Bursa Malaysia under Paragraph 15.16 of the MMLR is not required.

TANG SAW HUA
Chairman
Board Audit Committee

Board Sustainability And Risk Committee Report



OVERVIEW

The Board had on 20 January 2023 approved the change of name of Board Risk Committee (BRC) to BSRC to reflect the additional oversight function of the Committee on sustainability matters moving forward. For this Report, BRC is used for information referred to in 2022 and BSRC, when this Report deals with the current information.

This report provides an insight into the activities of the BSRC during the year under review. As at the date of this report, the BSRC is made up of five Independent Non-Executive Directors (INEDs) and one Non-Independent Non-Executive Director.

TERMS OF REFERENCE

The BSRC is governed by its Terms of Reference (TOR) which sets out the authority, duties and responsibilities of the BSRC to discharge its primary responsibilities of reviewing the process of identifying, managing, evaluating and monitoring key strategic priorities, the principal risks associated with the business and projects, as well as overseeing the implementation of appropriate systems and risk assessment processes, to manage such risks for PDB and its subsidiaries. All the requirements under the TOR have been complied with.

The BSRC assists the Board in ensuring the Company has in place a sound and robust risk management framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives especially in pursuing its growth agenda and oversight on sustainable matters.

In carrying out its oversight responsibilities, each BSRC member provides individual independent opinions to the fact-finding, analysis and decision-making process of the BSRC, based on their expertise, experience and industrial knowledge.

The TOR of the BSRC is accessible to the public on PDB's corporate website at www.mymesra.com.my

Board Sustainability And Risk Committee Report

COMPOSITION

The BSRC consists of six members including its Chairman. Five BSRC members are INEDs and a Non-Independent Non-Executive Director (NINED). All of them possess sound judgment, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry. None of the BSRC members has appointed alternate directors.

There was a change in the composition of the BSRC whereby Datuk Sazali Hamzah and Tunku Alizakri Raja Muhammad Alias were appointed as the BSRC members effective 1 June 2022.

As at the date of this report, the composition of the BSRC is as follows:

Members	Date of Appointment as BSRC Member	Tenure on the BSRC
Alvin Michael Hew Thai Kheam *Chairman, INED*	26 February 2019	4 years
Shafie Shamsuddin *INED*	26 February 2019	4 years
Nirmala Doraisamy *INED*	15 October 2019	3 years 4 months
Tang Saw Hua *INED*	17 November 2020	2 years 3 months
Datuk Sazali Hamzah *NINED*	1 June 2022	9 months
Tunku Alizakri Raja Muhammad Alias *INED*	1 June 2022	9 months

MEETINGS AND ATTENDANCE

The BSRC meetings for the year under review were pre-scheduled in November 2021 to allow the members to plan ahead and incorporate the BSRC meetings into their respective schedules. This also serves to provide the members ample notice of the meetings.

The BSRC meets quarterly in a year with additional meetings convened as and when necessary. During the year under review, the BSRC met four times in discharging its duties and functions as a committee of the Board.

The record of the attendance of the BSRC members are as follows:

Members	Number of Meetings Attended
Alvin Michael Hew Thai Kheam *Chairman, INED*	4/4
Shafie Shamsuddin *INED*	4/4
Nirmala Doraisamy *INED*	4/4
Tang Saw Hua *INED*	4/4
Datuk Sazali Hamzah *NINED* *Appointed as a Member of BSRC on 1 June 2022)*	1/2
Tunku Alizakri Raja Muhammad Alias *INED* *Appointed as a Member of BSRC on 1 June 2022)*	2/2

Post COVID-19 pandemic, BSRC meetings were held either virtually, physically or hybrid depending on the suitability and availability of the BSRC members.

To facilitate deliberation of risk issues, the Managing Director/ Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Head of Risk Management Department (RMD) and Head of Legal attended all BSRC meetings and provided the BSRC with their inputs, advice, appropriate relevant information and clarification on relevant items on the agenda. The Company Secretary acted as Secretary to the BSRC.

The Head of RMD presented the risk management reports including updates on risk monitoring and the corporate risk profile to the BSRC. As and when required, relevant members of the Leadership Team were invited to apprise the BSRC on specific issues arising from the strategic or high business impact proposals.

The agenda and meeting papers encompassing qualitative and quantitative information relevant to the business of the meetings were distributed to the BSRC members via a secure collaborative software, within five days prior to each meeting. Not only does this software ease the process of distribution of meeting papers and minimise leakage of sensitive information, but it also enables the Directors to access the proposed papers electronically.

Matters deliberated at the BSRC meetings included the review of the Group's risk appetite, business risk report, strengthening risk culture in PDB, corporate risk profile, matters relating to risk management as well as prospective businesses that required the BSRC's review and guidance on the risk aspects thereof.

Board Sustainability And Risk Committee Report

All proceedings of the BSRC meetings were duly recorded in the minutes of each meeting, and the signed minutes of each BSRC meeting are properly kept by the Secretary. Minutes of the BSRC meetings and circular resolutions are tabled for confirmation and notation at the following BSRC meeting, after which the minutes are presented to the Board for notation.

ANNUAL REPORTING

The BSRC reviewed this BSRC report and the Statement on Risk Management and Internal Control (SORMIC) for the financial year ended 31 December 2022 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

ACTIVITIES OF THE BSRC DURING THE FINANCIAL YEAR 2022

During the year under review, the BSRC carried out the following activities in discharging its functions and duties:

i) Risk Appetite

Deliberated and endorsed the review of risk appetite and level of tolerance that the Group is willing to accept in pursuing its strategic objectives.

ii) Corporate Risk Profile

Reviewed and endorsed PDB's critical risks as registered in Corporate Risk Profile (CRP) for Board's approval.

iii) Risk Monitoring

- Reviewed and endorsed the adequacy and effectiveness of the risk management practices through monitoring of the Key Risk Indicators (KRIs) and mitigations implementation as updated in the quarterly Business Risk Reports (BRR).
- Reviewed any breach of risk appetite thresholds for specific action to ensure risks undertaken in pursuit of strategic and business objectives were consistent within the approved levels.

iv) Risk Assessment for Decision Making

Reviewed and deliberated business propositions and new initiatives including but not limited to:

- Merger and acquisition, divestment and joint-venture proposals in local and foreign countries
- Commercial transactions with high complexity and financial exposure
- Country-related decision (entry or exit management)
- Key capital projects
- New business ventures and/or special projects

v) Emerging Critical Risks

Deliberated the emerging risks which manifest from internal or external environment that could potentially impact delivery of business objectives.

vi) Governance

- Reviewed and endorsed the PDB Data Secrecy Manual.

The BSRC plays a vital role in reviewing the adequacy and effectiveness of risk management processes for PDB. In this regard, the BSRC reviews and challenges the BRR focusing on the status of KRIs and risk mitigation implementation in ensuring effective management of risk.

vii) Annual Reporting

Reviewed and endorsed the disclosures in the Board Risk Committee (BRC) Report and SORMIC for the financial year ended 31 December 2021 for inclusion in the Integrated Report 2021.

BRC EFFECTIVENESS REVIEW AND PERFORMANCE

During the year under review, the Board assessed the performance of the BRC through an annual Board Effectiveness Evaluation (BEE). The Board agreed that the BRC is well structured and represented, with an appropriate mix of skills, expertise and experience, contributing to the overall effectiveness of the decision-making process for the Company and the Group. PDB Board is satisfied that the BRC has effectively discharged its functions, duties and responsibilities in accordance with the BRC TOR.

ALVIN MICHAEL HEW THAI KHEAM
Chairman
Board Sustainability and Risk Committee

Corporate Integrity And Ethics

INTEGRITY AND ETHICS

PDB Integrity Programmes

We place great emphasis on the significance of Integrity and Ethics in governing our conduct and our business dealings. In upholding governance, we have organised Integrity Programmes that cater to the needs of PDB businesses since 2017.

In 2022, PDB had successfully formed a PDB Ethics and Integrity Committee led by Compliance Department in close collaboration with Strategy Division, Strategic Communications Division, Human Resource Division and IAD to effectively streamline Integrity Programmes for PDB Employees and Counterparties as part of continuous efforts to advocate awareness and strengthen compliance with the aim of striving for Generative Culture of Ethics and Integrity across the organisation.

The following Integrity Programmes were implemented in 2022:

Programme	No. of Sessions	Duration	Audience
PDB Let's Talk: Integrity and Ethics	1	January 2022	All PDB Staff
PDB Integrity Month 2022	5	October - November 2022	All PDB Staff
PDB Integrity Campaigns (Online Communication)	12	January - December 2022	All PDB Staff
Leaders Integrity Moments (Video Clip)	11	February - December 2022	All PDB Staff
Integrity Time Out by PDB Leaders	72	June - July 2022	All PDB Staff
Integrity Strengthening for PDB Employees	11	January - September 2022	Targeted Groups
Integrity Strengthening for PDB Counterparties	10	March - October 2022	Targeted Groups

PDB Integrity Month is an annual event for PDB employees to commemorate the importance of upholding Integrity and Ethics in their day-to-day business and operations through the execution of various Integrity Programmes which promote the significance of Integrity and Ethics values as well as the collective responsibility of protecting the organisational integrity while embracing the spirit of Courage to Act and Speak Up through the use of available whistleblowing channels. This year's celebration revolved around the overall theme of "*Jaga Amanah, Bebas Rasuah*".

In addition, Integrity Time Out (ITO) sessions conducted by PDB Leaders showed high commitment by setting the tone from the top in advocating the internalisation of Integrity and Ethics values among PDB employees. The massive ITO exercise conducted across the organisation is a clear testament of how PDB is highly supportive in ensuring the highest Integrity and Ethics Culture is well incorporated within its business and operations.

Corporate Integrity And Ethics

Corporate Liability Provision

The Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 came into full implementation effective 1 June 2020. The Corporate Liability Provision deems a commercial organisation as committing an offence if an associated person commits corruption for the benefit of the organisation. Corruption can be in the form of an associated person corruptly giving, offering to give or promising gratification to any person with the intent "to obtain or retain business" or "to obtain or retain advantage in the conduct of business".

In view of the above, the Prime Minister's Office developed and issued the Guidelines on Adequate Procedures to prevent persons associated with a commercial organisation from committing corrupt practices. The Guidelines on Adequate Procedures is intended to assist commercial organisations in implementing anti-corruption policies, procedures, controls and programmes revolving around the following T.R.U.S.T. Principles:

T.R.U.S.T. Principles

T – Top Level Commitment

Top level management plays a vital role in creating awareness and elevating competency among employees with the aim of promoting consistent practice of highest ethics and integrity with regards to effectively managing the key corruption risks of the organisation while adhering to the prevailing anti-corruption laws and regulations.

R – Risk Assessment

Comprehensive corruption risk assessment is conducted periodically with the intention of identifying and mitigating corruption risks within the organisation.

U – Undertake Control Measures

Based on the corruption risk assessment, organisation is required to establish appropriate controls and contingency measures to effectively address the corruption risks identified which include due diligence, reporting channels as well as policies and procedures. These controls and contingency measures ought to be updated in accordance with the current business and regulatory requirements.

S – Systematic Review, Monitoring and Enforcement

In view of the organisation's growth and expansion, there should be a regular review and assessment of the effectiveness of the current Anti-Corruption Policies, Procedures and Programmes. For the purpose of corporate governance and compliance, the outcome of those regular reviews should be properly documented serving as evidence to defend the organisation if required.

T – Training and Communication

Training and communication, for both internal and external stakeholders, on organisation's Anti-Corruption Policy would help the employees and other associated persons and/or stakeholders to better understand about the forms of corruption, the mitigations against risks of corruption and the consequences of corruption.

Anti-Bribery and Corruption Policy and Manual

Apart from the sound adoption of PETRONAS Anti-Bribery and Corruption (ABC) Policy, PDB also practices a zero tolerance policy against all forms of bribery and corruption. The PETRONAS ABC Manual elaborates on those principles and provides guidance to employees on how to handle situations involving improper solicitation, bribery and other forms of corruption as well as issues relating to unethical business dealings.

Although the ABC Manual is developed for PETRONAS directors and employees, PETRONAS also expects that contractors, sub-contractors, consultants, agents, representatives and others performing work or services for or on behalf of PETRONAS to fully adhere to the PETRONAS ABC Policy and Manual accordingly. Therefore, clauses in relation to compliance with the PETRONAS ABC Manual are incorporated into all agreements formalised with counterparties (customers, suppliers, partners and vendors).

For more information on ABC, please refer to PDB Corporate Website at www.mymesra.com.my

Corporate Integrity And Ethics

Anti-Corruption Compliance Programme

In further strengthening our ongoing efforts to combat against corruption, PDB embarks on the implementation of the Group's Anti-Corruption Compliance Programme for 2022 in alignment with the requirements of T.R.U.S.T. Principles under the Guidelines on Adequate Procedures issued by the Prime Minister's Office. The Programme is based on a structured framework that enables PDB to strategically prevent, detect and respond to corruption risks identified within the organisation.

The following key activities were reported to and monitored by PDB Risk Management and Governance Committee:

- Review of the mitigations identified from the previous Corruption Risk Assessment conducted in 2020 and 2021;
- Analysis of past Integrity Misconduct Cases reported between 2017 to 2021;
- Benchmarking against industry's best practices of Adequate Procedures;
- Deployment of PDB's first Compliance Survey for Employees and Counterparties respectively; and
- Appointment of consultant for independent review on PDB's compliance to Guidelines on Adequate Procedures.

Organisational Anti-Corruption Plan

PETRONAS has recently introduced its Organisational Anti-Corruption Plan (OACP) for 2022 - 2023 which is a comprehensive blueprint to strategically identify specific corruption risks and establish measurable goals to prevent corruption as well as closely keeping track of the progress and effectiveness of the planned initiatives. Furthermore, the establishment of OACP fulfills the requirement set by the National Anti-Corruption Plan (NACP) for 2019-2023.

The OACP reinforces PETRONAS' commitment in internalising its Shared Values and Cultural Beliefs while solidifying its aspirations to achieve the highest standard of integrity and transparency in the conduct of business and operations in line with its zero tolerance policy against bribery and corruption.

In cognisance with PETRONAS' OACP, PDB had undertaken its own internal review of the current anti-corruption efforts and hence, identified the following four focus areas to reinforce its commitment in upholding zero tolerance against bribery and corruption:

- Enhancement of Reporting Channel Ecosystem
- Anti-Bribery Management System (ABMS) Implementation
- Amplifying Training and Communication for PDB Counterparties
- Solidifying Sensitive Positive Management Focusing on Corporate Liability

Whistleblowing

With the establishment of Section 17A of Malaysian Anti-Corruption Commission Act 2009, all corporate organisations in Malaysia are required to have adequate procedures in place as defense against Corporate Liability. Under T.R.U.S.T. Principles, Top Level Commitment stresses that top management is to promote the use of available reporting channels for the purpose of reporting any actual or suspected corrupted activities within the organisation.

In line with PETRONAS' aspiration to achieve the highest standard of Integrity in the conduct of its business and operations. PDB had adopted the Whistleblowing (WB) Policy which provides a platform for all PETRONAS employees and members of the public to disclose any improper conduct within PETRONAS. The WB Policy also provides protection for employees and members of the public for reporting such allegations without fear of repercussion.

For more information on PETRONAS Whistleblowing Policy, please refer to PDB Corporate Website at www.mymesra.com.my

Trading on Insider Information

On a quarterly basis and to ensure conformance with the requirements under Chapter 14 of the MMLR of Bursa Malaysia, the Company Secretary issues a Notice of Closed Period to Directors and LT, highlighting the requirements with regard to dealing in the Company's shares during "Closed Period"/"Outside Closed Period" as they are in possession of price sensitive information relating to PDB.

During the year under review, there was no trading activity undertaken by the Directors nor the Principal Officers of the Company.

Selection of Vendors

The Group adopts the PETRONAS tendering process and governing principles embedded in the PETRONAS Procurement Standard for PETRONAS Group of Companies for selection of vendors. Generally, the main selection criteria is based on technically acceptable and commercially attractive bidder.

Tender Committees have been established to carry out independent assessment on bidders' proposals and to ensure tendering activities are carried out in a transparent manner. The established Tender Committees will oversee, review, deliberate and/or endorse tender papers within the approved threshold of the respective tender committee(s) prior submission of the tender paper to the relevant approving authority for consideration and approval.

The tendering processes are as follows:

Tender Plan approval	Technical Evaluation	Commercial Evaluation	Award Recommendation

Statement On Risk Management And Internal Control

RISK MANAGEMENT AND INTERNAL CONTROL AT PDB

This Statement on Risk Management and Internal Control (SORMIC) is made in accordance with paragraph 15.26(B) of Bursa Malaysia's Main Market Listing Requirements (MMLR) which requires the Board of Directors of public listed companies to publish a statement about the state of risk management and internal control of the listed issuer as a Group.

PDB and its subsidiaries (collectively known as the Group) has adopted and embedded risk management frameworks and internal control systems in place to safeguard our assets and protect our investments.

We aim to manage our business and key risks effectively to be able to maximise business opportunities.

Responsibility and Accountability

The Board acknowledges the importance of maintaining a sound internal control system and robust risk management practices for good corporate governance with the objective of safeguarding the shareholders' investment and the Group's assets.

The Board affirms its overall responsibility for establishing a sound risk management and internal control system, as well as for reviewing its adequacy and effectiveness in identifying, assessing and responding to risks which may hinder the Group from achieving its objectives.

The Board is supported by the Board Audit Committee (BAC) and Board Sustainability and Risk Committee (BSRC) in carrying out its risk oversight responsibilities.

RISK OVERSIGHT STRUCTURE

The Group's risk oversight structure allows for risk information flow which yields effective monitoring of risk management implementation at all levels. In year 2022, the Risk Management and Governance Committee (RMGC) Terms Of Reference (TOR) was updated in order to strengthen the role of RMGC in supporting BSRC and PDB Board. Risks management and governance policies, frameworks and guidelines are reviewed at RMGC before it is deliberated at the BSRC and PDB Board.

BOARD OF DIRECTORS

Reviews and approves annual corporate plan, which includes overall corporate strategy, operational plan, marketing plan, human resources plan, financial plan and budget, risk management plan and information technology plan.

BOARD COMMITTEE LEVEL

Board Sustainability and Risk Committee

- Reviews the adequacy and effectiveness of the risk management practices
- Reviews and endorses the Group's critical risks

Board Audit Committee

- Reviews financial reporting and audit matters
- Reviews the effectiveness of internal control system and compliance
- Reviews related party transactions and conflict of interest

MANAGEMENT LEVEL

Risk Management and Governance Committee

- Responsible for the overall oversight of risk management and governance activities

Leadership Team

- Responsible for the overall management strategy and policy issues

OPERATIONAL LEVEL

Credit Control Committee

- Reviews, monitors and reports credit risk

HSE Steering Committee

- Reviews and deliberates HSE performance and risks
- Track and monitors the progress of closure of HSE incidents and assurance action items

Business Information Technology Committee

- Provides strategic direction and endorsement for Digital and Information Communication Technology (ICT) investments across businesses

Statement On Risk Management **And Internal Control**

The Group's risk oversight structure is backed up by a Three Lines of Defense Model that distinguishes the three groups which are involved in effective risk management and governance function. The Group has in place a risk and governance operating mechanism covering the areas of system, processes, knowledge management and assurance activities.

THREE LINES OF DEFENSE MODEL

1st Line of Defense

BUSINESS LINE (RISK OWNER)

To establish the identification, assessment, treatment and monitoring of risks with the assistance of Risk Ambassadors as focal persons

2nd Line of Defense

RISK MANAGEMENT AND GOVERNANCE FUNCTION

To implement and review risk management and control systems for reporting to the Management and the Board as well as attest on compliance with internal controls

3rd Line of Defense

INTERNAL AND EXTERNAL AUDIT

To provide independent and objective assurance on the overall adequacy, intergrity and effectiveness of risk management and internal control systems

Risk and Governance Department is entrusted with the responsibility of ensuring effective risk and governance implementation of the Group. Risk Management is an integral part of the Group's activities and processes to address risks that may impact the achievement of its business objectives. The Group has established risk management practices where review and monitoring of critical risks remain a key focus of the Board. The risk management process is in place to identify, evaluate, manage and monitor the risks. This process continues for the year under review and up to the date of approval of this statement.

In addition, Head of Risk and Governance Department oversees the implementation of internal control in a structured and integrated manner to ensure adherence to Group's policies, standards and guidelines. Reviews are conducted for continuous improvement providing balance between operational efficiency against current control in place as well as strengthening culture, among others, communicating the importance of risk in decision making and adherence to internal controls.

PDB RISK POLICY

The Group's risk policy provides the general principles and guidelines for actions which influence decisions. It clearly communicates the management's expectations in relation to risk management practices throughout the Group.

- PDB is committed to becoming a risk resilient organisation
- PDB shall continuously strive to implement:
  - Risk management best practices to protect and create value within the set boundaries
  - Risk based decision making by providing a balanced and holistic view of exposures to achieve business objectives
- Managing risk is everyone's responsibility

Statement On Risk Management And Internal Control

PETRONAS RESILIENCY MODEL

The Group has adopted the PETRONAS Resiliency Model in managing risk that provides an integrated and view of the overall strategy to manage the Group's risks, focusing on three areas of business resilience, namely Enterprise Risk Management, Crisis Management and Business Continuity Management. These are supported by the risk management frameworks and the relevant guidelines to govern, guide and institutionalise risk management practices across the Group. The status of risk management practices across the Group are continuously monitored and reported to RMGC, BSRC and Board.

PETRONAS RESILIENCY MODEL

ERM Enterprise Risk Management

ERM is a structured and holistic approach to identify, assess, treat and monitor risks. The aim is to reduce the likelihood and impact of all identified risks and to enhance the organisation's ability to achieve its strategic objectives

CM Crisis Management

CM is a comprehensive set of processes by which organisation respond and manage crises that threaten to harm people, environment, assets and reputation

BCM Business Continuity Management

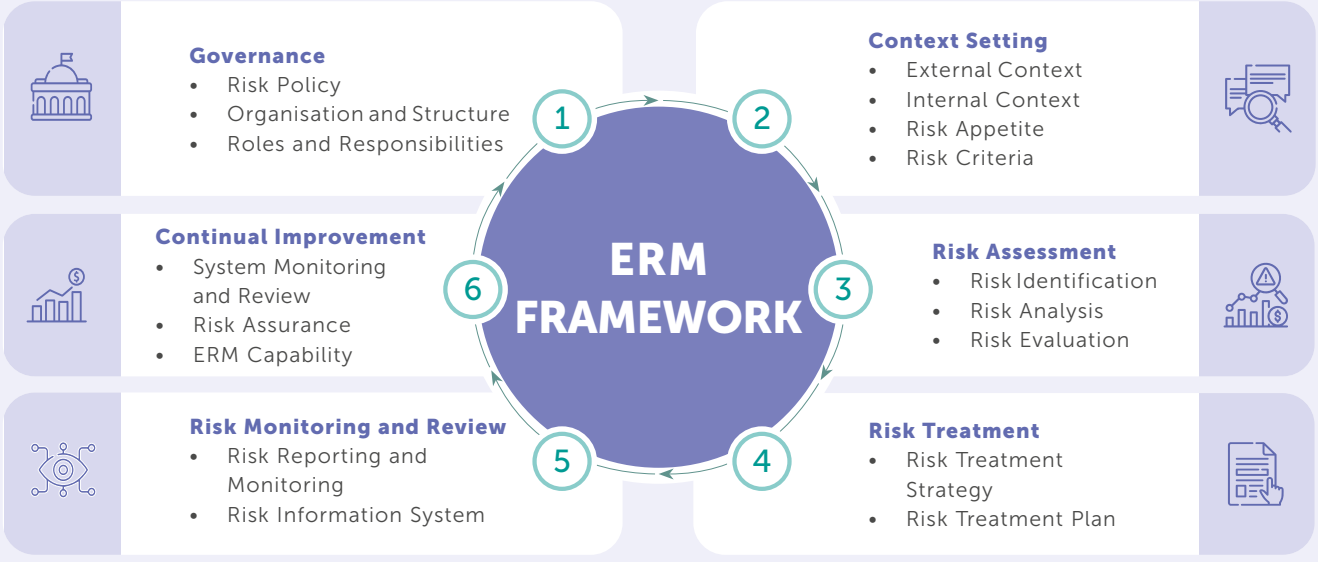
BCM is a holistic management process that aims to build the capability of an organisation to recover and continue delivery of products or services at acceptable predefined levels following a prolonged disruptive incident

Enterprise Risk Management

The Group adheres to PETRONAS ERM Framework (ERMF) as depicted in the diagram below:

ENTERPRISE RISK MANAGEMENT FRAMEWORK

- **The ERMF outlines the elements and processes to identify, assess, treat, monitor and review risks impacting its business**
- **It aims to improve the ability to reduce the likelihood and/or impact of identified risks that may affect the achievement of business objectives**
- **The framework provides a standard and consistent approach in implementing ERM across the entity**



Statement On Risk Management And Internal Control

Corporate Risk Profile

Risk profiles which consist of identified critical risks and their corresponding risk mitigations as well as key risk indicators are reviewed annually based on the ERM process. It allows actions to be taken to ensure that risks are being effectively managed and reported to RMGC, BSRC and Board on a quarterly basis.

During the year under review, risk profiling exercises were conducted across the Group with involvement from Management and Subject Matter Experts. In performing the exercises, various inputs are analysed in setting the context, which includes both internal and external factors as well as emerging risks that may impact the Group's businesses and operations. The annual risk profiling and assessment process are guided by business strategies and plans. PDB continuously scans and monitors its operating and external environments to identify any emerging risks. These risks are discussed by the Management and Board. In the event of the emerging risk poses a real threat, it will be escalated as critical risks under the CRP and develop appropriate response and mitigation plans.

Each critical risk were assigned to dedicated risk owners to ensure risks identified are monitored and subsequently managed. The status of the PDB CRP including key risk indicators (KRIs) and mitigation plans of critical risks are deliberated at RMGC, BSRC and Board during their quarterly meetings.

The following structured process within the ERMF was adopted:

CONTEXT SETTING

- Define the scope of the risk assessment (Business Decision/Risk Profile/Project)
- Understand external environment and consider the strategic, organisational/business objectives, KPI, stakeholders' expectations, preliminary risks
- Determine the Risk Appetite (the level of risk that an organisation is willing to pursue)

RISK ASSESSMENT

Risk Identification
- Develop risk descriptions and risk statements
- Assign risk ownership
- Identify causes and consequences

Risk Analysis
- Identify and assess existing mitigations
- Determine the current risk impact
- Establish current risk rating by using the Risk Matrix
- Identify causes and consequences

Risk Evaluation
- Evaluate the level of the identified risk - High, Medium and Low
- Evaluate which risks need treatment
- Prioritise risk which requires treatment implementation
- Identify causes and consequences

RISK TREATMENT

Identify Risk Treatment Strategy	Identify new mitigations for each identified risk	Determine the new risk impact	Establish Target Risk Rating by using the Risk Matrix

RISK MONITORING AND REVIEW

- Identify Key Risk Indicators (leading and lagging) as triggering mechanism
- Monitor risk updates through Integrated Enterprise Risk Information System (INTERISK) and ensure Corporate Digital Assurance sign off
- Quarterly report risk status to RMGC, BSRC and Board

We scan and monitor our business and external environments to identify further emerging risks. These emerging risks are discussed at management and Board level.

Statement On Risk Management And Internal Control

Risk in Decision Making

The Group mandated that all board and management decision papers are equipped with a risk assessment to ensure that decision-makers make fully informed decision making, considering the level of risks they want to take and implement necessary controls to achieve the desired business objectives.

During the year, BSRC assisted Board in deliberating and evaluating business proposals and key strategic projects prior to approval by the Board.

Risk Appetite

The Group's risk appetite reflects the stance on acceptable level of risk or boundaries the Group is willing to assume within its risk capacity in pursuing strategic and business objectives. The Group's risk appetite is reflected in Risk Appetite Statement which express the Group's philosophy in managing or taking risk and further supported by Risk Tolerance and its corresponding Risk Threshold.

Development

PDB Risk Appetite was developed by aligning to PDB's business strategies with five Risk Appetite Areas to ensure risks undertaken in pursuit of strategic and business objectives are consistently within acceptable levels.

For the year under review, FTSE4Good was included in risk appetite under reputational risk appetite area. This enables us to reflect good sustainability practices to encourage positive change in corporate behavior and align portfolios with the values.

OPERATIONAL

Health, Safety and Environment (HSE)
1. Fatality
2. Major Fire
3. Major LOPC

Operational Execellence
1. On-Time In Full

Project Delivery
1. Project schedule
2. Project cost

ICT
1. Critical System Downtime
2. Cyber Security Incidents

Financial
1. Minimum Cash Balance
2. Maximum Indebtedness Level
3. Trapped Liquidity

Strategic
Capital Investment

Reputational
1. Conventional media negative mentions
2. Social media negative mentions
3. FTSE4Good Rating

Legal and Regulatory
Compliance to laws and regulations governing the conduct of business

Monitoring and Review

Risk Appetite monitoring and reporting were established to ensure any breach of the Risk Threshold is escalated to management and Board on timely basis to trigger deliberation for specific action or decision.

During the year under review, PDB Risk Appetite were enhanced to be in line with changes in PDB strategic direction and business environment.

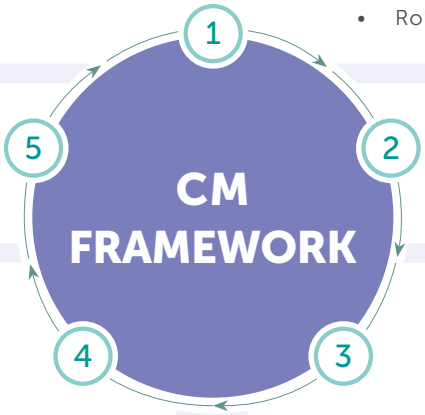
Crisis Management

The Group adheres to PETRONAS CM Framework (CMF) as depicted in the diagram below:

CRISIS MANAGEMENT FRAMEWORK

Governance
- PETRONAS Risk Oversight Structure
- PETRONAS CM Structure

- PETRONAS Three-Tiered Response Protocol and Activation
- Roles and Responsibilities in CM



Continual Improvement
- Assurance
- System Review and Monitoring
- Capability Building

Crisis Assessment
- Risk Assessment (Risk Identification, Risk Analysis and Risk Evaluation)
- Creditable Scenarios Identification

Testing and Exercising (T&E)
- T&E Planning
- T&E Execution
- T&E Review

Crisis Response Strategy
- Strategies and Actions Development
- Resources Identification
- Emergency/CM Plan Establishment
- Emergency/CM Plan Communication

Statement On Risk Management **And Internal Control**

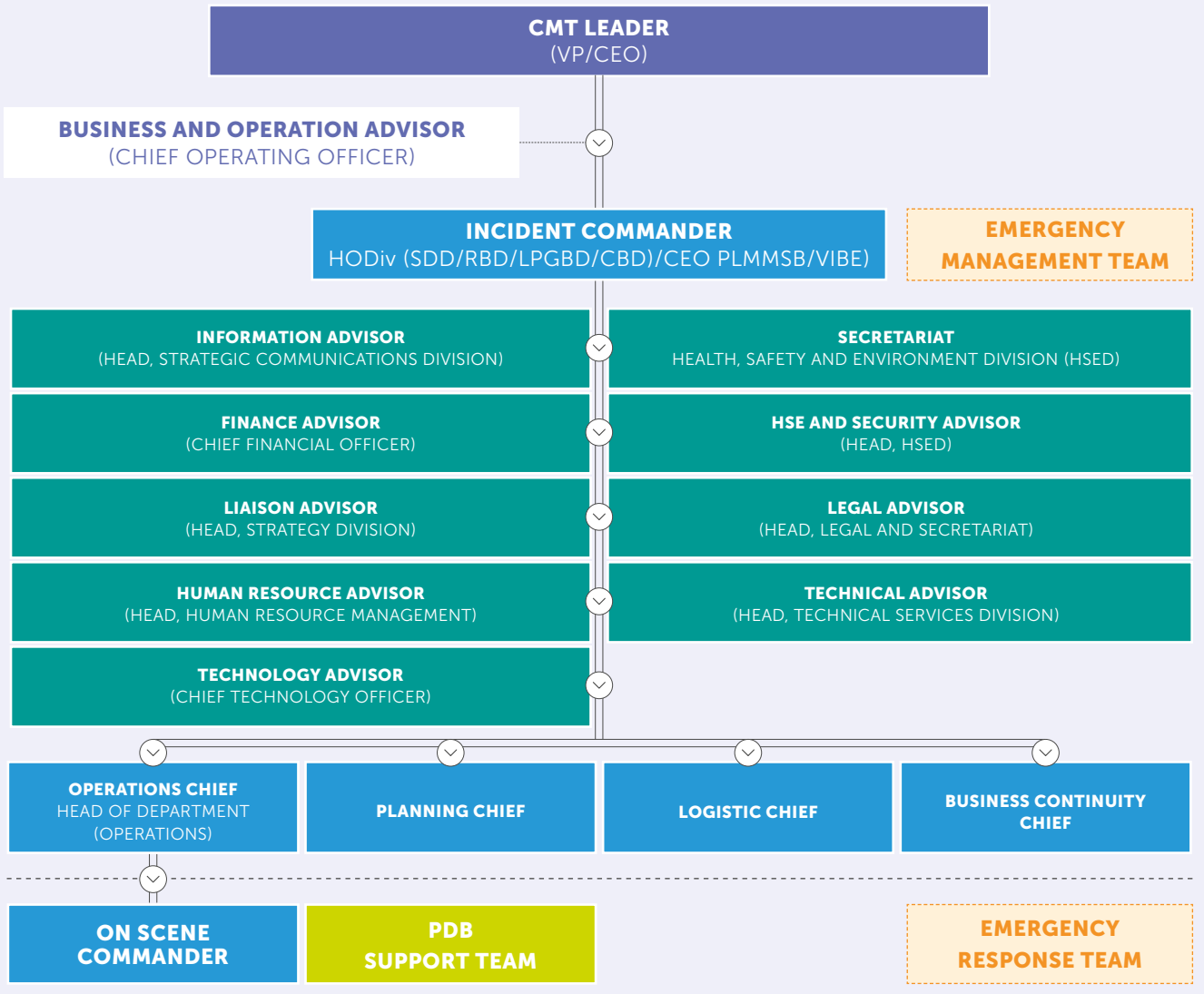
The Group implements PETRONAS CMF, a comprehensive set of processes that aims to prepare the Group to respond and manage crises.

The Group has developed PDB CM Plan (CMP) in compliance to PETRONAS CMF to provide strategic support, control and mitigate crises including detailing out the roles and responsibilities of the CM Team (CMT).

The Group implements a three-tiered response protocol which provides clear demarcation of response control practices and the required capability of emergency/crisis team members. Response priorities during emergency/crisis are to protect and save the People, Environment, Assets and Reputation (PEAR).

The key elements of the CMP are crisis assessment on HSE and non-HSE areas, its identified credible scenarios, threshold and response strategies as well as PDB CMT as the highest-level team in PDB to provide strategic directions to proactively address the crisis.

CRISIS AND EMERGENCY MANAGEMENT TEAM STRUCTURE IN PDB



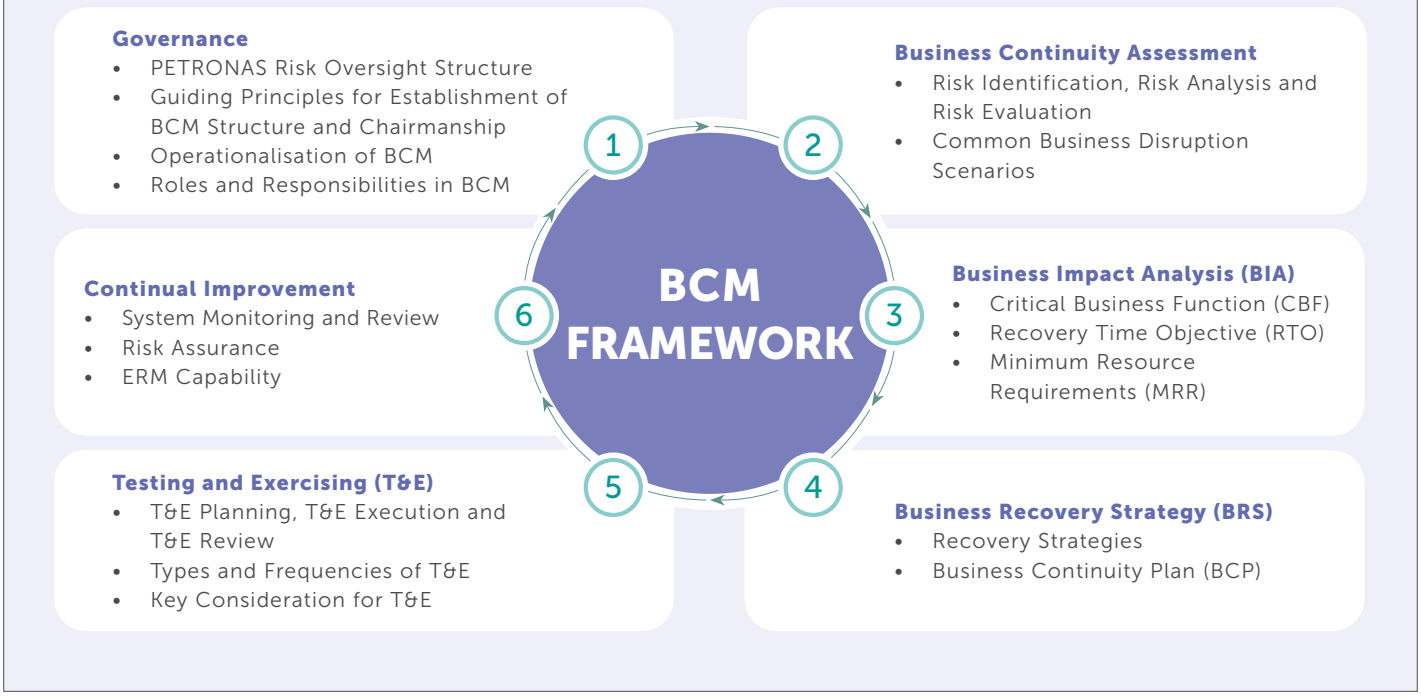
During the year under review, the Group has also conducted an integrated CMT testing which tested the ICT incident management and readiness of business continuity for prolonged disruption of ICT Failure.

Statement On Risk Management And Internal Control

Business Continuity Management

The Group implements the PETRONAS BCM Framework (BCMF) as a systematic approach for consistent BCM practices to ensure effective recovery and continuation of business operation during prolonged disruption or crisis.

BUSINESS CONTINUITY MANAGEMENT FRAMEWORK



The BCMF consists of six key elements that makes up the basic requirements to implement and operate BCM for an entity. This framework aims to provide a standard and consistent approach across the organisation in achieving key attributes in business continuity.

During the year under review, the Group continues to review the Business Impact Analysis (BIA) and Business Recovery Strategy (BRS) of relevant departments or divisions to ensure validity of the current Business Continuity Plan (BCP).

Business disruption scenarios identified are workplace, workforce, ICT, supply, facility and key interdependencies failure. During the year under review, BCP testing and exercise for the Group were conducted mainly to test the readiness of Business Continuity Plan (BCP) for ICT failure including ransomware attack.

The Group also conducted call tree testing to ensure system readiness to effectively and immediately notify all critical business function staff in the event of PDB BCP activation. The outcome and findings from the testing activities were then gathered to identify areas for continual improvement.

CONTINUAL IMPROVEMENTS UNDER RISK MANAGEMENT FRAMEWORK

The inculcation of a risk management culture is a key aspect of an effective risk management. PDB continuously engage our employees through risk management programmes to instill the importance of risk management in support of PDB Risk Policy statement, Managing Risk is Everyone's Responsibility. The programme include various risk related communications and trainings to share sound risk management practices as well as PDB risk management frameworks and guidelines. The objective of these programmes is to promote accountability on risk practices at all levels and raise awareness to institutionalise risk culture across the Group.

PDB acknowledges the importance of risk assurance programmes to provide assurance to stakeholders that the systems of risk management is implemented and complied with. For the year under review, PDB established its risk assurance program based on an annual risk assurance plan that was endorsed by our RMGC. The Group has performed self-assessment on their compliance to the requirement stipulated under risk frameworks.

Statement On Risk Management And Internal Control

INTERNAL AUDIT

The Internal Audit Division (IAD) of PDB provides an independent assurance and its mission is to protect PDB's value by providing risk-based, objective assurance, advice and insight that helps to achieve PDB's objectives. IAD maintains its impartiality, objectivity, proficiency and due professional care by having its plans and reports directly under the purview of the Board Audit Committee (BAC).

The IAD processes and activities are guided by the following references:

- International Professional Practices Framework (IPPF) of Institute of Internal Auditors (IIA)
- Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control Framework
- Internal Audit Charter

IAD performs a systematic and disciplined approach in evaluating and improving the design and effectiveness of PDB's Governance, Risk Management and Internal Control (GRC) within the auditable entity. IAD adopts Risk-Based Auditing (RBA) in performing assessment towards PDB's system of internal controls, anti-corruption measures including the coordination of its whistleblowing activities, operations and critical activities based on the audit plan approved by the BAC.

IAD also coordinates assessment with external parties on specialised areas such as Information Technology (IT), Cyber Security, Corporate Liability and Related Party Transactions (RPT). In executing its role as a promoter of good governance, IAD as the third line of defense also ensures the effectiveness of first and second line of defense.

The BAC reviews IAD audit reports which include opinions on the adequacy and effectiveness of PDB's GRC, undertakes root cause analysis and recommends sustainable corrective actions to be undertaken by the Management. The status of the Agreed Corrective Actions (ACAs) closures are being reported to the BAC on quarterly basis and have been closed satisfactorily.

The Board and the Management are committed to maintaining an effective internal control environment by enhancing the design of internal control systems to ensure that they are relevant and effective to promote operational agility while ensuring good corporate governance and compliance to the regulatory guidelines whilst meeting the organisational's objectives.

Key Elements of Internal Control Systems

In delivering the Board's commitment to maintaining a sound system of internal control, the Board continues to maintain and implement a strong control structure and environment for the proper conduct of the Group's business operations as follows:

Organisation Structure

An organisation structure, which is aligned to business needs, meeting operational/regulatory requirements, and with defined roles and responsibilities, accountabilities and levels of authority, is put in place to carry out the Group's strategies, objectives and day-to-day business activities.

Limits of Authority

The Limits of Authority (LOA) is an instrument of delegation of Board's powers which defines the decision-making limits within the Group, providing a balance between effective and quality decision-making and appropriate management control. The Group has established Limits of Authority (LOA) with clear lines of accountability and responsibility which serves as a tool of reference to identify the appropriate approving authority levels for effective decision making within the Group including matters that require the Board's approval. Additionally, PDB also has line of sight on key decision making at its subsidiaries to ensure alignment to overall PDB group strategic objective.

LOA is reviewed on periodical basis to reflect any changes to its organisational structure and business requirement.

HSE Management System

PDB HSE Management System (HSE MS) is a framework that provide governance for effective HSE Risk Management in protecting People, Environment, Asset and Reputation (PEAR) in PDB. HSE MS provide structured approach in identifying hazards, managing risk, implement control and demonstrate continuous improvement in preventing HSE incident.

Through the most important HSEMS Element of Hazard and Effects Management Process (HEMP), PDB ensures the hazards and the associated HSE risks in business operations are systematically identified and assessed. Adequate controls and mitigations are put in place to ensure risk exposures to a wide range of health, safety and environmental risks associated with operating facilities, projects, hazardous products transportation including new non-traditional business are reduced to As Low As Reasonably Practicable (ALARP).

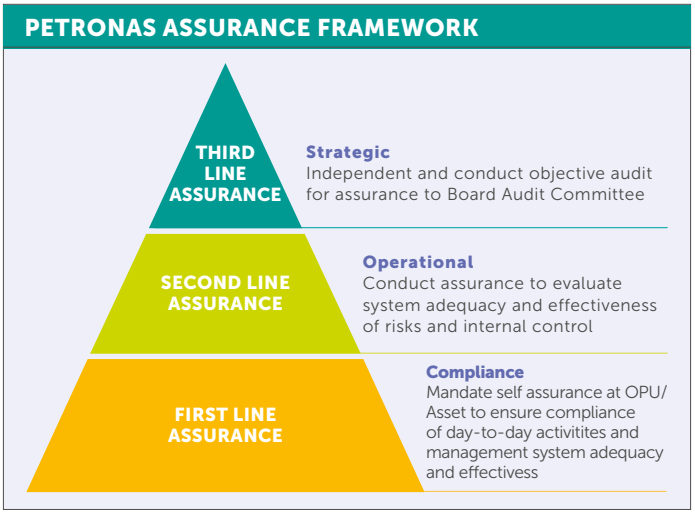
HSE assurances are conducted as part of PDB Integrated First Line Assurances leveraging digital platform (MyAssurance) with aim to ensure compliance to PDB HSE Standards and legal and regulatory requirements. Analysis and tracking were conducted as an integral part of continuous improvement and sustenance. An integrated annual management system review to assess the effectiveness of HSEMS implementation in PDB.

Statement On Risk Management And Internal Control

Integrated Assurance

PDB adopts PETRONAS Assurance Framework with the objective is to provide new ways in conducting assurance at all levels through structured and consistent approach in which internal controls are documented and periodically evaluated for effectiveness. This will give better line of sight for effective informed decisions to management and board.

The scope of PETRONAS Assurance Framework shall cover PDB and its subsidiaries for First, Second and Third line of Assurance.



First Line Assurance

PDB has conducted self-assurance to provide reasonable assurance to its holding company in ensuring the enterprise risks mitigation are adequately and effectively controlled and mitigated for risk areas or assurance categories.

Setel Express Sdn. Bhd. (SESB) and Mesra Retail & Café Sdn. Bhd. (MRCSB) have initiated implementation of Integrated Assurance during the year. In addition, Joint Ventures, such as PS Pipeline Sdn. Bhd. (PSP) and PS Terminal Sdn. Bhd. (PST) have adopted The Assurance Framework on voluntarily basis and to be implemented in FY2023.

Second Line Assurance

Second Line Assurance lies with the PETRONAS Group who shall conduct assurance activities at PDB Group.

For the year under review, Second Line Assurance for PDB Group has covered 3 areas of assurance categories, which are HSE, Plant and Facilities and Legal and Regulatory.

Human Resource Policies and Procedures

PDB Group of Companies Human Resource (HR) policies and procedures are guided by PETRONAS policies and procedures. In respective to the subsidiaries, the HR policies and procedures are aligned with respective market and industries practices. This is to ensure that the Group practices best in class HR policies and procedures including Organisation Design and Job Management, People Planning, Talent Sourcing, Capability Management, Succession Planning, Leadership Development, People Development, Remuneration, Employee Relations and Industrial Relations.

Code of Conduct and Business Ethics

The Group adopts and practices PETRONAS Code of Conduct and Business Ethics (CoBE) which emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Group. The CoBE contains detail policy statements on the standards of behaviour and ethical conduct expected of each individual of the Group. The Group also expects that contractors, sub-contractors, consultants, agents and representatives and others performing work or services for or on behalf of the Group to comply with the relevant parts of the CoBE when performing such work or services. The CoBE expressly prohibits improper solicitation, bribery and other corrupt activity not only by employees and directors but also by third parties performing work or services for or on behalf of companies in the PETRONAS Group.

As CoBE sets out the Group's core principles, Anti-Bribery and Corruption Manual (ABC Manual) elaborates upon those principles, providing guidance to employees concerning how to deal with improper solicitation, bribery, giving and receiving of facilitation payments in all business dealings and other corrupt activities and issues that may arise in the course of business.

Employee Performance Management

PDB adopts PETRONAS's Employee Performance Management (EPM) that emphasises the importance of continuous engagement with employees in managing their performance. Its framework focuses on Coaching, Review and Feedback that accelerate the journey towards becoming a High Performance Organisation; empowering employees to drive and manage their performance that are aligned with PDB Group's business and organisational goals.

Statement On Risk Management **And Internal Control**

PDB Financial Policy

PDB Financial Policy provides overarching philosophy on commitment towards becoming financially resilient for longer term sustainability through institutionalising robust capital and liquidity management practices. The PDB Financial Policy results in the financial management and financial risk management being governed by three inter-related policies namely PDB Financial Policy, PDB Tax Policy and PDB Risk Policy.

Business Plan and Budget

The Group undertakes an annual planning and budgeting exercise which includes development of business strategies for the next five years and the establishment of key performance indicators. Detailed operating and capital expenditure requirements are tabled to the Board for approval prior to the commencement of a new financial year.

The Group's performances are reported internally on a monthly basis to the Leadership Team (LT) and circulated to the Board. The Group's quarterly performances are presented to the Board with comparison to approved plans as well as against prior periods. Overall performance of the Group includes respective performance of business segments and companies within the Group.

Whistleblowing Policy

The Group adopts the PETRONAS Whistleblowing Policy (WBP) which provides an avenue for the Group's employees and members of the public to disclose any improper conduct, in accordance with the procedures as provided under the WBP.

Under the WBP, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who is an internal whistleblower will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved. The process is undertaken through PETRONAS's Whistleblowing Committee.

https://www.petronas.com/whistleblowing

Data Privacy and Protection Compliance

PDB has adopted the PETRONAS Corporate Privacy Policy (CPP) to adequately safeguard the privacy and personal data of its employees as well as third parties. This robust CPP and its related implementation framework including the Master Guidelines to the Corporate Privacy Policy (MGCPP) enables PDB to meet and comply with applicable privacy and personal data protection laws in Malaysia and other jurisdictions in which PDB operates.

In order to complement the CPP and MGCPP, PDB has developed and rolled out the PDB Data Privacy Manual (DPM). The purpose of the DPM is to ensure that the personal data collected by PDB is processed safely and in compliance with the applicable personal data protection and privacy laws. In this regard, practical recommendations were provided in the DPM to ensure full compliance with the Personal Data Protection Act 2010 (PDPA 2010) and that the principles and rights enshrined in the PDPA 2010 are protected and upheld.

PDB has also revised and obtained Board's approval on the Data Secrecy Manual (DSM), a written document that sets out the requirements with regards to PDB's measures and controls in handling SmartPay customer data throughout the information lifecycle, from collection until disposal of customer data in accordance with Bank Negara Malaysia's Management of Customer Information and Permitted Disclosures (MCIPD) requirements. It also serves as a guide for staff on data secrecy implementation within PDB and aims to ensure consistent practice in managing SmartPay customer data.

PDB has established the Data Privacy Officer (DPO) function who is responsible to ensure adherence to Group policies, standards and guidelines as well as compliance to legislative and statutory requirements, namely PDPA 2010. In addition, the DPO function will also be required to establish the right data protection strategy and implementation for PDB in accordance with the requirements of the PDPA 2010, Financial Services Act (FSA) 2013, PETRONAS Corporate Privacy Policy as well as other related manuals and guidelines.

Statement On Risk Management And Internal Control

Competition Law Guidelines

PDB has adopted the PETRONAS Competition Law Guidelines to manage competition law related risks applicable to all business transactions and ensure compliance with the competition laws of every country in which PDB operates. In 2022, below are the key areas of the revised Competition Law Guidelines:

I **Basic Principles of Competition Law**
Clarify the essentials of Competition Law in a user-friendly language for better understanding on what constitutes as anti-competitive behaviors governed under the prevailing laws and regulations.

II **Guidelines to Avoid Competition Law Violations**
Provide practical guide on professional relationship with customers and competitors, the proper conduct at trade association meetings and proper handling of internal communications.

III **Dealing with Competition Authorities**
Provide necessary precautions on how to deal with the local Competition Authorities to ensure engagement made is aligned with the requirements under the applicable laws and regulations.

Economic Sanctions and Export Control Policy and Guidelines

PDB has adopted the PETRONAS Economic Sanctions and Export Control Policy and Guidelines and is committed to complying with the relevant economic sanctions and export control regulations in the jurisdictions wherever it operates. In 2022, the PETRONAS Economic Sanctions and Export Control Policy and Guidelines have been revised to streamline the current guiding principles with the guidance issued by relevant regulatory authorities for sanctions and export control.

In particular, changes were made to reflect the compliance elements identified in the Office of Foreign Assets Control's "A Framework for OFAC Compliance Commitments" and the Bureau of Industry and Security's "Export Compliance Guidelines".

Accordingly, the Revised Guidelines have also included additional compliance elements namely Risk Assessments, Assurance as well as Communication and Training.

Additionally, revisions were made to align with various newly introduced compliance initiatives which include the Legal Compliance Framework (LCF), Third Party Risk Management (TPRM), the Group Position on Sanctions, Know-Your-Counterparty (KYC) Questionnaire, and Legal Due Diligence Checklist. The Revised Guidelines also included clear illustrations on how due diligence measures should be taken prior to entering a transaction with a counterparty such as performing KYC Screening and obtaining relevant contractual assurances as required by the regulatory authorities.

Anti-Money Laundering and Counter Financing of Terrorism

The Group is committed to enforcing an effective internal control system for Anti-Money Laundering (AML) in compliance with all related laws, regulations, guidelines and industry leading practices. Thus, the Group has in place an Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) policy and framework to comply with both the specific provisions and the spirit of all relevant laws and regulations. As an approved issuer of designated payment instrument such as SmartPay Fleetcard by Bank Negara Malaysia, PDB has implemented AML/CFT Framework to comply with regulatory requirements and to combat any ML/TF risks arising from SmartPay Fleetcard operations.

Third Party Risk Management

PDB adopts the PETRONAS Third Party Risk Management (TPRM) process which forms part of PETRONAS Legal Compliance Framework. The TPRM process comprises of a Know Your Counterparty (KYC) process and inclusion of Compliance Clauses relating to five Critical Legal Areas namely Ethics and Integrity, Data Privacy and Protection, Competition, Sanctions and Export Control in PDB's agreement with the third party.

The TPRM process is a crucial measure which allows PDB to assess and safeguard itself against any legal and reputational risks in relation to five Critical Legal Areas posed by parties outside of the organisation. To this end, PDB continues to enhance the TPRM process by introducing PDB KYC Guidebook which incorporates risk-based assessment approach to determine the level of assessment and action it requires for each counterparty while ensuring efficiency of the overall process.

Statement On Risk Management And Internal Control

Communication and Training for Critical Legal Areast

In 2022, PDB Compliance Universe was established as the official communication channel for Compliance Department to share with PDB employees on the latest knowledge, initiatives and announcements focusing on five Critical Legal Areas. Since its establishment, the channel has strategically deployed Leaders Integrity Moment videos, Integrity Campaign posters, Data Privacy and Protection Campaign posters as well as post event articles.

PDB has been providing online training modules on five Critical Legal Areas covering Ethics and Integrity, Data Privacy and Protection, Competition, Sanctions and Export Control to PDB's Directors, Management and Employees.

In addition, PDB had conducted Integrity Strengthening sessions for PDB Employees and Counterparties emphasising on Corporate Liability under Section 17A of Malaysian Anti-Corruption Commission Act 2009, Ethics and Integrity Culture, PETRONAS Anti-Bribery and Corruption Manual as well as PETRONAS Whistleblowing Policy and Procedures. PDB had also organised Competition Training and Refresher on Data Privacy and Protection for Employees to reinforce their comprehension on the relevant regulatory requirements, compliance controls and consequences of any violation of prevailing laws and regulations.

Related Party Transactions and Conflict of Interest

Policies and Procedures on Related Party Transactions (RPTs) and Conflict of Interest (COI) Situations (collectively, P&P) have been established within the Group to promote continuous awareness and provide consistent approach to all RPTs and Recurrent Related Party Transactions (RRPTs) or COI situations.

The said P&P requires the use of various processes to ensure that RPTs/RRPTs are conducted on normal commercial terms and on arm's length basis, which are consistent with the Group's normal business practices and policies, and will not be to the detriment of the Group's minority shareholders. It aims to provide guidelines under which certain transactions and situations must be reviewed and endorsed by the various governing parties of the Group and/or disclosed to the regulators and governing bodies.

It also prescribes the processes required to identify, evaluate, approve, monitor and report RPTs/RRPTs as well as manage COI. Such processes include identification and screening of transactions, negotiation of transaction and approval/ mandate mechanism, monitoring and reporting principles, and renewal or changes in the terms or termination of such dealings. In principle, the said P&P sets forth the following:

- All sourcing and sales of the Group's products, general merchandise and/or shared facilities/services shall be based on market, industry or negotiated pricing formulas and the terms are not more favourable to the related party than those generally applied to a third party, in order to ensure that the transactions are on an arm's length basis;

- Database is maintained to capture the list of related parties and RPTs/RRPTs which have been entered into;

- If a Director or a related party has an interest in a transaction, he or she will abstain from any deliberation and decision making at the Board or subsidiary company's Board (as the case may be) in respect of such transaction;

- The BAC is responsible for ensuring that the policies and procedures relating to RPTs/RRPTs and COI situations are sufficient to ensure that RPTs/RRPTs are carried out on normal commercial terms, on arm's length basis and not to the detriment of the Group's minority shareholders;

- The Board has the overall responsibility to ensure compliance with the established guidelines and procedures to approve and monitor RPTs/RRPTs and COI situations. The Board and/ or BAC may also appoint individuals and committees to examine the RPTs/RRPTs, as deemed appropriate;

- On an annual basis, all Directors and any related party of the Group will declare in a written form, designed to elicit information about current/potential relationships and/or COI situations, involving their interest, either directly or indirectly. All Directors and any related party of the Group shall also notify in writing of any interest in RPT or COI situation when it becomes immediately known to them;

- The Directors have completed their declaration of interest forms for the financial year under review in line with the P&P; and

- Bursa Malaysia has granted PDB exemption from having to seek shareholders' mandate for RRPT with Petroliam Nasional Berhad (PETRONAS), Ministry of Finance Incorporated and Khazanah Nasional Berhad and their Group of Companies. The exemption essentially states that the exempted RRPTs must be transacted on an arm's length basis.

As part of the Company's initiative to provide continuous awareness and enhance the employees' understanding on the Main Market Listing Requirements (MMLR) of Bursa Malaysia, the Company has, during the year under review, conducted a roadshow on risk and governance on various important aspects of compliance including RPTs and RRPTs and relevant disclosure obligations of PDB and its subsidiaries.

Statement On Risk Management **And Internal Control**

Corporate Disclosure Guideline

The Corporate Disclosure Guide (Guide) is established in line with PDB's commitment in ensuring effective disclosure of corporate information via Bursa Malaysia. It aims to serve as a guidance framework in delivering accurate, timely, consistent and fair disclosure of information.

The objective of this Guide is to create awareness on the related obligations under the MMLR of Bursa Malaysia and to ensure compliance with legal regulatory requirements on information disclosure.

Credit Risk Framework and Guidelines

PDB adopts PETRONAS Credit Risk Framework and Guidelines to facilitate the management of credit risk exposures from customers which allow credit exposure to be tracked as a monitoring and control tool to guide credit risk decisions. To reduce its credit risk exposures, PDB applies Credit Risk Management methodology as set in the above-mentioned guidelines whereby the customers are assessed using the PETRONAS Credit Risk Rating System to ensure alignment with the credit assessment process adopted by the PETRONAS Group. The system evaluates the creditworthiness and assigns credit risk ratings to all PDB's external customers. In addition, reviews are conducted on the assigned credit risk ratings of these customers while the trend of the customers' financials are also analysed to detect early signs of financial distress and to provide early warning to the Management. Trade receivables ageing are also deliberated monthly at the PDB Business Credit Control Committee.

Procurement Guideline

PETRONAS's procurement objectives are to ensure timeliness is met and procurement activities are cost-effective while ensuring compliance with procurement governance. In order to support PDB's operations, the procurement process is guided by PETRONAS Procurement Standard (PPS) for PETRONAS Group of Companies and Limits of Authority/Summary of Authority, whichever is applicable.

Information Technology

The Group adopts policies which uphold and govern the integrity of the Group's cyber security controls and data governance framework based on legal requirements and best industry practices.

The ever-changing environments and evolution of information technology call for continuous reviews, updates, enhancements, and implementation of security measures to protect our customers, relevant stakeholders , the businesses and operations from the emerging cyber threat. With the operationalisation of PETRONAS Enterprise Cyber Security Governance Framework, it provides the assurance that the existing infrastructure and application vulnerabilities are managed and operated in a secured manner.

Standard Operating Procedures

The Group has developed and maintained Standard Operating Procedures (SOP) covering PDB's business and operations, including but not limited to financial operations, marketing and sales, supply chain management, human resource management, information systems and health, safety and environment. These SOPs defines the agreed work process and procedures which will govern day-to-day operations and ensure necessary controls are in place. The SOPs are also reviewed on a regular basis or as and when required to ensure the effectiveness and relevancy to current business arrangement.

Statement On Risk Management And Internal Control

Review Of This Statement by External Auditors

The External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with the International Standard on Assurance Engagements 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information as adopted by the Malaysian Institute of Accountants, and Audit and Assurance Practice Guide 3 (AAPG 3) released in February 2018, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants, for inclusion in the Annual Report of the Group for the year ended 31 December 2022. Based on the review by the External Auditors to the Board, nothing has come to their attention that causes them to believe that the statement intended to be included in this Annual Report of the Group, in all material respects:

a. has not been prepared in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

b. is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and LT thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Annual Report will, in fact, remedy the problems.

CONCLUSION

Based on the above, the Board is of the view that the system of risk management and internal control instituted throughout the Group is sound and provides a level of confidence on which the Board relies for assurance. During the financial year under review, there was no significant control failure or weakness that would result in material losses, contingencies or uncertainties requiring separate disclosure in this Integrated Report.

The Board and the LT continue to review and strengthen the Group's risk management and internal control system to ensure ongoing adequacy and effectiveness of the system of internal control and risk management practices to meet the changing and challenging operating environment.

The internal control systems discussed in this Statement do not apply to associate companies which fall under the control of their majority shareholders, and joint ventures which are jointly controlled by its respective shareholders. Nonetheless, the interest of the Group is safeguarded through PDB representatives on the Board of the joint ventures and associate companies.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 February 2023.

How We Approach
Our Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

The purpose of financial statements is to communicate the Group's financial information to its stakeholders, especially shareholders, investors and lenders. In this section we try to help readers who are not familiar with accounting rules and financial expressions to understand our financial information, by explaining the functions and relationships between the essential financial statements: the statement of profit or loss and the statement of other comprehensive income, the statement of financial position and the statement of cash flows. For comprehensive and authoritative definitions and explanations, readers should turn to the relevant accounting standards, but we hope this section offers useful guidance.



STATEMENT OF PROFIT OR LOSS AND STATEMENT OF OTHER COMPREHENSIVE INCOME

"Financial performance measured by recording the flow of resources over a period of time"

The objective of this statement is to present all income and expenses (transactions with non-owners) in a performance statement.



STATEMENT OF FINANCIAL POSITION

"A snapshot, taken at a point in time, of all the assets the company owns and all the claims against those assets"

This statement sums up the Group's economic resources (non-current assets and working capital) and owners' equity at a particular point of time, in this case, our year end at 31 December 2022. It also shows how the economic resources contributed by lenders and shareholders are used in the business.



STATEMENT OF CASH FLOWS

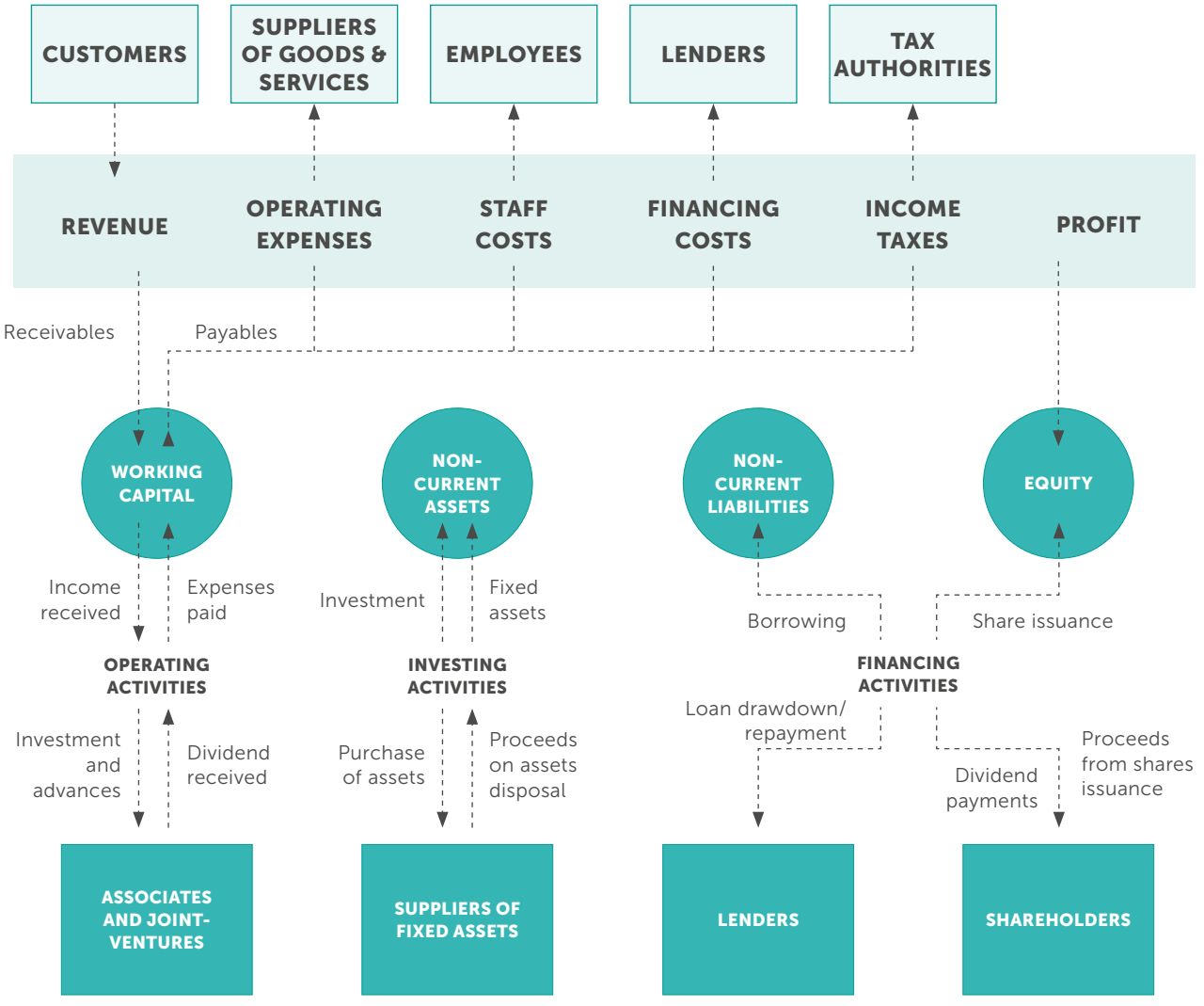
"A report on sources and uses of cash"

This statement divides the cash flows into operating, investing and financing. While the operating profit reflects the operating cash flows, certain non-cash charges or credits, such as depreciation, amortisation and impairment losses, mean the operating cash flows and the operating profit are different. Investing cash flows are the cash flows arising from the purchase or disposal of non-current assets. Financing cash flows represent the cash flows between the Group, its shareholders and lenders.

How We Approach
Our Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2022

The diagram below illustrates the relationships between the statement of profit or loss and the statement of other comprehensive income, the statement of financial position and the statement of cash flows, as well as their links with the Group's stakeholders.

The Group earns revenue from customers through the deployment of non-current assets and working capital. It also pays operating expenses to suppliers of goods and services, incurs staff costs and also invests in additional non-current assets. The net balance of revenue, operating expenses and staff and interest costs is the operating profit. After deducting income taxes charged by tax authorities, this profit is available for payment for distribution to shareholders as dividends in return for their contribution of funds to the Group. The Group also invests in subsidiaries and other entities and receives dividend income from them in return.



Statement of **Directors' Responsibility**

The financial statements of the Group and of the Company as set out on pages 225 to 316, are properly drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2022 and of the results of their operations and cash flows for the financial year ended on that date.

The Directors consider the following in preparing the financial statements of the Group and of the Company:

- appropriate accounting policies have been used and are consistently applied;
- reasonable and prudent judgements and estimates were made;
- all Malaysian Financial Reporting Standards and the Companies Act, 2016 in Malaysia have been adhered to; and
- prepared on a going concern basis.

The Directors are also responsible for ensuring that the accounting and other records and registers required by the Companies Act, 2016 to be retained by the Group and the Company have been properly kept in accordance with the provisions of the said Act.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

Directors' **Report**

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

There have been no significant changes in the nature of principal activities of the Company during the financial year, which is domestic marketing of petroleum products.

During the current year, the Company continues to grow its principal activities to include non-fuel business.

The principal activities of subsidiaries, associates and joint ventures are stated in Note 34, Note 35 and Note 36 to the financial statements respectively and the Board of Directors deems such information included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 34 to the financial statements.

RESULTS

In RM'000	Group	Company
Profit for the year	787,838	754,518
Attributable to:		
Shareholders of the Company	776,595	754,518
Non-controlling interests	11,243	-

DIVIDENDS

During the financial year, the amount of dividends paid by the Company were as follows:

a) In respect of the financial year ended 31 December 2021 as reported in the Directors' Report of that year:

   i. an interim dividend of 26.0 sen per ordinary share amounting to RM258,298,040 declared on 22 February 2022 and paid on 24 March 2022; and

Directors' **Report**

FOR THE YEAR ENDED 31 DECEMBER 2022

DIVIDENDS (CONTINUED)

b) In respect of the financial year ended 31 December 2022:

i. an interim dividend of 5.0 sen per ordinary share amounting to RM49,672,700 declared on 26 May 2022 and paid on 24 June 2022;
ii. an interim dividend of 11.0 sen per ordinary share amounting to RM109,279,940 declared on 24 August 2022 and paid on 22 September 2022; and
iii. an interim dividend of 20.0 sen per ordinary share amounting to RM198,690,800 declared on 28 November 2022 and paid on 27 December 2022.

The Directors had on 22 February 2023 declared an interim dividend of 26.0 sen per ordinary share amounting to RM258,298,040 in respect of the financial year ended 31 December 2022.

In addition, the Directors declared a special dividend of 14.0 sen per ordinary share amounting to RM139,083,560 in respect of the financial year ended 31 December 2022.

The financial statements for the current financial year do not reflect these declared interim and special dividends. Such dividends will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

Further details on dividends are disclosed in Note 26.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year other than as disclosed in the financial statements.

DIRECTORS

Directors who served during the financial year until the date of this report are:

Datuk Anuar bin Ahmad (Chairman)
Azrul bin Osman Rani
Tang Saw Hua
Shafie bin Shamsuddin
Alvin Michael Hew Thai Kheam
Nirmala a/p Doraisamy
Arni Laily binti Anwarrudin
Datuk Sazali bin Hamzah (appointed on 1 June 2022)
Mohd Yuzaidi bin Mohd Yusoff (appointed on 1 June 2022)
Tunku Alizakri bin Raja Muhammad Alias (appointed on 1 June 2022)
Ahmad Adly bin Alias (resigned on 1 June 2022)
Datuk Md Arif bin Mahmood (resigned on 1 January 2022)

In accordance with Article 107 of the Company's Constitution, Shafie bin Shamsuddin and Alvin Micheal Hew Thai Kheam are due for retirement by rotation at the forthcoming Annual General Meeting ("AGM") of the Company. Shafie bin Shamsuddin and Alvin Micheal Hew Thai Kheam, being eligible for re-election have given their consent for re-election at the forthcoming AGM.

In accordance with Article 100 of the Company's Constitution, Datuk Sazali bin Hamzah, Mohd Yuzaidi bin Mohd Yusoff and Tunku Alizakri bin Raja Muhammad Alias who was appointed as Director during the year shall hold office until the conclusion of the forthcoming AGM, and being eligible, offer themselves for re-election.

Directors' **Report**

FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS (CONTINUED)

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act, 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act, 2016.

The names of Directors of subsidiaries are available on the Company's registered office that the Board deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests and deemed interests in the shares of the Company and of its related corporations other than wholly-owned subsidiaries (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares in PETRONAS Chemicals Group Berhad			
Name	**Balance at 1.1.2022**	**Bought**	**Sold**	**Balance at 31.12.2022**
Azrul bin Osman Rani - spouse	**1,000**	-	-	**1,000**
Arni Laily binti Anwarrudin	**6,000**	-	-	**6,000**
Datuk Sazali bin Hamzah - child	**6,000**	-	-	**6,000**

None of the other Directors holding office at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit shown below), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors of the Company in respect of the financial year ended 31 December 2022 were RM1,366,000 comprising fees and other short-term employee benefits of RM1,335,000 and RM31,000 respectively.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors' **Report**

FOR THE YEAR ENDED 31 DECEMBER 2022

INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors' and Officers' Liability Insurance effected for the Directors and Officers of PETRONAS Group was RM1,290 million (2021: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company is RM117,300 (2021: RM112,300) and RM110,200 (2021: RM108,300) respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain:

(i) that necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) that any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any material contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No material contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 24 to the financial statements, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

OTHER STATUTORY INFORMATION (CONTINUED)

In respect of the Directors or past Directors of the Company:

(i) there is no estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or from any of its subsidiaries; and

(ii) there are no amounts paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiary companies by any Director or past Director of the Company.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and the Company during the year is RM845,800 and RM553,800 respectively.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

DATUK ANUAR BIN AHMAD
Chairman

AZRUL BIN OSMAN RANI
Director

Kuala Lumpur,
Date: 22 February 2023

Statement by **Directors**

In the opinion of the Directors, the financial statements set out on pages 225 to 316, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

DATUK ANUAR BIN AHMAD
Chairman

AZRUL BIN OSMAN RANI
Director

Kuala Lumpur,
Date: 22 February 2023

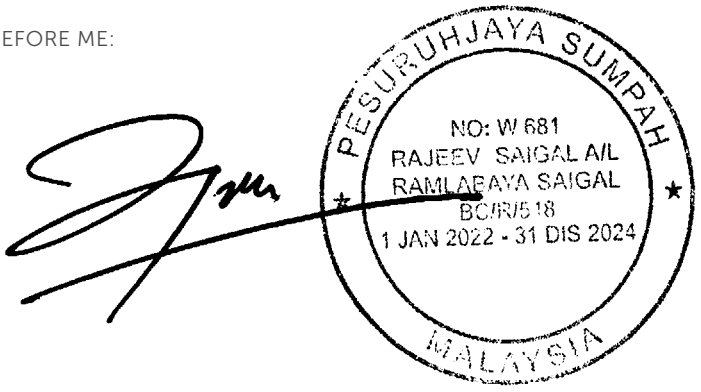
Statutory **Declaration**

I, **FARZLINA BINTI AHMAD MURAD**, the officer primarily responsible for the financial management of **PETRONAS Dagangan Berhad,** do solemnly and sincerely declare that the financial statements set out on pages 225 to 316 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed

FARZLINA BINTI AHMAD MURAD,
at Kuala Lumpur in Wilayah Persekutuan
on 22 February 2023

BEFORE ME:



NO. A-31-11, LEVEL 31,
TOWER A, MENARA UOA BANGSAR,
NO. 5, JALAN BANGSAR UTAMA 1,
BANGSAR, 59000 KUALA LUMPUR

Consolidated Statement of **Financial Position**

AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
ASSETS			
Property, plant and equipment	3	**4,115,346**	4,017,549
Intangible asset	4	**484**	806
Investments in associates	6	**1,954**	2,008
Investments in joint ventures	7	**83,163**	20,327
TOTAL NON-CURRENT ASSETS		**4,200,947**	4,040,690
Trade and other inventories	8	**139,539**	158,866
Trade and other receivables	9	**4,027,890**	3,490,185
Cash and cash equivalents	10	**2,889,161**	1,911,062
TOTAL CURRENT ASSETS		**7,056,590**	5,560,113
TOTAL ASSETS		**11,257,537**	9,600,803
EQUITY			
Share capital	11	**993,454**	993,454
Reserves	12	**4,749,291**	4,588,619
Total equity attributable to shareholders of the Company		**5,742,745**	5,582,073
Non-controlling interests	13	**44,621**	33,378
TOTAL EQUITY		**5,787,366**	5,615,451
LIABILITIES			
Borrowings	14	**134,947**	92,166
Deferred tax liabilities	15	**93,317**	102,723
Other long-term liabilities and provisions	16	**36,074**	31,272
TOTAL NON-CURRENT LIABILITIES		**264,338**	226,161
Trade and other payables	17	**5,016,696**	3,645,060
Borrowings	14	**49,366**	24,266
Taxation		**139,771**	89,865
TOTAL CURRENT LIABILITIES		**5,205,833**	3,759,191
TOTAL LIABILITIES		**5,470,171**	3,985,352
TOTAL EQUITY AND LIABILITIES		**11,257,537**	9,600,803

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Consolidated Statement of **Profit or Loss**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Revenue	18	**36,748,896**	22,674,049
Cost of revenue		**(33,194,963)**	(19,939,275)
Gross profit		**3,553,933**	2,734,774
Selling and distribution expenses		**(1,330,738)**	(998,424)
Administration expenses		**(1,466,198)**	(1,158,451)
Other income		**391,908**	173,288
Operating profit	19	**1,148,905**	751,187
Financing costs	20	**(25,203)**	(11,640)
Share of profit after tax of equity accounted associates and joint ventures		**11,333**	1,221
Profit before taxation		**1,135,035**	740,768
Tax expense	21	**(347,197)**	(209,537)
Profit for the year		**787,838**	531,231
Profit attributable to:			
Shareholders of the Company		**776,595**	529,754
Non-controlling interests		**11,243**	1,477
PROFIT FOR THE YEAR		**787,838**	531,231
Basic earnings per ordinary share (sen)	25	**78.2**	53.3

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Consolidated Statement of **Other Comprehensive Income**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Profit for the year		**787,838**	531,231
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of financial statements of foreign operation		**19**	5,802
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiary		**-**	8,779
Total other comprehensive income for the year, net of tax		**19**	14,581
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**787,857**	545,812
Total comprehensive income attributable to:			
Shareholders of the Company		**776,614**	544,335
Non-controlling interests		**11,243**	1,477
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**787,857**	545,812

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Consolidated Statement of **Changes in Equity**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Attributable to shareholders of the Company						
		Non-distributable			Distributable			
		Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Capital Reserves RM'000	Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1 January 2022		**993,454**	**(6,510)**	**(305)**	**4,595,434**	**5,582,073**	**33,378**	**5,615,451**
Exchange difference arising from translation of financial statements of foreign operation		-	**19**	-	-	**19**	-	**19**
Total other comprehensive income for the year		-	**19**	-	-	**19**	-	**19**
Profit for the year		-	-	-	**776,595**	**776,595**	**11,243**	**787,838**
Total comprehensive income for the year		-	**19**	-	**776,595**	**776,614**	**11,243**	**787,857**
Dividends to shareholders of the Company	26	-	-	-	**(615,942)**	**(615,942)**	-	**(615,942)**
Total transactions with owners of the Group		-	-	-	**(615,942)**	**(615,942)**	-	**(615,942)**
Balance at 31 December 2022		**993,454**	**(6,491)**	**(305)**	**4,756,087**	**5,742,745**	**44,621**	**5,787,366**
		Note 11	**Note 12**	**Note 12**			**Note 13**	

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Consolidated Statement of **Changes in Equity (cont'd)**

FOR THE YEAR ENDED 31 DECEMBER 2022

		Attributable to shareholders of the Company						
		Non-distributable			Distributable			
	Note	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Capital Reserves RM'000	Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1 January 2021		993,454	(21,091)	(18,732)	4,690,114	5,643,745	31,901	5,675,646
Exchange difference arising from translation of financial statements of foreign operation		-	5,802	-	-	5,802	-	5,802
Disposal of subsidiary acquired under common control	23	-	8,779	18,427	(18,427)	8,779	-	8,779
Total other comprehensive income/(loss) for the year		-	14,581	18,427	(18,427)	14,581	-	14,581
Profit for the year		-	-	-	529,754	529,754	1,477	531,231
Total comprehensive income for the year		-	14,581	18,427	511,327	544,335	1,477	545,812
Dividends to shareholders of the Company	26	-	-	-	(606,007)	(606,007)	-	(606,007)
Total transactions with owners of the Group		-	-	-	(606,007)	(606,007)	-	(606,007)
Balance at 31 December 2021		993,454	(6,510)	(305)	4,595,434	5,582,073	33,378	5,615,451
		Note 11	Note 12	Note 12			Note 13	

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Consolidated Statement of **Cash Flows**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,135,035**	740,768
Adjustments for:			
Depreciation of property, plant and equipment		**438,538**	412,155
Amortisation of intangible asset		**322**	-
Net impairment losses on:			
- Trade and other receivables		**37,463**	12,351
- Property, plant and equipment		**-**	4,124
Share of profit after tax of equity accounted associates and joint ventures		**(11,333)**	(1,221)
Net (gain)/loss on disposal of property, plant and equipment		**(3,869)**	1,710
Gain on disposal of Liquefied Petroleum Gas ("LPG") business	24	**(87,937)**	-
Interest income		**(69,601)**	(61,265)
Financing costs		**25,203**	11,640
Net inventories written off		**-**	346
Reversal of inventories written down to net realisable value		**-**	(4,088)
Property, plant and equipment written off		**22,164**	1,096
Property, plant and equipment expensed off		**2,722**	2,627
Net unrealised foreign exchange loss/(gain)		**158**	(1,045)
Operating profit before changes in working capital		**1,488,865**	1,119,198
Changes in working capital:			
Trade and other receivables		**(575,325)**	(2,332,048)
Trade and other inventories		**19,327**	255,106
Trade and other payables		**1,368,697**	1,305,223
Cash generated from operations		**2,301,564**	347,479
Taxation paid		**(306,697)**	(150,374)
Net cash generated from operating activities		**1,994,867**	197,105
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		**69,601**	61,265
Purchase of property, plant and equipment		**(434,852)**	(374,313)
Investment in a joint venture		**(2,410)**	-
Acquisition of subsidiary, net of cash acquired	22	**-**	(713)
Proceeds from disposal of subsidiary, net of cash disposed	23	**-**	7,278
Proceeds from disposal of LPG business	24	**40,000**	-
Proceeds from disposal of property, plant and equipment		**6,868**	9,471
Net cash used in investing activities		**(320,793)**	(297,012)

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Consolidated Statement of **Cash Flows (cont'd)**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(615,942)**	(606,007)
Drawdown of revolving credits		**700,000**	6,500
Repayment of revolving credits		**(716,000)**	-
Repayment of Islamic financing facilities		**-**	(9,880)
Payment of lease liabilities		**(42,857)**	(63,842)
Interest paid on revolving credits		**(10,218)**	(423)
Profit margin paid for Islamic financing facilities		**-**	(139)
Interest paid on lease liabilities		**(11,008)**	(8,968)
Net cash used in financing activities	14	**(696,025)**	(682,759)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**978,049**	(782,666)
INCREASE IN CASH AND CASH EQUIVALENTS RESTRICTED		**(9,679)**	(7,666)
NET FOREIGN EXCHANGE DIFFERENCES		**50**	1,908
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,882,627**	2,671,051
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**2,851,047**	1,882,627
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		**2,687,592**	1,813,765
Cash and bank balances		**201,569**	97,297
	10	**2,889,161**	1,911,062
Less: Cash and cash equivalents restricted		**(38,114)**	(28,435)
		2,851,047	1,882,627

Total cash outflows for leases comprise payment of lease liabilities and interest paid in relation to lease liabilities, short-term lease, low value assets and variable lease payments amounts to RM226,019,000 (2021: RM236,892,000).

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Statement of **Financial Position**

AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
ASSETS			
Property, plant and equipment	3	**3,800,682**	3,756,521
Investments in subsidiaries	5	**295,170**	177,325
Investments in associates	6	**530**	530
Investments in joint ventures	7	**52,474**	25
TOTAL NON-CURRENT ASSETS		**4,148,856**	3,934,401
Trade inventories	8	**131,139**	157,478
Trade and other receivables	9	**3,875,020**	3,364,798
Cash and cash equivalents	10	**2,592,322**	1,737,014
TOTAL CURRENT ASSETS		**6,598,481**	5,259,290
TOTAL ASSETS		**10,747,337**	9,193,691
EQUITY			
Share capital	11	**993,454**	993,454
Reserves	12	**4,570,079**	4,431,503
TOTAL EQUITY		**5,563,533**	5,424,957
LIABILITIES			
Borrowings	14	**58,573**	14,717
Deferred tax liabilities	15	**74,074**	81,718
Other long-term liability and provision	16	**36,074**	31,272
TOTAL NON-CURRENT LIABILITIES		**168,721**	127,707
Trade and other payables	17	**4,852,434**	3,547,161
Borrowings	14	**47,531**	7,464
Taxation		**115,118**	86,402
TOTAL CURRENT LIABILITIES		**5,015,083**	3,641,027
TOTAL LIABILITIES		**5,183,804**	3,768,734
TOTAL EQUITY AND LIABILITIES		**10,747,337**	9,193,691

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Statement of **Profit or Loss and Other Comprehensive Income**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Revenue	18	**36,006,639**	22,174,286
Cost of revenue		**(32,766,647)**	(19,557,979)
Gross profit		**3,239,992**	2,616,307
Selling and distribution expenses		**(1,319,723)**	(980,507)
Administration expenses		**(1,329,967)**	(1,125,931)
Other income		**477,863**	372,710
Operating profit	19	**1,068,165**	882,579
Financing costs	20	**(18,688)**	(4,745)
Profit before taxation		**1,049,477**	877,834
Tax expense	21	**(294,959)**	(198,875)
PROFIT FOR THE YEAR REPRESENTING COMPREHENSIVE INCOME FOR THE YEAR		**754,518**	678,959

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Statement of **Changes in Equity**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Attributable to shareholders of the Company		
		Non-distributable	Distributable	
		Share Capital RM'000	Retained Profits RM'000	Total Equity RM'000
Balance at 1 January 2022		**993,454**	**4,431,503**	**5,424,957**
Profit for the year representing total comprehensive income for the year		**-**	**754,518**	**754,518**
Dividends paid	26	**-**	**(615,942)**	**(615,942)**
Balance at 31 December 2022		**993,454**	**4,570,079**	**5,563,533**
Balance at 1 January 2021		993,454	4,358,551	5,352,005
Profit for the year representing total comprehensive income for the year		-	678,959	678,959
Dividends paid	26	-	(606,007)	(606,007)
Balance at 31 December 2021		993,454	4,431,503	5,424,957
		Note 11		

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Statement of **Cash Flows**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,049,477**	877,834
Adjustments for:			
Depreciation of property, plant and equipment		**398,448**	413,333
Net impairment losses on:			
- Trade and other receivables		**34,192**	9,845
- Investment in a subsidiary		**2,389**	-
- Property, plant and equipment		**-**	4,124
Net (gain)/loss on disposal of property, plant and equipment		**(4,118)**	1,384
Gain on disposal of LPG business	24	**(87,937)**	-
Interest income		**(64,268)**	(58,059)
Financing costs		**18,688**	4,745
Dividend income		**(70,700)**	(193,165)
Reversal of inventories written down to net realisable value		**-**	(4,088)
Property, plant and equipment written off		**23,449**	6
Property, plant and equipment expensed off		**1,923**	2,546
Net unrealised foreign exchange loss/(gain)		**149**	(998)
Operating profit before changes in working capital		**1,301,692**	1,057,507
Changes in working capital:			
Trade and other receivables		**(544,564)**	(2,320,676)
Trade inventories		**26,339**	249,021
Trade and other payables		**1,321,073**	1,393,941
Cash generated from operations		**2,104,540**	379,793
Taxation paid		**(273,887)**	(136,014)
Net cash generated from operating activities		**1,830,653**	243,779

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Statement of Cash Flows (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**70,700**	193,165
Interest income		**64,268**	58,059
Investment in a joint venture		**(2,410)**	-
Investment in subsidiaries		**(122,234)**	(4,315)
Purchase of property, plant and equipment		**(362,043)**	(401,757)
Redemption of preference shares in a subsidiary		**2,000**	-
Proceeds from disposal of LPG business	24	**40,000**	-
Proceeds from disposal of property, plant and equipment		**6,891**	7,572
Net cash used in investing activities		**(302,828)**	(147,276)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	26	**(615,942)**	(606,007)
Drawdown of revolving credits		**700,000**	-
Repayment of revolving credits		**(700,000)**	-
Interest paid on revolving credits		**(10,060)**	-
Payment of lease liabilities		**(41,864)**	(61,944)
Interest paid on lease liabilities		**(4,651)**	(2,635)
Net cash used in financing activities	14	**(672,517)**	(670,586)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**855,308**	(574,083)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,737,014**	2,311,097
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	**2,592,322**	1,737,014
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		**2,478,641**	1,698,348
Cash and bank balances		**113,681**	38,666
	10	**2,592,322**	1,737,014

Total cash outflows for leases comprise payment of lease liabilities and interest paid in relation to lease liabilities, short-term lease, low value assets and variable lease payments amounts to RM217,746,000 (2021: RM228,356,000).

The notes set out on pages 247 to 312 are an integral part of these financial statements.

Notes to the **Financial Statements**

31 DECEMBER 2022

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

As of 1 January 2022, the Group and the Company had adopted amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 37.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 38. New and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 39.

These financial statements were approved and authorised for issue by the Board of Directors on 22 February 2023.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except for certain items which are measured at fair value, as disclosed in the accounting policies below.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

All financial information is presented in Ringgit Malaysia and has been rounded to the nearest thousands, unless otherwise stated.

1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1. BASIS OF PREPARATION (CONTINUED)

1.4 Use of estimates and judgments (continued)

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following Notes:-

(i) Note 3 : Property, plant and equipment;
(ii) Note 4 : Intangible assets;
(iii) Note 5 : Investments in subsidiaries;
(iv) Note 14 : Borrowings;
(v) Note 15 : Deferred tax;
(vi) Note 16 : Other long-term liabilities and provision;
(vii) Note 18 : Revenue;
(viii) Note 21 : Tax expense; and
(ix) Note 31 : Financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group and the Company, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Notes to the Financial Statements

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

The Group measures goodwill as the excess of the cost of an acquisition and the fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company.

Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and consolidated statement of other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income financial asset depending on the level of influence retained.

2.2 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity-accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments such as loans and advances) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

2.3 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.2.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment and depreciation

Recognition and measurement

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation for property, plant and equipment other than freehold land and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Buildings are depreciated over 20 to 30 years or over the remaining land lease year, whichever is shorter.

The estimated useful lives of the other property, plant and equipment are as follows:

Plant, machinery, tankage and pipeline	6 - 20 years
Office equipment, furniture and fittings	3 - 7 years
Computer software and hardware	5 - 8 years
Motor vehicles	4 - 10 years

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(ii) Recognition and initial measurement

As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When there is lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Company decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible asset

Goodwill

Goodwill arising from business combinations is initially measured at cost as described in Note 2.1. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

Other intangible assets

Intangible assets other than goodwill are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives.

2.7 Investments

Long-term investments in subsidiaries, associates and joint ventures are stated at cost less impairment loss, if any, in the Company's financial statements unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (Note 2.8(i)).

2.8 Financial instruments

Recognition and initial measurement

A financial instrument is recognised in the statement of financial statement position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A trade receivable that does not contain a significant financing component is initially measured at the transaction price.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (continued)

Classification and subsequent measurement

(i) Financial assets

Financial assets are classified as measured at amortised cost.

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent measurement

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.8 (iv)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

(ii) Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (Note 2.8 (iv)).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Derivative financial instruments

The Group and the Company use derivative financial instruments such as forward rate contracts to manage certain exposures to fluctuations in foreign currency exchange rates.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year are recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) Derivative financial instruments (continued)

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(iv) Effective interest method

Amortised cost was computed using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(vi) Amortised cost of financial instruments

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.9 (i)) where effective interest rate is applied to the amortised cost.

(vii) Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss, except for equity investments at fair value through other comprehensive income where the gain or loss are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (continued)

Classification and subsequent measurement (continued)

(vii) Derecognition of financial instruments (continued)

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

Interest rate benchmark reform

The Group and the Company have applied the practical expedients provided in the amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)*.

As of 31 December 2022, the Group and the Company have applied the practical expedients provided in the amendments for benchmark rate that had been replaced with an alternative benchmark rate. Certain transitional activities are currently ongoing, with an aim to achieve economically equivalent transactions and minimal impact upon transition.

2.9 Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment (continued)

(i) Financial assets (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

Restricted cash in relation to a subsidiary, consist of deposit held by licensed banks and deposits held in trust by licensed banks, which have an insignificant risk of changes in fair value.

Deposit held in trust by licensed banks are funds collected from users which are deposited and managed separately in a trust account. The subsidiary is required to maintain at least the amount of the Company's e-Money liabilities in the trust account at all times in compliance with the Guideline on Electronic money issued by Bank Negara Malaysia ("BNM").

Notes to the Financial Statements

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Contract liability - PETRONAS Mesra Loyalty Programme

PETRONAS Mesra Loyalty Programme is an in-house loyalty programme where members are awarded with PETRONAS Mesra points at the point of sale made at PETRONAS stations and Kedai Mesra. The monetary value attributed to the awarded points is treated as contract liability and only recognised as revenue in the profit or loss upon redemption, cancellation and expiration of the points. Currently, members can redeem the awarded points for purchase of fuel at PETRONAS stations, items at Kedai Mesra or with selected partners.

Fair value of the contract liability is determined by reference to the monetary value attributable to the awarded points and the redemption expiry dates.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of petroleum products includes direct costs and transportation charges necessary to bring the inventories to their present locations and condition and is determined on a weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers.

2.13 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 16 and 30.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Employee benefits

(i) Short term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Such contributions are recognised as an expense in the profit or loss as incurred.

2.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused tax losses and other unused tax credits can be utilised.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

Notes to the Financial Statements

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency ("foreign currencies") are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates ruling at reporting date.

The income and expenses are translated at the exchange rates at the dates of the transactions or an average rate that approximates those rates. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are reclassified to the consolidated profit or loss.

2.17 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to borrowing costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised. Borrowing costs incurred subsequently to the completion of a specific qualifying asset are included in the determination of the capitalisation rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group or the Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
(b) the entity's performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or
(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

2.19 Financing costs

Financing costs comprise interest payable on borrowings and profit share margin on Islamic Financing Facilities as well as accretion in provision of dismantling, removal and restoration costs due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in Note 2.17. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.5. The financing costs on borrowings are recognised using the effective profit/interest method.

2.20 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilute potential ordinary shares.

2.21 Operating segments

An operating segment is a component of the Group and of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Company's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess the Group's performance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2.23 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

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3. PROPERTY, PLANT AND EQUIPMENT

Group 2022	At 1.1.2022 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2022 RM'000
At cost:					
Own use					
Freehold land	**1,048,540**	**-**	**-**	**-**	**1,048,540**
Buildings	**2,228,092**	**825**	**(16,531)**	**21,718**	**2,234,104**
Plant, machinery, tankage and pipeline	**2,787,489**	**9,458**	**(22,969)**	**195,014**	**2,968,992**
Office equipment, furniture and fittings	**585,482**	**9,194**	**(56,309)**	**30,227**	**568,594**
Computer hardware and software	**728,036**	**27,858**	**(18,118)**	**92,555**	**830,331**
Motor vehicles	**127,809**	**1,052**	**(575)**	**8,459**	**136,745**
Projects-in-progress	**244,938**	**386,465**	**(12,510)**	**(362,819)**	**256,074**
	7,750,386	**434,852**	**(127,012)**	**(14,846)**	**8,043,380**
Right-of-use					
Leasehold land	**1,257,962**	**3,257**	**(39,399)**	**14,846**	**1,236,666**
Buildings	**8,610**	**1,788**	**-**	**-**	**10,398**
Other plant and equipment	**3,360**	**2,012**	**-**	**-**	**5,372**
Vessels	**279,148**	**128,785**	**(120,511)**	**-**	**287,422**
Motor vehicles	**6,781**	**2,095**	**-**	**-**	**8,876**
	1,555,861	**137,937**	**(159,910)**	**14,846**	**1,548,734**
	9,306,247	**572,789**	**(286,922)**	**-**	**9,592,114**

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2022	At 1.1.2022 RM'000	Charge for the year RM'000	Disposals/ Write-offs RM'000	At 31.12.2022 RM'000
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	**616**	**-**	**-**	**616**
Buildings	**1,688,927**	**80,953**	**(16,406)**	**1,753,474**
Plant, machinery, tankage and pipeline	**2,053,950**	**157,238**	**(20,533)**	**2,190,655**
Office equipment, furniture and fittings	**472,554**	**26,295**	**(55,689)**	**443,160**
Computer hardware and software	**480,439**	**81,276**	**(6,724)**	**554,991**
Motor vehicles	**89,763**	**8,846**	**(573)**	**98,036**
Projects-in-progress	**4,124**	**-**	**-**	**4,124**
	4,790,373	**354,608**	**(99,925)**	**5,045,056**
Right-of-use				
Leasehold land	**216,256**	**40,202**	**(36,534)**	**219,924**
Buildings	**1,513**	**1,957**	**(218)**	**3,252**
Other plant and equipment	**3,102**	**1,767**	**-**	**4,869**
Vessels	**272,428**	**37,900**	**(113,791)**	**196,537**
Motor vehicles	**5,026**	**2,104**	**-**	**7,130**
	498,325	**83,930**	**(150,543)**	**431,712**
	5,288,698	**438,538**	**(250,468)**	**5,476,768**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2021	At 1.1.2021 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers/ adjustment RM'000	Acquisition of subsidiary RM'000	Disposal of subsidiary RM'000	At 31.12.2021 RM'000
At cost:							
Own use							
Freehold land	1,041,008	-	(5,265)	12,797	-	-	1,048,540
Buildings	2,193,934	-	(892)	35,050	-	-	2,228,092
Plant, machinery, tankage and pipeline	2,655,700	7,546	(4,227)	128,470	-	-	2,787,489
Office equipment, furniture and fittings	573,653	4,105	(2,070)	17,796	17	(8,019)	585,482
Computer hardware and software	679,430	12,979	(49,010)	86,589	2	(1,954)	728,036
Motor vehicles	112,486	1,654	(289)	17,702	-	(3,744)	127,809
Projects-in-progress	233,329	411,372	(2,552)	(397,211)	-	-	244,938
	7,489,540	437,656	(64,305)	(98,807)	19	(13,717)	7,750,386
Right-of-use							
Leasehold land	1,222,498	-	-	35,464	-	-	1,257,962
Buildings	6,522	7,473	(4,657)	-	-	(728)	8,610
Other plant and equipment	3,360	-	-	-	-	-	3,360
Vessels	279,148	-	-	-	-	-	279,148
Motor vehicles	4,675	2,106	-	-	-	-	6,781
	1,516,203	9,579	(4,657)	35,464	-	(728)	1,555,861
	9,005,743	447,235	(68,962)	(63,343)*	19	(14,445)	9,306,247

* Mainly relates to discount obtained in 2021 for property, plant and equipment ("PPE") acquired in prior year upon finalisation of cost.

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2021	At 1.1.2021 RM'000	Charge for the year RM'000	Disposals/ Write-offs RM'000	Impairment loss RM'000	Acquisition of subsidiary RM'000	Disposal of subsidiary RM'000	At 31.12.2022 RM'000
Accumulated depreciation and impairment losses:							
Own use							
Freehold land	809	-	(193)	-	-	-	616
Buildings	1,607,061	82,509	(643)	-	-	-	1,688,927
Plant, machinery, tankage and pipeline	1,900,465	156,354	(2,869)	-	-	-	2,053,950
Office equipment, furniture and fittings	449,092	32,661	(1,754)	-	11	(7,456)	472,554
Computer hardware and software	492,909	35,036*	(45,526)	-	1	(1,981)	480,439
Motor vehicles	84,753	7,337	(161)	-	-	(2,166)	89,763
Projects-in-progress	-	-	-	4,124	-	-	4,124
	4,535,089	313,897	(51,146)	4,124	12	(11,603)	4,790,373
Right-of-use							
Leasehold land	176,071	40,185	-	-	-	-	216,256
Buildings	3,037	2,040	(2,912)	-	-	(652)	1,513
Other plant and equipment	2,068	1,034	-	-	-	-	3,102
Vessels	218,949	53,479	-	-	-	-	272,428
Motor vehicles	3,506	1,520	-	-	-	-	5,026
	403,631	98,258	(2,912)	-	-	(652)	498,325
	4,938,720	412,155	(54,058)	4,124	12	(12,255)	5,288,698

* Charge for the year includes adjustment on discount obtained in 2021 for Property, Plant & Equipment acquired in prior year upon finalisation of cost.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2022	At 1.1.2021 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2022 RM'000
At cost:					
Own use					
Freehold land	**1,048,540**	**-**	**-**	**-**	**1,048,540**
Buildings	**2,200,793**	**825**	**(16,531)**	**21,718**	**2,206,805**
Plant, machinery, tankage and pipeline	**2,374,480**	**9,311**	**(23,034)**	**192,261**	**2,553,018**
Office equipment, furniture and fittings	**586,638**	**4,998**	**(70,996)**	**13,943**	**534,583**
Computer hardware and software	**655,638**	**-**	**(12,128)**	**79,057**	**722,567**
Motor vehicles	**122,802**	**1,052**	**(567)**	**8,459**	**131,746**
Projects-in-progress	**222,349**	**345,856**	**(20,733)**	**(330,284)**	**217,188**
	7,211,240	**362,042**	**(143,989)***	**(14,846)**	**7,414,447**
Right-of-use					
Leasehold land	**1,217,173**	**3,257**	**(39,399)**	**14,846**	**1,195,877**
Buildings	**731**	**421**	**-**	**-**	**1,152**
Other plant and equipment	**3,360**	**2,012**	**-**	**-**	**5,372**
Vessels	**279,148**	**128,785**	**(120,511)**	**-**	**287,422**
Motor vehicles	**6,781**	**2,095**	**-**	**-**	**8,876**
	1,507,193	**136,570**	**(159,910)**	**14,846**	**1,498,699**
	8,718,433	**498,612**	**(303,899)**	**-**	**8,913,146**

* The amount includes carrying amount of assets transferred from the Company to Mesra Retail & Cafe Sdn. Bhd. amounting to RM18,366,000 as per Note 24.

Notes to the Financial Statements

31 DECEMBER 2022

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2022	At 1.1.2022 RM'000	Charge for the year RM'000	Disposals/ Write-offs RM'000	At 31.12.2021 RM'000
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	**616**	**-**	**-**	**616**
Buildings	**1,661,850**	**80,570**	**(16,406)**	**1,726,014**
Plant, machinery, tankage and pipeline	**1,791,819**	**143,193**	**(20,515)**	**1,914,497**
Office equipment, furniture and fittings	**474,837**	**21,108**	**(54,300)**	**441,645**
Computer hardware and software	**450,680**	**63,987**	**(5,783)**	**508,884**
Motor vehicles	**84,862**	**8,750**	**(567)**	**93,045**
Projects-in-progress	**4,124**	**-**	**-**	**4,124**
	4,468,788	**317,608**	**(97,571)***	**4,688,825**
Right-of-use				
Leasehold land	**211,942**	**38,859**	**(36,534)**	**214,267**
Buildings	**626**	**210**	**-**	**836**
Other plant and equipment	**3,102**	**1,767**	**-**	**4,869**
Vessels	**272,428**	**37,900**	**(113,791)**	**196,537**
Motor vehicles	**5,026**	**2,104**	**-**	**7,130**
	493,124	**80,840**	**(150,325)**	**423,639**
	4,961,912	**398,448**	**(247,896)**	**5,112,464**

* The amount includes carrying amount of assets transferred from the Company to Mesra Retail & Cafe Sdn. Bhd. amounting to RM18,366,000 as per Note 24.

Notes to the Financial Statements

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2021	At 1.1.2021 RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Transfers RM'000	At 31.12.2021 RM'000
At cost:					
Own use					
Freehold land	1,041,008	-	(5,265)	12,797	1,048,540
Buildings	2,166,635	-	(892)	35,050	2,200,793
Plant, machinery, tankage and pipeline	2,252,182	6,946	(2,184)	117,536	2,374,480
Office equipment, furniture and fittings	566,039	3,650	(847)	17,796	586,638
Computer hardware and software	554,228	24	(48,783)	150,169	655,638
Motor vehicles	103,947	1,153	-	17,702	122,802
Projects-in-progress	221,431	389,984	(2,552)	(386,514)	222,349
	6,905,470	401,757	(60,523)	(35,464)	7,211,240
Right-of-use					
Leasehold land	1,181,709	-	-	35,464	1,217,173
Buildings	731	-	-	-	731
Other plant and equipment	3,360	-	-	-	3,360
Vessels	279,148	-	-	-	279,148
Motor vehicles	4,675	2,106	-	-	6,781
	1,469,623	2,106	-	35,464	1,507,193
	8,375,093	403,863	(60,523)	-	8,718,433

Notes to the **Financial Statements**

31 DECEMBER 2022

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2021	At 1.1.2022 RM'000	Charge for the year RM'000	Disposals/ Write-offs RM'000	Impairment loss RM'000	At 31.12.2021 RM'000
Accumulated depreciation and impairment losses:					
Own use					
Freehold land	809	-	(193)	-	616
Buildings	1,580,059	82,434	(643)	-	1,661,850
Plant, machinery, tankage and pipeline	1,652,733	141,118	(2,032)	-	1,791,819
Office equipment, furniture and fittings	444,308	31,375	(846)	-	474,837
Computer hardware and software	439,394	56,587	(45,301)	-	450,680
Motor vehicles	78,128	6,734	-	-	84,862
Projects-in-progress	-	-	-	4,124	4,124
	4,195,431	318,248	(49,015)	4,124	4,468,788
Right-of-use					
Leasehold land	173,100	38,842	-	-	211,942
Buildings	416	210	-	-	626
Other plant and equipment	2,068	1,034	-	-	3,102
Vessels	218,949	53,479	-	-	272,428
Motor vehicles	3,506	1,520	-	-	5,026
	398,039	95,085	-	-	493,124
	4,593,470	413,333	(49,015)	4,124	4,961,912

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Carrying amount				
Own use				
Freehold land	**1,047,924**	1,047,924	**1,047,924**	1,047,924
Buildings	**480,630**	539,165	**480,791**	538,943
Plant, machinery, tankage and pipeline	**778,337**	733,539	**638,521**	582,661
Office equipment, furniture and fittings	**125,434**	112,928	**92,938**	111,801
Computer hardware and software	**275,340**	247,597	**213,683**	204,958
Motor vehicles	**38,709**	38,046	**38,701**	37,940
Projects-in-progress	**251,950**	240,814	**213,064**	218,225
	2,998,324	2,960,013	**2,725,622**	2,742,452
Right-of-use				
Leasehold land	**1,016,742**	1,041,706	**981,610**	1,005,231
Buildings	**7,146**	7,097	**316**	105
Other plant and equipment	**503**	258	**503**	258
Vessels	**90,885**	6,720	**90,885**	6,720
Motor vehicles	**1,746**	1,755	**1,746**	1,755
	1,117,022	1,057,536	**1,075,060**	1,014,069
	4,115,346	4,017,549	**3,800,682**	3,756,521

Restrictions of land title

The titles to certain freehold and leasehold land are in the process of being registered in the Company's name.

3.1 As a lessee

Significant judgments and assumptions in relation to leases

The Group and the Company assesses at lease commencement by applying significant judgment whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgment and assumptions in determining the incremental borrowing rate of the respective leases. The Group and Company first determine the closest available borrowing rates before using significant judgment to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

Notes to the Financial Statements

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4. INTANGIBLE ASSET

Group 2022	At 1.1.2022 RM'000	Addition RM'000	At 31.12.2022 RM'000
At cost:			
License	**806**	**-**	**806**

	At 1.1.2022 RM'000	Charge for the year RM'000	At 31.12.2022 RM'000
Accumulated amortisation:			
License	**-**	**(322)**	**(322)**

Group 2021	At 1.1.2021 RM'000	Addition RM'000	At 31.12.2021 RM'000
At cost:			
License	-	806	806

	Carrying amount	
Group	2022 RM'000	2021 RM'000
License	**484**	806

The intangible asset relates to recognition of logistic license upon finalisation of the purchase price allocation for the acquisition of Setel Express Sdn. Bhd. finalised in FY2022. The license is amortised for period of 25 months until March 2024.

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares at cost	**297,559**	177,325
Less: Impairment losses		
- unquoted shares	**(2,389)**	-
	295,170	177,325

On 5 May 2022, the Group incorporated a wholly-owned subsidiary, Setel Pay Sdn. Bhd. with the intent to hold the e-money operations from Setel Ventures Sdn. Bhd.

Details of subsidiaries are stated in Note 34 to the financial statements.

Impairment review of cost of investment in subsidiaries

The Company performed impairment test on all of its subsidiaries that have indication of impairment. The recoverable value of investment was arrived at using value-in-use method. The estimated recoverable value is higher than the carrying value of the investment for these subsidiaries, except for a foreign subsidiary which was duly impaired during the year of RM2,389,000 (2021: Nil).

6. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares at cost	**530**	530	**530**	530
Share of post-acquisition profits and reserves	**1,424**	1,478	**-**	-
	1,954	2,008	**530**	530
Dividend received	**500**	-	**500**	-

Summary of financial information on associates:

	2022 RM'000	2021 RM'000
As at 31 December		
Total assets	**11,225**	11,372
Total liabilities	**(1,454)**	(1,330)
Net assets	**9,771**	10,042
Year ended 31 December		
Revenue	**23,773**	21,639
Total comprehensive income	**2,230**	1,714

Details of the associates are stated in Note 35 to the financial statements.

7. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares at cost	**56,569**	4,121	**52,474**	25
Share of post-acquisition profits and reserves	**26,594**	16,206	**-**	-
	83,163	20,327	**52,474**	25
Dividend received	**500**	-	**500**	-

Notes to the Financial Statements

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7. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summary of financial information on joint ventures:

	Material joint venture RM'000	Other individually immaterial joint ventures RM'000	2022 RM'000	2021 RM'000
As at 31 December				
Total assets	171,405	123,067	**294,472**	108,675
Total liabilities	(53,879)	(61,260)	**(115,139)**	(54,129)
Net assets	117,526	61,807	**179,333**	54,546
Year ended 31 December				
Revenue	234,041	733,800	**967,841**	334,220
Total comprehensive income	15,620	7,351	**22,971**	2,689

During the year, the Group subscribed 49% of equity stake in a joint venture as part of the divestment in LPG business in Sarawak. The details on the divestment is stated in Note 24 and details of the joint ventures are stated in Note 36 to the financial statements.

8. TRADE AND OTHER INVENTORIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Petroleum products	**131,430**	157,641	**131,139**	157,478
Stores, spares and others	**8,109**	1,225	**-**	-
	139,539	158,866	**131,139**	157,478
Recognised in profit or loss:				
Inventories recognised as cost of revenue	**33,155,272**	19,912,820	**32,766,647**	19,559,692
Reversal of write-down to net realisable value recognised in cost of revenue	**-**	(4,088)	**-**	(4,088)
Inventories written off	**-**	346	**-**	-

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade				
Trade receivables	**1,745,782**	1,344,196	**1,589,644**	1,243,729
Amounts due from:				
- Holding company	**-**	39	**-**	39
- Subsidiaries	**-**	-	**1,462**	173
- Associates and joint ventures	**8,396**	7	**8,396**	7
- Related companies	**169,459**	274,570	**150,136**	260,245
Less: Impairment losses	**(59,873)**	(22,676)	**(50,261)**	(16,180)
	1,863,764	1,596,136	**1,699,377**	1,488,013
Non-trade				
Other receivables, deposits and prepayments	**175,530**	97,067	**148,722**	77,411
Advances and loans to:				
- Associates and joint ventures	**4,152**	3,282	**4,152**	3,282
Amounts due from:				
- Holding company	**795**	921	**475**	700
- Subsidiaries	**-**	-	**38,699**	2,495
- Related companies	**96,750**	76,369	**95,811**	75,758
Subsidy receivables	**1,898,939**	1,852,220	**1,898,939**	1,852,220
Less: Impairment losses	**(12,040)**	(135,810)	**(11,155)**	(135,081)
	2,164,126	1,894,049	**2,175,643**	1,876,785
Trade and other receivables	**4,027,890**	3,490,185	**3,875,020**	3,364,798

Amount due from subsidiaries, associates, joint ventures and related companies arose in the normal course of business.

The non-trade amounts due from holding company, subsidiaries, related companies and advances and loans to associates and joint ventures are unsecured, interest free and repayable on demand.

During the year, the Group has written off RM124,036,000 subsidy receivables impairment previously provided for in prior years.

Notes to the Financial Statements

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10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	**2,687,592**	1,813,765	**2,478,641**	1,698,348
Cash and bank balances	**201,569**	97,297	**113,681**	38,666
	2,889,161	1,911,062	**2,592,322**	1,737,014

The Group's and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Service Centre ("IFSSC") to enable more efficient cash management for the Group and the Company.

Included in cash and cash equivalents of the Group and of the Company are interest-bearing balances amounting to RM2,817,071,000 (2021:RM1,899,268,000) and RM2,536,296,000 (2021: RM1,728,602,000) respectively.

Included in cash and cash equivalents of the Group are RM38,114,000 (2021: RM28,435,000) held by a trustee. The amount represents the unutilised value of e-wallet monies and amount due to service providers for value utilised.

11. SHARE CAPITAL

Group and Company	2022 No of shares '000	2022 Amount RM'000	2021 No of shares '000	2021 Amount RM'000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	**993,454**	**993,454**	993,454	993,454

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

12. RESERVES

Capital reserves

Capital reserve arose as a result of business combination of entities under the common control of PETRONAS and comprises merger deficit.

Merger deficit represents the excess of cost of acquisition over the Group's interest in the net carrying value of identifiable net assets, liabilities and contingent liabilities of the acquiree. Merger deficit is classified as part of non-distributable reserves.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statement of a subsidiary whose functional currency is different from that of the Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

13. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiaries.

14. BORROWINGS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Secured				
Lease liabilities	**134,947**	92,166	**58,573**	14,717
Total non-current borrowings	**134,947**	92,166	**58,573**	14,717
Current				
Secured				
Lease liabilities	**49,366**	8,266	**47,531**	7,464
Unsecured				
Revolving credits	**-**	16,000	**-**	-
Total current borrowings	**49,366**	24,266	**47,531**	7,464
Total borrowings	**184,313**	116,432	**106,104**	22,181

Terms and debt repayment schedule

Group 2022	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Secured					
Lease liabilities	**184,313**	**49,366**	**46,947**	**8,675**	**79,325**
Unsecured					
Revolving credits	**-**	**-**	**-**	**-**	**-**
	184,313	**49,366**	**46,947**	**8,675**	**79,325**

Group 2021	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Secured					
Lease liabilities	100,432	8,266	1,994	5,866	84,306
Unsecured					
Revolving credit	16,000	16,000	-	-	-
	116,432	24,266	1,994	5,866	84,306

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14. BORROWINGS (CONTINUED))

Company 2022	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Secured					
Lease liabilities	**106,104**	**47,531**	**45,341**	**4,238**	**8,994**

Company 2021	Total RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Secured					
Lease liabilities	22,181	7,464	668	2,120	11,929

Unsecured revolving credits

The unsecured revolving credits of the Group and the Company bear interest at rates ranging from 2.56% to 3.39% (2021: 2.83% to 2.89%) and 2.56% to 3.39% (2021: Nil) per annum respectively.

The Company has drawdown and fully paid new revolving credit facility of RM700,000,000 during the year.

Secured lease liabilities

The lease liabilities of the Group and the Company bear interest at rates ranging from 3.51% to 8.43% (2021: 3.24% to 8.43%) and 3.68% to 7.80% (2021: 3.24% to 7.80%) per annum respectively.

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	Borrowings RM'000	Dividends RM'000	Total RM'000
Balance at 1 January 2022	**116,432**	**-**	**116,432**
Changes from financing cash flows			
Drawdown of:			
- Revolving credit facility	**700,000**	**-**	**700,000**
Repayment of:			
- Revolving credit facility	**(716,000)**	**-**	**(716,000)**
- Lease liabilities	**(42,857)**	**-**	**(42,857)**
Interest expenses:			
- Revolving credit facility	**(10,218)**	**-**	**(10,218)**
- Lease liabilities	**(11,008)**	**-**	**(11,008)**
Dividends paid	**-**	**(615,942)**	**(615,942)**
Total changes from financing cash flows	**(80,083)**	**(615,942)**	**(696,025)**
Other changes			
- Dividends declared	**-**	**615,942**	**615,942**
- Finance costs	**21,226**	**-**	**21,226**
- Addition of new leases	**137,520**	**-**	**137,520**
- Termination of leases	**(10,782)**	**-**	**(10,782)**
Balance at 31 December 2022	**184,313**	**-**	**184,313**

14. BORROWINGS (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Group	Borrowings RM'000	Dividends RM'000	Total RM'000
Balance at 1 January 2021	178,170	-	178,170
Changes from financing cash flows	-	-	-
Drawdown/(Repayment) of:			
- Islamic financing facilities	(9,880)	-	(9,880)
- Revolving credit	6,500	-	6,500
- Lease liabilities	(63,842)	-	(63,842)
Interest expenses:			
- Revolving credit	(423)	-	(423)
- Lease liabilities	(8,968)	-	(8,968)
Profit margin paid for Islamic financing facilities	(139)	-	(139)
Dividends paid	-	(606,007)	(606,007)
Total changes from financing cash flows	(76,752)	(606,007)	(682,759)
Other changes			
- Dividends declared	-	606,007	606,007
- Finance costs	9,530	-	9,530
- Addition of new leases	7,534	-	7,534
- Termination of leases	(1,962)	-	(1,962)
- Disposal of subsidiary	(88)	-	(88)
Balance at 31 December 2021	116,432	-	116,432

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14. BORROWINGS (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Company	Borrowings RM'000	Dividends RM'000	Total RM'000
Balance at 1 January 2022	**22,181**	**-**	**22,181**
Changes from financing cash flows			
Drawdown of:			
- Revolving credit facility	**700,000**	**-**	**700,000**
Repayment of:			
- Revolving credit facility	**(700,000)**	**-**	**(700,000)**
- Lease liabilities	**(41,864)**	**-**	**(41,864)**
Interest expenses:			
- Revolving credit facility	**(10,060)**	**-**	**(10,060)**
- Lease liabilities	**(4,651)**	**-**	**(4,651)**
Dividends paid	**-**	**(615,942)**	**(615,942)**
Total changes from financing cash flows	**(56,575)**	**(615,942)**	**(672,517)**
Other changes			
- Dividends declared	**-**	**615,942**	**615,942**
- Finance costs	**14,711**	**-**	**14,711**
- Addition of new leases	**136,570**	**-**	**136,570**
- Termination of leases	**(10,783)**	**-**	**(10,783)**
Balance at 31 December 2022	**106,104**	**-**	**106,104**

Company	Borrowings RM'000	Dividends RM'000	Total RM'000
Balance at 1 January 2021	82,019	-	82,019
Changes from financing cash flows	-	-	-
Repayment of lease liabilities	(61,944)	-	(61,944)
Interest expense on lease liabilities	(2,635)	-	(2,635)
Dividends paid	-	(606,007)	(606,007)
Total changes from financing cash flows	(64,579)	(606,007)	(670,586)
Other changes			
- Dividends declared	-	606,007	606,007
- Finance costs	2,635	-	2,635
- Addition of new leases	2,106	-	2,106
Balance at 31 December 2021	22,181	-	22,181

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15. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

The components and movements of deferred tax liabilities and assets during the year are as follows:

Group	At 1.1.2022 RM'000	Credited/(Charged) to profit or loss RM'000	At 31.12.2022 RM'000
Deferred tax liabilities			
Property, plant and equipment	**(143,682)**	**(4,296)**	**(147,978)**
Contract liability - Loyalty Programme	**18,004**	**1,455**	**19,459**
Lease liabilities	**12,125**	**1,959**	**14,084**
Expected credit loss	**3,281**	**580**	**3,861**
Others	**7,549**	**9,708**	**17,257**
	(102,723)	**9,406**	**(93,317)**

Group	At 1.1.2021 RM'000	Credited/(Charged) to profit or loss RM'000	At 31.12.2021 RM'000
Deferred tax liabilities			
Property, plant and equipment	(141,491)	(2,191)	(143,682)
Contract liability - Loyalty Programme	21,738	(3,734)	18,004
Lease liabilities	14,019	(1,894)	12,125
Expected credit loss	1,125	2,156	3,281
Others	-	7,549	7,549
	(104,609)	1,886	(102,723)

Company	At 1.1.2022 RM'000	Credited/(Charged) to profit or loss RM'000	At 31.12.2022 RM'000
Deferred tax liabilities			
Property, plant and equipment	**(112,429)**	**(5,946)**	**(118,375)**
Contract liability - Loyalty Programme	**18,004**	**1,455**	**19,459**
Lease liabilities	**1,960**	**1,693**	**3,653**
Expected credit loss	**3,198**	**602**	**3,800**
Others	**7,549**	**9,840**	**17,389**
	(81,718)	**7,644**	**(74,074)**

Company	At 1.1.2021 RM'000	Credited/(Charged) to profit or loss RM'000	At 31.12.2021 RM'000
Deferred tax liabilities			
Property, plant and equipment	(107,608)	(4,821)	(112,429)
Contract liability - Loyalty Programme	21,738	(3,734)	18,004
Lease liabilities	3,111	(1,151)	1,960
Expected credit loss	998	2,200	3,198
Others	-	7,549	7,549
	(81,761)	43	(81,718)

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16. OTHER LONG-TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Dismantling, removal and restoration costs	**36,074**	31,272	**36,074**	31,272

Dismantling, removal and restoration costs

The movement of provision for dismantling, removal and restoration costs during the financial year is shown below:

Group and Company	2022 RM'000	2021 RM'000
Balance at 1 January	**31,272**	29,495
Net changes in provision	**825**	(333)
Unwinding of discount	**3,977**	2,110
Balance at 31 December	**36,074**	31,272

Under provisions of certain land lease agreements, the Company has an obligation to dismantle and remove structures on certain sites and restore those sites at the end of the lease term to an acceptable condition consistent with the lease agreement.

For these affected sites, the liabilities for dismantling, removal and restoration costs are recognised at present value of the compounded future expenditure estimated using existing technology, at current prices and discounted using a real discount rate.

The present value of the estimated costs is capitalised as part of the asset and the related provisions raised on the date when the obligation arises. The capitalised cost is depreciated over the expected life of the asset. The increase in the net present value of the provision for the expected cost is included as finance costs in the profit or loss.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision. The impact of the changes in the estimate is not material in relation to the Group's and the Company's net profits for the year.

While the provision is based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

As at 31 December 2022, the provision for dismantling, removal and restoration costs is expected to be utilised as follows:

Group and Company	2022 RM'000
1 to 10 years	**14,047**
11 to 20 years	**9,599**
More than 20 years	**12,428**
	36,074

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17. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade				
Trade payables	**51,868**	33,719	**45,480**	30,583
Contract liability	**80,606**	74,541	**80,606**	74,541
Amounts due to:				
- Holding company	**46**	-	**46**	-
- Related companies	**3,880,158**	2,720,684	**3,820,340**	2,670,648
- Subsidiaries	**-**	-	**6,935**	5,917
- Associates and joint ventures	**63**	22	**63**	22
	4,012,741	2,828,966	**3,953,470**	2,781,711
Non-trade				
Other payables	**790,426**	616,164	**695,033**	583,868
Amounts due to:				
- Holding company	**135,622**	125,818	**130,124**	122,019
- Subsidiaries	**-**	-	**28,549**	16,861
- Associates and joint ventures	**3,601**	5,988	**3,601**	5,988
- Related companies	**35,826**	33,847	**35,111**	30,514
E-Money liabilities	**31,934**	28,077	**-**	-
Duties payables	**6,546**	6,200	**6,546**	6,200
	1,003,955	816,094	**898,964**	765,450
Trade and other payables	**5,016,696**	3,645,060	**4,852,434**	3,547,161

Contract liability is attributable to the monetary value of the awarded Mesra points under PETRONAS Mesra Loyalty Programme.

Trade amounts due to related companies, subsidiaries, associates and joint ventures arose in the normal course of business.

Non-trade amounts due to holding company, subsidiaries, associates, joint ventures and related companies are unsecured, interest free and repayable on demand.

E-Money liabilities are in relations to users' balances in their e-wallets which are refundable to users upon request.

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18. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers				
Sales of petroleum products	**36,506,117**	22,480,514	**36,006,639**	22,005,563
Other revenue:				
- non-fuel business	**223,562**	168,723	**-**	168,723
- rendering of services	**19,217**	24,812	**-**	-
	36,748,896	22,674,049	**36,006,639**	22,174,286

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products/services lines.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Major products/services lines				
- Retail	**17,371,537**	12,551,395	**17,277,987**	12,647,811
- Commercial	**19,156,544**	9,947,465	**18,728,652**	9,526,475
- Convenience	**220,815**	175,189	**-**	-
	36,748,896	22,674,049	**36,006,639**	22,174,286

Revenue for the Group derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the Operating Segments (Note 29). During the year, the Group introduced the Convenience business segment to focus on activities of the non-fuel business which is a principal activity of the Group. Further details are disclosed in Note 29 to the financial statements. The Group and the Company have restated the comparative figures in prior year due to change in reportable operating segments effective first quarter of 2022 which have been disclosed in Note 40 to the financial statements.

Nature of goods and services

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms
Retail	Revenue is recognised when petroleum products are delivered and accepted by the customers at their premises/sites or ex-depot.	Payment for the products supplied shall be made before delivery, on delivery or within stipulated credit period.
Commercial	Revenue is recognised when petroleum products are delivered and accepted by the customers at their premises/sites or ex-depot and recognised over time when services are rendered to customers.	Payment for the products supplied shall be made on delivery or within stipulated credit period.
Convenience	Revenue is recognised when products are delivered or services are rendered over time to customers.	Payment for the services rendered shall be made on delivery or within stipulated credit period.

There are no variable elements in consideration, obligation for returns or refunds nor warranty in the provision of goods and services by the Group and the Company.

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19. OPERATING PROFIT

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Included in operating profit are the following charges:					
Audit fees:					
- KPMG Malaysia		**846**	784	**553**	557
- other auditors		**-**	113	**-**	-
Non Audit fees:					
- KPMG Malaysia		**90**	190	**90**	120
Amortisation of intangible asset		**322**	-	**-**	-
Depreciation of property, plant and equipment	3	**438,538**	412,155	**398,448**	413,333
Expenses relating to short-term leases (Note a)		**3,326**	36,440	**2,483**	36,228
Expenses relating to leases of low-value assets (Note b)		**184**	234	**112**	147
Expenses relating to variable lease payments not included in the measurement of lease liabilities		**168,644**	127,408	**168,636**	127,402
Net loss on disposal of property, plant and equipment		**-**	1,710	**-**	1,384
Loss on disposal of subsidiary		**-**	10,314	**-**	-
Impairment losses on:					
- property, plant and equipment		**-**	4,124	**-**	4,124
- trade receivables		**40,281**	16,002	**35,329**	13,024
- other receivables		**323**	871	**168**	142
- investments in a subsidiary		**-**	-	**2,389**	-
Property, plant and equipment expensed off		**2,722**	2,627	**1,923**	2,546
Facility charges:					
- plant and equipment		**46,982**	39,796	**46,971**	39,692
- land and buildings		**35,189**	28,416	**26,558**	28,410
Staff costs:					
- wages, salaries and others		**347,594**	282,947	**262,649**	243,414
- contributions to EPF		**45,227**	39,372	**33,707**	33,535
Property, plant and equipment written off		**22,164**	1,096	**23,449**	6
Inventories written off	8	**-**	346	**-**	-
Net unrealised loss on foreign exchange		**158**	-	**149**	-
Net realised loss on foreign exchange		**5,368**	3,136	**5,402**	3,029

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19. OPERATING PROFIT (CONTINUED)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
and credits:					
Dividend income:					
- subsidiary		**-**	-	**69,700**	193,165
- associates	6	**-**	-	**500**	-
- joint ventures	7	**-**	-	**500**	-
Net gain on disposal of:					
- property, plant and equipment		**3,869**	-	**4,118**	-
- LPG business in Sarawak		**87,937**	-	**87,937**	-
Interest income		**69,601**	61,265	**64,268**	58,059
Net unrealised gain on foreign exchange		**-**	1,045	**-**	998
Income from rental of premises		**2,196**	1,503	**22,648**	746
Reversal of:					
- inventories written down to net realisable value	8	**-**	4,088	**-**	4,088
Write back of impairment losses:					
- trade receivables		**3,084**	4,468	**1,248**	3,267
- other receivables		**57**	54	**57**	54

a) The Group leases vessels with contract terms of less than 1 year. These leases are short term in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

b) The Group leases various office equipment with contract terms of 1 to 5 years. These leases are low-value in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

20. FINANCING COSTS

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Recognised in profit or loss:				
Unwinding of discount				
- Provision for dismantling, removal and restoration costs	**3,977**	2,110	**3,977**	2,110
Profit margin on Islamic financing facilities	**-**	139	**-**	-
Interest on revolving credits	**10,218**	423	**10,060**	-
Interest on lease liabilities	**11,008**	8,968	**4,651**	2,635
	25,203	11,640	**18,688**	4,745

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21. TAX EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax expense				
Current year	**366,763**	208,602	**312,788**	194,827
(Over)/under provision in prior years	**(10,160)**	2,821	**(10,185)**	4,091
	356,603	211,423	**302,603**	198,918
Deferred tax expense/(credit)				
Origination/(reversal) of temporary differences	**2,506**	(5,446)	**4,280**	(3,637)
(Over)/under provision in prior years	**(11,912)**	3,560	**(11,924)**	3,594
Total deferred tax credit	**(9,406)**	(1,886)	**(7,644)**	(43)
Total tax expense	**347,197**	209,537	**294,959**	198,875

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

Group	%	2022 RM'000	%	2021 RM'000
Profit before taxation		**1,135,035**		740,768
Taxation at Malaysian statutory tax rate	**24**	**272,408**	24	177,784
Effect of corporate tax recognised at different rates	**7**	**80,668**	-	-
Effect of different tax rates in foreign jurisdiction	**-**	**(8)**	-	3,538
Non deductible expenses, net of non assessable income	**1**	**5,976**	4	28,816
Effect of net deferred tax benefits not recognised	**1**	**10,225**	(1)	(6,982)
	33	**369,269**	27	203,156
(Over)/under provision in prior years				
- current tax expense	**(1)**	**(10,160)**	-	2,821
- deferred tax expense	**(1)**	**(11,912)**	1	3,560
Tax expense	**31**	**347,197**	28	209,537

Company	%	2022 RM'000	%	2021 RM'000
Profit before taxation		**1,049,477**		877,834
Taxation at Malaysian statutory tax rate	**24**	**251,875**	24	210,680
Effect of corporate tax recognised at different rates	**7**	**78,761**	-	-
Non assessable income, net of non deductible expenditure	**(1)**	**(13,568)**	(2)	(19,490)
	30	**317,068**	22	191,190
Under/(over) provision in prior years				
- current tax expense	**(1)**	**(10,185)**	-	4,091
- deferred tax expense	**(1)**	**(11,924)**	-	3,594
Tax expense	**28**	**294,959**	22	198,875

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21. TAX EXPENSE (CONTINUED)

In the previous financial year, the deferred tax assets and tax liabilities in respect of temporary differences that were realised in 2022 were originated at blended rates. The blended rates were measured at 24% on the first RM100 million of estimated chargeable income and one-off 33% on the remaining estimated chargeable income for the year of assessment 2022 in accordance with the provision of Malaysian Finance Act 2021.

In measuring the provision for taxation and deferred taxation at reporting date, the management applied judgments and estimates in relation to certain interpretation of tax legislation in arriving at the Group's and the Company's tax positions. Judgments and estimates are based on the current tax legislation and best available information as at the reporting date. The management continuously reassesses its judgments and estimates whenever there is a change in circumstances.

Unrecognised net deferred tax assets

The net deferred tax assets not recognised in the statement of financial position in respect of the temporary differences of a subsidiary are as shown below:

	Group	
	2022 RM'000	**2021 RM'000**
Property, plant & equipment	**(21,527)**	(22,080)
Unutilised tax losses	**19,415**	27,905
Unabsorbed capital allowance	**82,419**	31,876
	80,307	37,701

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits. In accordance with the provision of Malaysian Finance Act 2021 requirement, the utilisation of unused tax losses will be limited to ten years with effect from year of assessment 2019.

Unabsorbed capital allowances do not expire under current tax legislation.

22. ACQUISITION OF SUBSIDIARY

In prior year, the Group fulfilled all the conditions of its Sale and Purchase Agreement entered on 4 September 2021 to acquire 100% equity interests in Setel Express Sdn. Bhd. ("Setel Express") (formerly known as D-Two Couriers (M) Sdn. Bhd.). Following this acquisition, Setel Express has become a wholly owned subsidiary of the Group.

The fair value of the net identifiable liabilities and license as disclosed below:

The effect of the acquisition on the cash flows and fair values of assets and liabilities acquired was as follows:

	At fair value RM'000
Property, plant and equipment	7
Trade and other receivables	32
Cash and cash equivalents	2
Trade and other payables	(132)
Net identifiable liabilities	(91)
Add: License on acquisition	806
Purchase consideration	715
Less: Cash and cash equivalents of acquired subsidiary	(2)
Cash flow on acquisition, net of cash	713

The principal activity of Setel Express is stated in Note 34 to the financial statements.

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23. DISPOSAL OF SUBSIDIARY

In prior year, the Group via its wholly-owned subsidiary PDB (Netherlands) B. V. disposed off PETRONAS International Marketing (Thailand) Co. Ltd. ("PIMTCL") for a total consideration of RM13,128,000 to another related company.

The net effect of the above disposal on the cash flows and carrying amount of assets and liabilities disposed were as follows:

Cash flows from disposal of subsidiary

Group	2021 RM'000
Net cash from investing activities	7,278

Effect of disposal on the financial position of the Group

	Carrying amount at disposal date RM'000
Non-current assets	2,190
Current assets	28,695
Current liabilities	(15,523)
Non-current liabilities	(699)
Net assets disposed off	14,663
Foreign exchange translation reserve	8,779
Loss on disposal of subsidiary	(10,314)
Consideration received	13,128
Less: Cash and cash equivalents of subsidiary disposed	(5,850)
Cash flow on disposal, net of cash disposed off	7,278

As PIMTCL was acquired via a common control acquisition in prior years from the ultimate holding company, the capital reserve amounting to RM18,427,000 was realised to retained earnings.

24. SIGNIFICANT EVENTS

i. Business Transfer Agreement ("BTA") with PETRONAS Dagangan Berhad ("PDB") Group's subsidiaries

PDB has entered into a BTA with its wholly owned subsidiary, Mesra Retail & Cafe Sdn. Bhd. ("MESRA") on 9 December 2022 for the business transfer of non-fuel business operations effective 1 January 2022 that includes net assets transfer of RM18,366,000 from PDB to MESRA for a consideration of the same amount which remains as payable by MESRA as at the year end. Novation exercise between PDB, MESRA and counterparties whereby PDB discharges its rights, interests, obligations and liabilities to MESRA were gradually completed during the year from 1 January 2022.

PDB has entered into a BTA with its wholly owned subsidiary, Setel Express Sdn. Bhd. ("SESB") on 21 July 2022 for the business transfer of courier services and sale of PETRONAS merchandise via retail marketing and e-commerce effective 1 November 2021 and 1 January 2022 respectively.

The business transfers were treated as common control transactions as these subsidiaries are controlled by PDB.

The principal activities of MESRA and SESB is stated in Note 34 to the financial statements.

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24. SIGNIFICANT EVENTS (CONTINUED)

ii. Disposal of LPG business in Sarawak

On 9 March 2022, the Group has entered into a Business Transfer and Share Subscription Agreement ("BTSSA") with PETROSNiaga Sdn. Bhd. ("PNIAGA") and Petroleum Sarawak Berhad ("PETROS"), in relation to the divestment of its LPG business in Sarawak and for subscription of 49% equity stake in PNIAGA. On 30 April 2022, the BTSSA was completed and PDB now holds 49% equity in PNIAGA which will market PETROS-branded LPG cylinders to household and commercial customers in Sarawak. The Company recorded net gain of disposal amounting to RM87,937,000 from this divestment.

Effect of disposal on the financial position of the Group

	2022 RM'000
Consideration received:	
- Cash	**40,000**
- Equity (49% shareholding in PNIAGA)	**48,039**
Total consideration received	**88,039**
Net assets disposed off	**(102)**
Gain on disposal of LPG business in Sarawak	**87,937**

25. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

Group	2022 RM'000	2021 RM'000
Profit for the year attributable to shareholders	**776,595**	529,754
Number of ordinary shares ('000)	**993,454**	993,454
Basic earnings per ordinary share (in sen)	**78.2**	53.3

Basic earnings per share

No diluted earnings per share is disclosed in these financial statements as there is no potential dilutive ordinary share.

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26. DIVIDENDS

Company	2022 RM'000	2021 RM'000
In respect of financial year ended 31 December 2021:		
Quarter 4: Interim dividend of 26.0 sen per ordinary share (2020: 17.0 sen)	**258,298**	168,887
In respect of financial year ended 31 December 2022:		
Quarter 1: interim dividend of 5.0 sen per ordinary share (2021: 14.0 sen)	**49,673**	139,084
Quarter 2: interim dividend of 11.0 sen per ordinary share (2021: 10.0 sen)	**109,280**	99,345
Quarter 3: interim dividend of 20.0 sen per ordinary share (2021: 20.0 sen)	**198,691**	198,691
	615,942	606,007

The Directors had on 22 February 2023 declared an interim dividend of 26.0 sen per ordinary share amounting to RM258,298,040 and a special dvidend of 14.0 sen per ordinary share amounting to RM139,083,560 in respect of the financial year ended 31 December 2022. The interim and special dividends have not been accounted for in the financial statements for the year ended 31 December 2022.

27. RELATED PARTIES DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Group.

The Group's and the Company's related parties include subsidiaries, associates, joint ventures as well as the holding company, PETRONAS and its related entities. The Group's related parties also include the Government of Malaysia and its related entities as the holding company is wholly-owned by the Government of Malaysia.

Key management personnel compensation

Group and Company	2022 RM'000	2021 RM'000
Directors		
- Fees	**1,335**	1,212
- Other short-term employee benefits	**31**	28
	1,366	1,240

The Company reimbursed the holding company for compensation of certain key management personnel attributable to services rendered as well as fees for Directors who are appointees of the holding company as disclosed in the related parties disclosures.

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27. RELATED PARTIES DISCLOSURES (CONTINUED)

Significant transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group	2022 RM'000	2021 RM'000
Federal and State Government of Malaysia:		
Sales of petroleum products	**474,939**	260,714
Government of Malaysia's related entities:		
Sales of petroleum products	**5,788,289**	1,584,880
Holding company:		
Sales of petroleum products	**620**	373
Facility charges	**(25,397)**	(22,457)
Reimbursement of key management personnel costs and benefits	**(1,763)**	(949)
Interest income from PETRONAS IFSSC	**64,918**	60,473
Fees for representation in the Board of Directors*	**(362)**	(710)
Information, communication and technology charges	**(75,341)**	(58,315)
Centralised support function services	**(30,592)**	(23,234)
Related companies:		
Sales of petroleum products	**1,212,534**	1,009,980
Purchases of petroleum products	**(39,209,096)**	(21,815,735)
Information, communication and technology charges	**(58,188)**	(91,749)
Facility charges	**(6,446)**	(7,516)
Lease expenses	**(2,399)**	(13,191)
Technical manpower services and training	**(21,095)**	(22,121)
Proceeds from divestment of a subsidiary (Note 23)	**-**	13,128
Associate companies:		
Sales of petroleum products	**245**	283
Facility charges	**(10,328)**	(10,840)
Joint ventures:		
Sales of petroleum products	**68**	68
Facility charges	**(27,760)**	(18,984)

* Fees paid directly to holding company in respect of directors who are appointees of the holding company.

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27. RELATED PARTIES DISCLOSURES (CONTINUED)

Significant transactions with related parties (continued)

Company	2022 RM'000	2021 RM'000
Federal and State Government of Malaysia:		
Sales of petroleum products	**474,939**	260,714
Government of Malaysia's related entities:		
Sales of petroleum products	**5,776,272**	1,575,895
Holding company:		
Sales of petroleum products	**620**	373
Facility charges	**(25,397)**	(22,457)
Reimbursement of key management personnel costs and benefits	**(1,763)**	(949)
Interest income from PETRONAS IFSSC	**61,326**	57,724
Fees for representation in the Board of Directors*	**(362)**	(710)
Information, communication and technology charges	**(73,682)**	(56,429)
Centralised support function services	**(27,859)**	(21,418)
Related companies:		
Sales of petroleum products	**1,166,699**	983,061
Purchases of petroleum products	**(38,801,753)**	(21,493,395)
Information, communication and technology charges	**(58,188)**	(91,749)
Facility charges	**(6,446)**	(7,516)
Lease expenses	**(2,399)**	(13,191)
Technical manpower services and training	**(21,095)**	(22,121)
Associate companies:		
Sales of petroleum products	**245**	283
Facility charges	**(10,328)**	(10,840)
Joint ventures:		
Sales of petroleum products	**68**	68
Facility charges	**(27,760)**	(18,984)

* Fees paid directly to holding company in respect of directors who are appointees of the holding company.

Information regarding outstanding balances arising from related party transactions as at 31 December 2022 are disclosed in Note 9 and Note 17 as well as lease liabilities balances as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Related companies	**526**	505	**526**	505

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis. The above has been stated at contracted amount.

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28. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment				
Approved and contracted for	**97,011**	137,220	**91,325**	136,975
Approved but not contracted for	**326,655**	244,769	**260,667**	234,315
	423,666	381,989	**351,992**	371,290

29. OPERATING SEGMENTS

Effective first quarter of 2022, the Group's reportable segments comprise Retail, Commercial and Convenience Businesses. The change in the reportable operating segments is in line with the change in the way the Group's business is managed. Accordingly, the Group has restated the operating segment information for the prior year. Each reportable segment offers different products and services and require different marketing strategies. The following summary describes the operations in each of the Group's reportable segment:

Retail – consist of sales and purchases of petroleum products to the retail sector.
Commercial – consist of sales and purchases of petroleum products and provision of services to the commercial sector.
Convenience – comprise mainly non-fuel business activities.

For each of the reportable segment, the Group chief operating decision maker, which is the Board of Directors of the Company, reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment profit or loss before tax as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Revenues derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the operating segment. In this respect, no further disaggregation of revenue is presented.

Group Business Segments 2022	Retail RM'000	Commercial RM'000	Convenience RM'000	Total RM'000
Revenue	**17,371,537**	**19,156,544**	**220,815**	**36,748,896**
Depreciation and amortisation	**348,985**	**58,759**	**31,116**	**438,860**
Other income	**321,343**	**62,345**	**8,220**	**391,908**
Operating profit	**774,684**	**358,101**	**16,120**	**1,148,905**
Financing costs	**(15,693)**	**(9,076)**	**(434)**	**(25,203)**
Share of profit after tax of associates and joint ventures				**11,333**
Profit before taxation				**1,135,035**

29. OPERATING SEGMENTS (CONTINUED)

Group Business Segments 2021	Retail RM'000	Commercial RM'000	Convenience RM'000	Total RM'000
Revenue	12,551,395	9,947,465	175,189	22,674,049
Depreciation and amortisation	323,288	80,330	8,537	412,155
Other income	131,825	39,300	2,163	173,288
Operating profit	470,606	241,237	39,344	751,187
Financing costs	(3,817)	(7,801)	(22)	(11,640)
Share of profit after tax of associates and joint ventures				1,221
Profit before taxation				740,768

Geographical information

There is no disclosure on geographical segment information as the Group's operations are predominantly within Malaysia.

Major customers

As at 31 December 2022, there are no major customers with revenue that contribute to more than 10 percent of the Group's revenue.

30. CONTINGENCIES

Group	2022 RM'000	2021 RM'000
Contingent assets		
An award in favour of a subsidiary was issued by the arbitrator in 2018 following an arbitration proceeding, which allowed additional costs and expenses for restructuring works at one of the subsidiary's major facility. The quantum to be paid following the award as of the financial period date is pending settlement negotiation between the parties.	**26,662**	26,662

In the normal course of business, the Group is subject to several contingencies arising from litigations and claims brought by various parties. As at 31 December 2022, there were no material contingent liabilities since the last audited consolidated statement of financial position.

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31. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as Amortised cost ("AC").

Group 2022	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	9	**3,914,520**	**3,914,520**
Cash and cash equivalents	10	**2,889,161**	**2,889,161**
		6,803,681	**6,803,681**
Financial liabilities			
Trade and other payables*	17	**(4,936,015)**	**(4,936,015)**

Group 2021	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	9	3,469,466	3,469,466
Cash and cash equivalents	10	1,911,062	1,911,062
		5,380,528	5,380,528
Financial liabilities			
Borrowings	14	(16,000)	(16,000)
Trade and other payables*	17	(3,570,495)	(3,570,495)
		(3,586,495)	(3,586,495)

* These balances exclude non-financial instruments balances.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of Financial Instruments (continued)

Company 2022	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	9	**3,771,586**	**3,771,586**
Cash and cash equivalents	10	**2,592,322**	**2,592,322**
		6,363,908	**6,363,908**
Financial liability			
Trade and other payables*	17	**(4,771,805)**	**(4,771,805)**

Company 2021	Note	Amortised cost RM'000	Total carrying amount RM'000
Financial assets			
Trade and other receivables*	9	3,352,354	3,352,354
Cash and cash equivalents	10	1,737,014	1,737,014
		5,089,368	5,089,368
Financial liability			
Trade and other payables*	17	(3,472,596)	(3,472,596)

* These balances exclude non-financial instruments balances.

Financial risk management

The Group and the Company are exposed to various risks that are particular to its core business which consists of domestic marketing of petroleum products. These risks, which arise in the normal course of the Group's and the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates and foreign currency exchange rates.

The Group has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial risk management across the Group.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's and the Company's goal in risk management are to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk of potential exposure of the Group and of the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from customers and placement in financial institutions. Credit risks are controlled by individual companies in line with PETRONAS' policies and guidelines.

Trade and other receivables

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise credit risk by ensuring that all potential third party counterparties are assessed prior to registration and entering into new contracts. Existing third party counterparties are also subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

Depending on the types of transactions and counterparty creditworthiness, the Group and the Company further mitigate and limit risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit, Amanah Saham Bumiputera ("ASB"), Amanah Saham Bumiputera 2 ("ASB 2"), Amanah Saham Wawasan 2020 ("ASW 2020") and bank guarantees.

The Group uses ageing analysis to monitor the credit quality of the receivables. As at the year end, 94% (2021: 96%) of gross trade receivables of the Group are within the credit terms.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company.

At each reporting date, the Group and the Company assess whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group and the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer;
- a breach of contract such as a default; or
- it is probable that the customer will enter bankruptcy or other financial reorganisation.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Concentration of credit risk

On reporting date, there is a significant concentration of credit risk of the Group arising from an amount owing from a customer constituting 14% (2021: 13%) of the total trade receivables of the Group.

In addition, there is a significant concentration of credit risk of the Group on the amount owing from the Government constituting 92% (2021: 95%) of the total other receivables of the Group. The amount related to subsidies arising from the Automatic Pricing Mechanism governing the sales of petroleum products.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group and the Company monitors its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure Expected Credit Loss ("ECL") of trade receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Company's historical experience.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022 which are grouped together as they are expected to have similar risk nature.

Group 2022	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign		**48,104**	**-**	**48,104**
Excellent		**408,206**	**(117)**	**408,089**
Good		**666,223**	**(550)**	**665,673**
Fair		**757,691**	**(15,793)**	**741,898**
		1,880,224	**(16,460)**	**1,863,764**
Credit impaired:				
Individually impaired		**43,413**	**(43,413)**	**-**
		1,923,637	**(59,873)**	**1,863,764**
Representing:				
Trade receivables	9	**1,923,637**	**(59,873)**	**1,863,764**

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31. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

Group 2021	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign		40,757	-	40,757
Excellent		208,343	(66)	208,277
Good		674,085	(457)	673,628
Fair rating		687,214	(13,740)	673,474
		1,610,399	(14,263)	1,596,136
Credit impaired:				
Individually impaired		8,413	(8,413)	-
		1,618,812	(22,676)	1,596,136
Representing:				
Trade receivables	9	1,618,812	(22,676)	1,596,136

Company 2022	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign		**48,104**	**-**	**48,104**
Excellent		**332,401**	**(108)**	**332,293**
Good		**617,102**	**(494)**	**616,608**
Fair		**718,016**	**(15,644)**	**702,372**
		1,715,623	**(16,246)**	**1,699,377**
Credit impaired:				
Individually impaired		**34,015**	**(34,015)**	**-**
		1,749,638	**(50,261)**	**1,699,377**
Representing:				
Trade receivables	9	**1,749,638**	**(50,261)**	**1,699,377**

31. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

Company 2021	Note	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit Risk Rating				
Sovereign		40,757	-	40,757
Excellent		189,477	(58)	189,419
Good		623,367	(426)	622,941
Fair		648,111	(13,215)	634,896
		1,501,712	(13,699)	1,488,013
Credit impaired:				
Individually impaired		2,481	(2,481)	-
		1,504,193	(16,180)	1,488,013
Representing:				
Trade receivables	9	1,504,193	(16,180)	1,488,013

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At net				
Current	**1,813,621**	1,556,875	**1,672,019**	1,460,619
Past due 1 to 30 days	**12,895**	13,836	**7,248**	12,094
Past due 31 to 60 days	**5,697**	9,455	**610**	9,220
Past due 61 to 90 days	**4,772**	2,216	**2,581**	934
Past due more than 90 days	**26,779**	13,754	**16,919**	5,146
	1,863,764	1,596,136	**1,699,377**	1,488,013
Representing:				
Trade receivables (Note 9)	**1,923,637**	1,618,812	**1,749,638**	1,504,193
Less: Impairment losses (Note 9)	**(59,873)**	(22,676)	**(50,261)**	(16,180)
	1,863,764	1,596,136	**1,699,377**	1,488,013

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit, ASB, ASB 2, ASW 2020 and bank guarantees.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss (continued)

Trade receivables which are credit impaired amounting to RM59,873,000 (2021: RM22,676,000) are partially collateralised in the form of financial guarantee by banks. Impairment loss has been provided in excess of the collateral value of the financial guarantee of RM164,616,000 (2021: RM166,340,000).

The movements in the allowance for impairment losses of trade receivables during the year are as follow

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Opening balance	**22,676**	12,236	**16,180**	6,428
Impairment loss recognised	**40,281**	16,002	**35,329**	13,024
Impairment loss reversed	**(3,084)**	(4,468)	**(1,248)**	(3,267)
Impairment loss written off	**-**	(45)	**-**	(5)
Disposal of subsidiary	**-**	(1,049)	**-**	-
Closing balance	**59,873**	22,676	**50,261**	16,180

Fund investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund investment activities which is managed by IFSSC on behalf of the Group comprising primarily money market placement. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines. The treasury function is governed by a counterparty credit risk management framework.

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

As at the reporting date, the Group and the Company have only invested in short term domestic money market instrument. In view of the sound credit rating of counterparties, the Group and the Company do not expect any counterparties to fail to meet its obligation and hence, loss allowance is not provided for.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its trade and other payables, and borrowings. In managing its liquidity risk, the Group and the Company maintains sufficient cash and liquid marketable assets and a balance between continuity of funding and flexibility through use of stand-by credit facilities. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and the Company.

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

Group 2022	Carrying amount RM'000	Effective interest rates per annum/ discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Financial liabilities							
Lease liabilities	**184,313**	**3.51-8.43**	**356,497**	**57,662**	**56,878**	**78,807**	**163,150**
Trade and other payables	**4,936,015**	**-**	**4,936,015**	**4,936,015**	**-**	**-**	**-**
	5,120,328		**5,292,512**	**4,993,677**	**56,878**	**78,807**	**163,150**

Group 2021	Carrying amount RM'000	Effective interest rates per annum/ discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Financial liabilities							
Unsecured revolving credit - Fixed rate	16,000	2.83-2.89	16,248	16,248	-	-	-
Lease liabilities	100,432	3.24-8.43	222,987	19,101	9,144	35,902	158,840
Trade and other payables	3,570,495	-	3,570,495	3,570,495	-	-	-
	3,686,927		3,809,730	3,605,844	9,144	35,902	158,840

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31. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company 2022	Carrying amount RM'000	Discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Financial liabilities							
Lease liabilities	**106,104**	**3.68-7.80**	**166,836**	**49,667**	**48,775**	**49,667**	**18,727**
Trade and other payables	**4,771,805**	**-**	**4,771,805**	**4,771,805**	**-**	**-**	**-**
	4,877,909		**4,938,641**	**4,821,472**	**48,775**	**49,667**	**18,727**

Company 2021	Carrying amount RM'000	Discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Financial liabilities							
Lease liabilities	22,181	3.24-7.80	34,744	11,913	1,596	6,122	15,113
Trade and other payables	3,472,596	-	3,472,596	3,472,596	-	-	-
	3,494,777		3,507,340	3,484,509	1,596	6,122	15,113

Market risk

Market risk is the risk or uncertainty arising from change in market prices and their impact on the performance of the business. The market price changes that the Group and the Company are exposed to include interest rates, foreign currency exchange rates that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

Profit margin or Interest rate risk

Profit margin or interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

Short-term revolving credit facilities, short-term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest-bearing financial assets and financial liabilities, which consist mainly of fixed rate short term fund placement and short term revolving credit facilities do not have significant exposure to interest rate risk.

All profit or interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines.

As at 31 December 2022, 100% (2021: 100%) of the interest-bearing financial liabilities of the Group are fixed rate instruments and a change in interest rate is not expected to have any significant impact to the Group's cash flows.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk

The Group and the Company are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars. The Group's and the Company's funds are managed by IFSSC whereby foreign currency exposure is typically managed by matching receipts and payment for the same currency and internally hedged with IFSSC. When deemed necessary and appropriate, the Company, via IFSSC will enter into external hedging to minimise its exposure to the foreign currency movements.

The Group's and the Company's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

Group	2022 RM'000	2021 RM'000
Denominated in USD		
Financial assets		
Trade and other receivables	**213,616**	251,591
Financial liabilities		
Trade and other payables	**(164,124)**	(58,011)
Lease liabilities	**(90,897)**	(7,835)
	(41,405)	185,745

Company	2022 RM'000	2021 RM'000
Denominated in USD		
Financial asset		
Trade and other receivables	**213,436**	250,854
Financial liabilities		
Trade and other payables	**(160,822)**	(55,432)
Lease liabilities	**(90,897)**	(7,835)
	(38,283)	187,587

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2022 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2022 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates. Reasonably possible changes in interest rates are based on management judgment and historical experience.

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

Notes to the Financial Statements

31 DECEMBER 2022

31. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

		Group	Company
	Appreciation in foreign currency rate %	Effect on profit or loss RM'000	Effect on profit or loss RM'000
2022			
USD	**10**	**(4,141)**	**(3,828)**
2021			
USD	10	18,575	18,759

A depreciation in USD would have had equal but opposite effect, on the basis that all other variables remain constant.

Fair value information

The Group's and the Company's financial instruments consist of borrowings, cash and cash equivalents, trade and other receivables and trade and other payables.

The carrying amounts of cash and cash equivalents, short term fund investments, receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with the carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value		
Group	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2022			
Financial liability			
Revolving credits	-	-	-
2021			
Financial liability			
Revolving credits	15,801	15,801	16,000

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Notes to the Financial Statements

31 DECEMBER 2022

31. FINANCIAL INSTRUMENTS (CONTINUED)

Income/(expense), net gains and losses arising from financial instruments

Group	Interest income RM'000	Interest expense RM'000	Impairment loss RM'000	Others RM'000	Total RM'000
2022					
Financial assets at amortised cost	**69,601**	**-**	**(37,463)**	**19,910**	**52,048**
Financial liabilities at amortised cost	**-**	**(10,218)**	**-**	**(25,436)**	**(35,654)**
Total	**69,601**	**(10,218)**	**(37,463)**	**(5,526)**	**16,394**
2021					
Financial assets at amortised cost	61,265	-	(12,351)	2,502	51,416
Financial liabilities at amortised cost	-	(562)	-	(4,593)	(5,155)
Total	61,265	(562)	(12,351)	(2,091)	46,261

Company	Interest income RM'000	Interest expense RM'000	Impairment loss RM'000	Others RM'000	Total RM'000
2022					
Financial assets at amortised cost	**64,268**	**-**	**(34,191)**	**19,885**	**49,962**
Financial liabilities at amortised cost	**-**	**(10,060)**	**-**	**(25,436)**	**(35,496)**
Total	**64,268**	**(10,060)**	**(34,191)**	**(5,551)**	**14,466**
2021					
Financial assets at amortised cost	58,059	-	(9,845)	2,567	50,781
Financial liabilities at amortised cost	-	-	-	(4,598)	(4,598)
Total	58,059	-	(9,845)	(2,031)	46,183

Others relate to gains and losses arising from financial instruments other than interest income, interest expense and impairment loss such as realised and unrealised foreign exchange gains or losses.

32. CAPITAL MANAGEMENT

The Group defines capital as equity and debt. The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds to support its business and maximise shareholders' value. As a subsidiary of PETRONAS, the Group's approach in managing capital is set out in the PETRONAS Financial Policy.

The Group monitors and maintains a prudent level of total debt to total asset ratio to optimise shareholder's value and to ensure compliance with covenants under debt and shareholders' agreements and regulatory requirements, if any.

The debt to equity ratio of the Group as at 31 December 2022 is 3.2:100 (2021: 2.1:100).

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

Notes to the Financial Statements

31 DECEMBER 2022

33. HOLDING AND ULTIMATE HOLDING COMPANY

The holding company as well as ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

34. SUBSIDIARIES AND ACTIVITIES

	Effective ownership interest and voting interest		
	2022	2021	Principal Activities
Companies incorporated in Malaysia			
Mesra Retail & Cafe Sdn. Bhd.	**100%**	100%	Managing and oversee the operations of Mesra C-stores, food & beverage and PDB's petrol station.
PETRONAS Aviation Sdn. Bhd.	**100%**	100%	To provide technical consultancy services.
PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.	**100%**	100%	To market and distribute petroleum products.
Setel Express Sdn. Bhd. (formerly known as D-Two Couriers (M) Sdn. Bhd.)	**100%**	100%	Engaged in the business of courier services, general carriers, forwarding agents and sales of PETRONAS merchandise.
Setel Pay Sdn. Bhd.	**100%**	-	To issue and operate electronic money (e-money).
Setel Ventures Sdn. Bhd.	**100%**	100%	To provide a seamless payment solution.
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	**65%**	65%	To operate, maintain and manage an Aircraft Fuelling System ("AFS") at Kuala Lumpur International Airport and to provide aviation fuelling services related to the AFS to fuel suppliers.
Company incorporated in Netherlands			
* PDB (Netherlands) B.V.	**100%**	100%	To hold activities and investment in any business of marketing and distributing lubricants.

* Consolidated based on management accounts as the company is exempted from preparing audited financial statements as allowed by Articles 396 Book 2 of the Dutch Civil Code.

35. ASSOCIATES AND ACTIVITIES

	Effective ownership interest and voting interest		
	2022	2021	Principal Activities
Companies incorporated in Malaysia			
**IOT Management Sdn. Bhd.	**20%**	**20%**	To engage in the business of managing independent oil terminals at Senari, Kuching.
**Tanjung Manis Oil Terminal Management Sdn. Bhd.	**20%**	**20%**	To engage in the business of managing oil terminals at Tanjung Manis.

** Audited by firm of auditors other than KPMG PLT.

36. JOINT VENTURES AND ACTIVITIES

	Effective ownership interest and voting interest		
	2022	2021	Principal Activities
Companies incorporated in Malaysia			
P S Pipeline Sendirian Berhad	**50%**	50%	To maintain and operate the Multi-Product Pipeline and Klang Valley Distribution Terminal ("MPP-KVDT") and the associated facilities for the transportation of petroleum products on behalf of the MPP- KVDT users.
P S Terminal Sendirian Berhad	**50%**	50%	To operate, manage and maintenance of joint facilities – terminal, depot, warehouse, equipment, machinery, pipelines, tanks and associated facilities in Tawau and Bintulu on behalf of the owners, PETRONAS Dagangan Berhad and Shell Timur Sendirian Berhad.
PETROSNiaga Sdn. Bhd. (Note 24)	**49%**	-	To supply industrial bulk, commercial and residential LPG.
Company incorporated in Kingdom of Saudi Arabia			
** United Fuel Company Limited (Limited Liability Company)[1]	**40%**	40%	To provide support, maintenance and operation services for airport facilities and gas fuel and storage equipment and stations in the airports of the Kingdom of Saudi Arabia.

** Audited by firm of auditors other than KPMG PLT.

[1] Interest owned by PETRONAS Aviation Sdn. Bhd.

Notes to the Financial Statements

31 DECEMBER 2022

37. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

During the financial year, the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018–2020)*
Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*
Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment–Proceeds before Intended Use)*
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts–Cost of Fulfilling a Contract)*

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company.

38. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*
Amendments to MFRS 17 *Insurance Contracts*
Amendments to MFRS 17 *Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)*
Amendments to MFRS 101 *Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)*
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*
Amendments to MFRS 112 *Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 *Leases (Lease Liability in a Sale and Leaseback)*
Amendments to MFRS 101 *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*
Amendments to MFRS 101 *Presentation of Financial Statements (Non-current Liabilities with Covenants)*

Effective for a date yet to be confirmed

Amendments to MFRS 10 *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company are expected to apply the above-mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the above-mentioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

39. NEW AND REVISED PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements which are not relevant to the Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
Amendments to MFRS 141 *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

Notes to the Financial Statements
31 DECEMBER 2022

40. COMPARATIVE FIGURES

The Group and the Company has represented the comparative figures in prior year due to change in reportable operating segments effective first quarter of 2022. The effects of the restatement are disclosed below:

Group	As restated RM'000	As previously stated RM'000
Revenue	**22,674,049**	**22,505,326**
Cost of revenue	**(19,939,275)**	**(19,936,900)**
Administration expenses	**(1,158,451)**	**(1,160,826)**
Other income	**173,288**	**342,011**

Company	As restated RM'000	As previously stated RM'000
Revenue	**22,174,286**	**22,005,563**
Cost of revenue	**(19,557,979)**	**(19,555,604)**
Administration expenses	**(1,125,931)**	**(1,128,306)**
Other income	**372,710**	**541,433**

The above restatement does not have any impact on the earnings for ordinary shares of the Group. Certain notes to the financial statements have been represented to be in accordance with the current year presentation.

Independent **Auditors' Report**

TO THE MEMBERS OF PETRONAS DAGANGAN BERHAD
(COMPANY NO. 198201008499 (88222-D))
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PETRONAS Dagangan Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 235 to 312.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws* (on *Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards*) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Refer to page 262 (Note 2.18 Significant Accounting Policies) and page 285 (Note 18) to the financial statements.

The key audit matter

The main revenue streams of the Group are split into retail, commercial and convenience. Revenue recognition is a key audit matter due to risk that revenue may be overstated arising from pressure faced by the Group in achieving performance targets as revenue recognition has a direct impact on the results of the Group.

Independent **Auditors' Report**

TO THE MEMBERS OF PETRONAS DAGANGAN BERHAD
(COMPANY NO. 198201008499 (88222-D))
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

How the matter was addressed in our audit

We performed the following audit procedures, among others, around revenue recognition:

- We tested the design and implementation as well as operating effectiveness of the Group's controls relevant to recognition of revenue;
- We assessed whether sales transactions either side of the statement of financial position date as well as credit notes issued after year end are recognised in the correct period;
- We tested sales transactions recorded to the acknowledged customer delivery orders as an indication of transfer of control on goods to ascertain validity of sales; and
- We involved our Information Risk Management specialist to test the overall general IT control environment and application controls relevant to recognition of sales.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Director's Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent **Auditors' Report**

TO THE MEMBERS OF PETRONAS DAGANGAN BERHAD
(COMPANY NO. 198201008499 (88222-D))
(INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent **Auditors' Report**

TO THE MEMBERS OF PETRONAS DAGANGAN BERHAD
(COMPANY NO. 198201008499 (88222-D))
(INCORPORATED IN MALAYSIA)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 34 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2023 J
Chartered Accountant

Petaling Jaya
Date: 22 February 2023

Analysis of **Shareholdings**

AS AT 28 FEBRUARY 2023

SHARE CAPITAL

Share Capital : RM993,454,000 comprising 993,454,000 ordinary shares
Class of Shares : Ordinary Shares
Voting Rights : One Vote Per Ordinary Share (On A Poll)

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shares
Less than 100	1,261	15.65	5,233	0.00
100 – 1,000	2,187	27.14	1,281,178	0.13
1,001 – 10,000	3,947	48.99	10,597,694	1.07
10,001 – 100,000	455	5.65	15,347,571	1.54
100,001 to less than 5% of issued shares	205	2.54	220,158,559	22.16
5% and above of issued shares	2	0.03	746,063,765	75.10
TOTAL	**8,057**	**100.00**	**993,454,000**	**100.00**

CLASSIFICATION OF SHAREHOLDERS

Category	No. of Shareholders		No. of Shares		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
• Individuals	6,541	64	14,262,348	220,841	1.44	0.02
• Body Corporate						
a. Banks/Finance Companies	30	0	105,165,300	0	10.59	0.00
b. Investment Trusts/Foundation/Charities	1	0	6,000	0	0.00	0.00
c. Other types of companies	168	4	2,371,200	44,000	0.23	0.00
• Government Agencies/ Institutions	6	0	7,413,300	0	0.75	0.00
• Nominees	657	584	785,278,200	78,670,809	79.04	7.93
• Others	2	0	22,002	0	0.00	0.00
TOTAL	**7,405**	**652**	**914,518,350**	**78,935,650**	**92.05**	**7.95**

LIST OF SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct		Indirect	
	No. of Shares	% of Total Shareholding	No. of Shares	% of Total Shareholding
Petroliam Nasional Berhad	635,000,400	63.94	Nil	Nil
Petroliam Nasional Berhad (PRF)	200,900	Nil	Nil	Nil
Registered with :				
CIMB Group Nominees (Tempatan) Sdn. Bhd.				
TOTAL	**635,201,300**	**63.94**	**Nil**	**Nil**
Employees Provident Fund Board	122,991,200	12.38	Nil	Nil
Registered with :				
Citigroup Nominees (Tempatan) Sdn. Bhd. (#10 CDS Accs)				
TOTAL	**758,192,500**	**76.32**	**Nil**	**Nil**

Analysis of **Shareholdings**

AS AT 28 FEBRUARY 2023

LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name	Direct		Indirect	
		No. of Shares	% of Total Shareholding	No. of Shares	% of Total Shareholding
1.	DATUK ANUAR AHMAD	Nil	Nil	Nil	Nil
2.	AZRUL OSMAN RANI	Nil	Nil	Nil	Nil
3.	SHAFIE SHAMSUDDIN	Nil	Nil	Nil	Nil
4.	ALVIN MICHAEL HEW THAI KHEAM	Nil	Nil	Nil	Nil
5.	NIRMALA DORAISAMY	Nil	Nil	Nil	Nil
6.	TANG SAW HUA	Nil	Nil	Nil	Nil
7.	ARNI LAILY ANWARRUDIN	Nil	Nil	Nil	Nil
8.	DATUK SAZALI HAMZAH	Nil	Nil	Nil	Nil
9.	TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS	Nil	Nil	Nil	Nil
10.	MOHD YUZAIDI MOHD YUSOFF	Nil	Nil	Nil	Nil

LIST OF LEADERSHIP TEAM'S SHAREHOLDINGS

No.	Name	Direct		Indirect	
		No. of Shares	% of Total Shareholding	No. of Shares	% of Total Shareholding
1.	AZRUL OSMAN RANI	Nil	Nil	Nil	Nil
2.	KHALIL JAFFRI MUHAMMAD MURI	Nil	Nil	Nil	Nil
3.	FARZLINA AHMAD MURAD	Nil	Nil	Nil	Nil
4.	KOH TAT CHONG	Nil	Nil	Nil	Nil
5.	MAZLIN ERAWATI AB MANAN	Nil	Nil	Nil	Nil
6.	NORAZLAN SUBAHA	Nil	Nil	Nil	Nil
7.	RAMZULHAKIM RAMLI	Nil	Nil	Nil	Nil
8.	ANTON SALLEH HASHIM	Nil	Nil	Nil	Nil
9.	CHEOK YEN KWAN	Nil	Nil	Nil	Nil
10.	NORMAH BASRI	Nil	Nil	Nil	Nil
11.	AHMAD MUNIR AKRAM AHMAD FAIZ	Nil	Nil	Nil	Nil
12.	NORLIANA AIDA RAMLI	Nil	Nil	Nil	Nil
13.	P SUJATANI POOSPARAJAH	Nil	Nil	Nil	Nil
14.	AHMAD YUSMADI MOHAMED YUSOFF	Nil	Nil	Nil	Nil
15.	HARDEEP SINGH KIRPAL SINGH	Nil	Nil	Nil	Nil
16.	IAN MALCOLM CRUDDAS	Nil	Nil	Nil	Nil

***Note**: During the year under review, none of the Leadership Team members has transacted in any of the Company's securities.*

Analysis of **Shareholdings**

AS AT 28 FEBRUARY 2023

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shares
1.	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	635,000,400	63.92
2.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	111,063,365	11.18
3.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	35,985,900	3.62
4.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	20,535,900	2.07
5.	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	9,462,000	0.95
6.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	8,845,700	0.89
7.	LEMBAGA TABUNG HAJI	8,626,000	0.87
8.	PERMODALAN NASIONAL BERHAD	7,216,500	0.73
9.	PERTUBUHAN KESELAMATAN SOSIAL	5,859,800	0.59
10.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	5,589,700	0.56
11.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	4,344,000	0.44
12.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (AHAM AM)	4,207,000	0.42
13.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	4,091,800	0.41
14.	CITIGROUP NOMINEES (ASING) SDN. BHD. CB SPORE GW FOR GOVERNMENT OF SINGAPORE (GIC C)	4,064,027	0.41
15.	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. PAMB FOR PRULINK EQUITY FUND	3,811,400	0.38
16.	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,654,907	0.37
17.	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	3,434,540	0.35
18.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	3,000,000	0.30
19.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 - DIDIK	2,635,100	0.27

Analysis of **Shareholdings**

AS AT 28 FEBRUARY 2023

No.	Name	No. of Shares	% of Total Shares
20.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	2,500,000	0.25
21.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (CGS CIMB)	2,483,635	0.25
22.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	2,432,000	0.24
23.	CARTABAN NOMINEES (ASING) SDN. BHD. STATE STREET LONDON FUND OQ78 FOR ISHARES IV PUBLIC LIMITED COMPANY	2,139,000	0.22
24.	CARTABAN NOMINEES (ASING) SDN. BHD. BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)	2,115,543	0.21
25.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	2,104,400	0.21
26.	CARTABAN NOMINEES (ASING) SDN. BHD. BNYM SA/NV FOR PEOPLE'S BANK OF CHINA	2,024,500	0.20
27.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. SETIAUSAHA KERAJAAN PULAU PINANG	2,000,000	0.20
28.	STATE FINANCIAL SECRETARY SARAWAK	2,000,000	0.20
29.	HSBC NOMINEES (ASING) SDN. BHD. J.P. MORGAN SECURITIES PLC	1,850,300	0.19
30.	CITIGROUP NOMINEES (ASING) SDN. BHD. UBS AG	1,805,553	0.18

Net Book Value of Land and **Buildings of the Company**

	Freehold			Leasehold			Total Land			Building
	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Land (RM'000)	No. of Lots	Area (sq.ft.)	Net Book Value of Buildings (RM'000)
CENTRAL REGION	412,370	116	4,288,072	281,071	93	19,678,893	693,441	209	23,966,965	111,628
NORTHERN REGION	192,282	86	3,741,189	48,431	41	5,689,004	240,713	127	9,430,193	259,925
SOUTHERN REGION	362,985	139	5,521,997	77,970	45	1,664,964	440,955	184	7,186,961	72,779
EAST COAST REGION	68,351	37	1,593,158	36,396	55	1,955,778	104,747	92	3,548,936	16,758
SARAWAK	11,721	4	183,095	23,957	36	1,441,916	35,678	40	1,625,011	4,271
SABAH	215	1	49,223	30,995	37	2,534,198	31,210	38	2,583,421	15,430
Grand Total	**1,047,924**	**383**	**15,376,734**	**498,820**	**307**	**32,964,753**	**1,546,744**	**690**	**48,341,487**	**480,791**

Usage of **Land***

	Bulk Depot	Klang Valley Distribution Terminal	LPG Storage & Bottling Plant	Multi Product Pipeline	Service Station	Training Centre & Service Station	Vacant Land	Grand Total
CENTRAL REGION	-	2	-	1	198	1	7	209
NORTHERN REGION	3	-	-	-	117	-	7	127
SOUTHERN REGION	-	-	-	-	182	-	2	184
EAST COAST REGION	-	-	1	-	86	-	5	92
SARAWAK	3	-	-	-	37	-	0	40
SABAH	3	-	-	-	33	-	2	38
Grand Total	**9**	**2**	**1**	**1**	**653**	**1**	**23**	**690**

** This represents usage of freehold and leasehold land belonging to the Company, and exclude stations or facilities built on leased land.*

List of Top 10 **Landed Properties**

AS AT 31 DECEMBER 2022

Name of Facilities and Location	Net Book Value (RM)
PSS SEBERANG PRAI KM 131, PLUS Arah Selatan, Lot 1973 Seberang Perai Tengah, Pulau Pinang	12,951,646
LUMUT FUEL TERMINAL Lumut Port Industrial Park, Kg Acheh, 32000 Sitiawan, Perak	7,725,186
PASIR GUDANG LPG BOTTLING PLANT Lot 108, Lorong Sawit 2, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor	6,526,365
PSS JLN KOLAM AYER AMPANG Lot 36904, Jalan Kolam Air Lama, 68000 Ampang, Kuala Lumpur	6,025,407
PSS LEBUHRAYA SILK DENGKIL Lot 44116, KM 26.8 Lebuhraya Silk (Arah Kajang), 43300 Seri Kembangan, Selangor	5,154,082
PRAI LPG BOTTLING PLANT Lot 93, Prai Industrial Area, 13600 Prai, Penang	4,669,732
PSS BANDAR SUNGAI MERAB Lot PT 2, Bandar Sungai Merab, 43000 Sepang, Selangor	4,353,480
PSS PLUS/BESRAYA HIGHWAY KM 305, PLUS Arah Selatan, Lot 896, GRN 46223, Mukim Kajang, 43650 Hulu Langat, Selangor	4,262,836
PSS JURU LAYBY ARAH UTARA Lot 4290, MK.6, Lebuhraya Utara Selatan, Perhentian Juru, 14000, Bukit Mertajam, Pulau Pinang	3,692,143
PSS SOLARIS SERDANG KM 0.7, Lebuhraya Sg Besi, Lot 896 GRN 46223 Mukim Kajang, 43300, Seri Kembangan, Selangor	3,457,534

Corporate **Information**

DIRECTORS

DATUK ANUAR AHMAD
Chairman
Non-Independent Non-Executive Director

AZRUL OSMAN RANI
Managing Director/Chief Executive Officer

SHAFIE SHAMSUDDIN
Senior Independent Director

ALVIN MICHAEL HEW THAI KHEAM
Independent Non-Executive Director

BOARD AUDIT COMMITTEE

- Tang Saw Hua *(Chairman)*
- Nirmala Doraisamy
- Arni Laily Anwarrudin
- Mohd Yuzaidi Mohd Yusoff

NOMINATION AND REMUNERATION COMMITTEE

- Shafie Shamsuddin *(Chairman)*
- Alvin Michael Hew Thai Kheam
- Tang Saw Hua

BOARD SUSTAINABILITY AND RISK COMMITTEE

- Alvin Michael Hew Thai Kheam (Chairman)
- Tang Saw Hua
- Shafie Shamsuddin
- Nirmala Doraisamy
- Datuk Sazali Hamzah
- Tunku Alizakri Raja Muhammad Alias

SENIOR INDEPENDENT DIRECTOR

- Shafie Shamsuddin
  Email : shafie.shamsuddin@petronas.com.my

COMPANY SECRETARIES

- Mek Yam @ Mariam Hassan
  (MAICSA 7030578) (SSM Practising Certificate No. 201908000788)
- Yeap Kok Leong
  (MAICSA 0862549) (SSM Practising Certificate No. 202008001750)

REGISTERED ADDRESS

Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Tel : (+603) 2051 5000

BUSINESS ADDRESS

Level 28, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Tel : (+603) 2051 5000

INVESTOR RELATIONS ADDRESS

Level 31, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Tel : (+603) 2392 2403
Email : petdagIR@petronas.com.my

SHARE REGISTRARS

Boardroom Share Registrars Sdn. Bhd.
199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor, Malaysia
Tel : (+603) 7890 4700 (Helpdesk)
Fax : (+603) 7890 4670
Email : BSR.Helpdesk@boardroomlimited.com

Corporate Information

NIRMALA DORAISAMY
Independent Non-Executive Director

ARNI LAILY ANWARRUDIN
Non-Independent Non-Executive Director

MOHD YUZAIDI MOHD YUSOFF
Independent Non-Executive Director

TANG SAW HUA
Independent Non-Executive Director

DATUK SAZALI HAMZAH
Non-Independent Non-Executive Director

TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS
Independent Non-Executive Director

AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)
Chartered Accountants
10th Floor, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (+603) 7721 3388
Fax : (+603) 7721 3399

BANKING SERVICES PROVIDER

PETRONAS Integrated Financial Shared Services Centre (IFSSC)*

PLACE OF INCORPORATION AND DOMICILE

Malaysia

FORM OF LEGAL ENTITY

Incorporated on 5 August 1982 as a private company limited by shares under the Companies Act 1965 and converted into a public company limited by shares on 21 August 1993

STOCK EXCHANGE LISTING

Listed on the Main Market of
Bursa Malaysia Securities Berhad
Listing date : 8 March 1994
Stock Name : PETDAG
Stock Code : 5681
Stock Sector : Consumer Products and Services

OTHER TICKER CODES

Reuters : PETR.KL
Bloomberg : PETD MK

WEBSITE

www.mymesra.com.my

CUSTOMER SERVICE CENTRE (Mesralink)

Tel : 1-300-88-8181
E-mail : mesralink@petronas.com.my

** Banking requirements are substantially managed centrally by PETRONAS IFSSC to enable more efficient banking management for the Group and the Company.*

GRI Content **Index**

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Organisational Profile		
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102-2	Activities, brands, products and services	Flap Pages (iii) - (vi)
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102-4	Location of operations	19 - 20
102-5	Ownership and legal form	21 - 22
102-6	Markets served	Flap Pages (iii) - (vi)
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Strategy		
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Ethics and Integrity		
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Governance		
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Glossary

<IR>	Integrated Report
3R	Reuse, Recycle or Recover
ABC	Anti-Bribery and Corruption
AGM	Annual General Meeting
AIDS	Acquired Immune Deficiency Syndrome
ALARP	'As Low As Reasonably Practicable'
AMG	Aufrecht, Melcher and Großaspach
ASB	Asian Supply Base Sdn. Bhd.
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
B2C	Business to Consumer
BAC	Board Audit Committee
bbl	Barrel
BCM	Business Continuity Management
BCMF	Business Continuity Management Framework
BCP	Business Continuity Plans
BEE	Board Effectiveness Evaluation
Bil	Billion
BNM	Bank Negara Malaysia
Board	The Board of Directors of PDB
BoC	Balance of Consequence
BSRC	Board Sustainability and Risk Committee
BRR	Business Risk Reports
Bursa Malaysia	Bursa Malaysia Securities Berhad
CA	Companies Act
CHRA	Chemical Health Risk Assessment
CITF	COVID-19 Immunisation Task Force
CFO	Chief Financial Officer
CG	Corporate Governance
CMT	Crisis Management Team
CO_2	Carbon Dioxide
CO_2e	Carbon Dioxide Equivalent
CoBE	Code of Conduct and Business Ethics
CoCHR	PETRONAS' Contractors Code of Conduct on Human Rights
COD	Chemical Oxygen Demand
COI	Conflict of Interest
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
COSO	Committee of Sponsoring Organisations of the Treadway Commission
COVID	Coronavirus Disease
CSA	Controlled Goods Act
CSIM	Crisis Management Information System
CSR	Corporate Social Responsibility
DC	Direct Current
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EESG	Economic, Environmental, Social and Governance
EIA	Environment Impact Assessment
EMT	Emergency Management Team
EMCO	Emergency Movement Control Order
EOC	Evaluation of Compliance
EPF	Employees Provident Fund
EPM	Employee Performance Management
EPR	Extended Producer Responsibility
EPS	Earnings per Share
ERM	Enterprise Risk Management
ERT	Emergency Response Team
ERS	Equipment Reliability Strategy
ESG	Environmental, Social and Governance
F&B	Food and Beverage
FA	Financial Assistance
FAMA	Federal Agricultural Marketing Authority
FAR	Fatality Accident Rate
FBM	KLCI FTSE Bursa Malaysia Kuala Lumpur Composite Index
FCF	Financial Control Framework
FIA	Federation of Internationale de l'Automobile
FReSH	Fatigue Management and Sleep Hygiene
FSAR	Fire Safety Adequacy Review
FTSE	Financial Times Stock Exchange
FWO	Flexible Work Options
GDP	Gross Domestic Product
GEES	Graduate Employability Enhancement Scheme
GHG	Greenhouse Gas
GJ	GigaJoule
GRI	Global Reporting Initiative
Group	PETRONAS Dagangan Berhad and its subsidiaries
HAZID	Hazard Identification
HEMP	Hazards and Effects Management Process
HIV	Human Immunodeficiency Virus
HOTS	Higher Order Thinking Skills
HRM	Human Resource Management
HSE	Health, Safety and Environment
HSE MS	Health, Safety and Environment Management System
IAD	Internal Audit Department
IE	Innovation Engine
IIRC	International Integrated Reporting Council
IIUM	International Islamic University Malaysia
INED	Independent Non-Executive Director
INSEAD	Institut Européen d'Administration des Affaires
IPCC	Intergovernmental Panel on Climate Change
IPIECA	International Petroleum Industry Environmental Conservation Association
IR	Investor Relations
ISO	International Organisation for Standardization
JV	Joint Venture
KAPENAS	Kesatuan Kakitangan Petroliam Nasional Berhad
KLIA	Kuala Lumpur International Airport

Glossary

KPDNHEP	Ministry of Domestic Trade and Consumer Affairs
KPI	Key Performance Indicator
KRIs	Key Risk Indicators
KVDT	Klang Valley Distribution Terminal
LCA	Life Cycle Assessment
LDAR	Leak Detection and Repair
LNG	Liquefied Natural Gas
LOA	Limits of Authority
LOPC	Loss of Primary Containment
LPG	Liquefied Petroleum Gas
LT	Leadership Team
LWP	Leave Without Pay
MACC	Malaysian Anti-Corporation Commission
MASB	Malaysian Accounting Standards Board
MAFI	Ministry of Agriculture and Food Industries
MAG	Malaysia Aviation Group
MCCG 2021	Malaysian Code on Corporate Governance 2021
MCO	Movement Control Order
MD/CEO	Managing Director/Chief Executive Officer
MEPs	Market Execution Partners
MFRS	Malaysian Financial Reporting Standard
MFT	Moving Forward Together
MIASA	Mental Illness Awareness and Support Association
Mil	Million
MIPAC	PETRONAS Making Impossible Possible Awards & Convention
MIROS	Malaysian Institute of Road Safety Research
MMLR	Main Market Listing Requirements
MOPS	Marketing Operating Prices
MPC	Malaysia Productivity Corporation
MPP-KVDT	Multi-Product Pipeline and Klang Valley Distribution Terminal
MSME	Micro, Small and Medium Enterprises
MSWG	Minority Shareholders Watch Group
MT	Metric Tonnes
MWh	Megawatt-hour
NEDs	Non-Executive Directors
NEKMAT	Persatuan Nelayan Kebangsaan Malaysia
NGV	Natural Gas Vehicle
NINED	Non-Independent Non-Executive Director
NPS	Net Promoter Score
NRC	Nomination and Remuneration Committee
NWoW	New Way of Working
NZCE	Net Zero Carbon Emissions
OSRL	Oil Spill Response Limited
PAT	Profit After Tax
PBT	Profit Before Tax
PCB	PETRONAS Cultural Beliefs
PCC	PETRONAS Carbon Commitments
PCS	Portable Container Storage
PCI	DSS Payment Card Industry Data Security Standard
PDA	Petroleum Development Act
PDB	PETRONAS Dagangan Berhad
PENJANA	Pelan Jana Semula Ekonomi Negara
PETRONAS	Petroliam Nasional Berhad (PETRONAS)
PIMTCL	PETRONASInternational Marketing (Thailand) Co. Ltd.
PINMAG	Petroleum Industry of Malaysia Mutual Aid Group
PLMMSB	PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.
PME	Palm Methytl Ester
PNGV	PETRONAS Natural Gas Vehicle
POS	Point of Sales
PRIHATIN	Pakej Ransangan Ekonomi Prihatin
PROTÉGÉ	Professional Training and Education for Growing Entrepreneurs
PS	PETRONAS Stations
PSLR	Process Safety Loss of Primary Containment Reduction
PST	PETRONAS Shell Terminal
PUMP	MARA PETRONAS Automotive Entrepreneur Development Programme
QAIP	Quarterly Assurance and Improvement Programme
R&D	Research and Development
RCP	Representative Concentration Pathway
RM	Ringgit Malaysia
RMD	Risk Management Department
RMGC	Risk Management and Governance Committee
RPTs	Related Party Transactions
RRPTs	Recurrent Related Party Transactions
RSPO	Roundtable on Sustainable Palm Oil
SAC	Sustainability Action Council
SAF	Sustainable Aviation Fuel
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goals
SIRIM	Standard and Industrial Research Institute of Malaysia
SKU	Stock Keeping Unit
SME	Small and Medium Enterprise
SOPs	Standard Operating Procedures
SORMIC	Statement on Risk Management and Internal Control
TCFD	Task Force on Climate-related Financial Disclosures
tCO_2e	Metric Tonnes of Carbon Dioxide Equivalent
TOR	Terms of Reference
TRCF	Total Reportable Case Frequency
UN	United Nations
USD	United States Dollar
VPS	Virtual Pipeline System
WBP	Whistleblowing Policy
WFH	Work From Home
WIO	Work In Office

Notice of 41st Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 41st Annual General Meeting (AGM) of PETRONAS Dagangan Berhad will be held virtually through live streaming via a remote participation and voting facilities at the Broadcast Venue, Hall 8C, Level 4 (New Wing), Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Wednesday, 10 May 2023 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon.

   Please refer to Explanatory Note A

2. To re-elect the following Directors who retire in accordance with Article 100 of the Company's Constitution and being eligible, offers themselves for re-election:

   (a) Datuk Sazali Hamzah **(Resolution 1)**
   (b) Mohd Yuzaidi Mohd Yusoff **(Resolution 2)**
   (c) Tunku Alizakri Raja Muhammad Alias **(Resolution 3)**

   Please refer to Explanatory Note B

3. To re-elect the following Directors who retire by rotation in accordance with Article 107 of the Company's Constitution and being eligible, offer themselves for re-election:

   (a) Shafie Shamsuddin **(Resolution 4)**
   (b) Alvin Michael Hew Thai Kheam **(Resolution 5)**

   Please refer to Explanatory Note B

4. To approve the Directors' fees and allowances payable to the Non-Executive Directors of up to an amount of RM2,600,000 with effect from 11 May 2023 until the next annual general meeting of the Company. **(Resolution 6)**

   Please refer to Explanatory Note C

5. To approve the re-appointment of KPMG PLT, as Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration. **(Resolution 7)**

   Please refer to Explanatory Note D

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend and vote at the forthcoming 41st AGM, the Company shall be requesting the Record of Depositors as at 28 April 2023. Only a depositor whose name appears on the Record of Depositors as at 28 April 2023 shall be entitled to attend and vote at the meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

BY ORDER OF THE BOARD

MEK YAM @ MARIAM HASSAN (MAICSA 7030578) (SSM Practising Certificate No. 201908000788)
YEAP KOK LEONG (MAICSA 0862549) (SSM Practising Certificate No. 202008001750)
Company Secretaries

Kuala Lumpur
10 April 2023

Notice of 41st Annual General Meeting

NOTES:

1. IMPORTANT NOTICE

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 (CA 2016)** which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **will not be allowed** to attend this AGM in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, participate, speak (by posing questions to the Board via real time submission of typed texts) and vote (collectively referred to as "participate") remotely at this AGM via the Remote Participation and Voting (RPV) facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor) via its TIIH Online website at https://tiih.online.

Please read these notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely via RPV.

2. PROXY AND/OR AUTHORISED REPRESENTATIVE

(a) A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

(b) A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.

(c) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities account.

(d) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(e) Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(f) A member who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the AGM.

Notice of 41st Annual General Meeting

(g) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be deposited with Tricor not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

(i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with:

(a) Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia; or

(b) By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com

(ii) By electronic means

The proxy form can be electronically lodged with Tricor via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgment of proxy form via TIIH Online.

(h) Please ensure the proxy form is completed with **ALL** required particulars, signed and dated accordingly.

(i) Last date and time for lodging the proxy form is Monday, 8 May 2023, at 10.00 a.m.

(j) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively, the Customer Service Centre at the address stated under item (g)(i)(a) above not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

(k) For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with Tricor or alternatively, the Customer Service Centre at the address stated under item (g)(i)(a) above. The certificate of appointment of authorised representative should be executed in the following manner:

(i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

(ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

(l) By submitting the duly executed Proxy Form, the member and his/her proxy(ies) consent to the Company (and/ or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 41st AGM and any adjournment thereof.

3. VOTING ON A POLL

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), all resolutions set out in the Notice of 41st AGM will be put to vote on a poll.

4. EXPLANATORY NOTES

Note A

Audited Financial Statements for the Financial Year Ended 31 December 2022

The audited financial statements are laid before the shareholders pursuant to the provision of Section 244(2)(a) of the CA 2016 for discussion only. The Audited Financial Statements do not require shareholders' approval and hence, will not be put forward for voting.

Note B

Re-election of Directors who retire in accordance with Article 100 and Article 107 of the Company's Constitution

(i) Re-election of Directors who retires in accordance with Article 100 of the Company's Constitution

Article 100 of the Company's Constitution provides, amongst others, that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall be eligible for re-election.

In view that Datuk Sazali Hamzah, Mohd Yuzaidi Mohd Yusoff and Tunku Alizakri Raja Muhammad Alias were appointed after the last AGM held on 25 April 2022, they will be retiring under Article 100 of the Company's Constitution. They, eligible for re-election, have also given their consent for re-election.

(ii) Re-election of Directors who retire in accordance with Article 107 of the Company's Constitution

Article 107 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company provided always that all Directors shall retire from office once at least in each three years but shall be eligible for re-election at the AGM. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not.

At the forthcoming 41st AGM, two directors will be retiring in accordance with Article 107 of the Company's Constitution. They are Shafie Shamsuddin and Alvin Michael Hew Thai Kheam, whom being eligible for re-election have given their consent for re-election at the AGM.

For the purpose of determining the eligibility of the Directors to stand for re-election at the forthcoming 41st AGM, the Board through its Nomination and Remuneration Committee (NRC) has assessed each of the retiring Directors based on the results of the Board Effectiveness Evaluation (BEE) for financial year 2022 (FY2022) for the Director's performance and contribution. In addition, the affected Directors have signed the Fit & Proper Declaration and given their consent for re-election.

Based on the results of the BEE conducted for FY2022, the performance and contribution of each of the retiring Directors was found to be satisfactory as the retiring Directors had successfully discharged their fiduciary roles responsibly and in utmost good faith and have actively participated in all Board discussions and provided insightful opinions that demonstrate understanding of issues discussed. The retiring directors remain committed to the role and continue to strive to be effective and valuable members of the Board.

The Board endorsed NRC's recommendation that the Directors who retire in accordance with Article 100 and Article 107 of the Company's Constitution are eligible to stand for re-election.

The profiles of the retiring Directors are set out in the Profile of the Board of Directors on pages 139 to 149 (inclusive) of the Integrated Report 2022.

Notice of 41st Annual General Meeting

Note C

Non-Executive Directors' Fees and Allowances

Pursuant to Section 230(1) of the CA 2016, the fees of the directors, and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The fees and allowances structure of the Non-Executive Directors (NEDs) of the Company are as follows:

- Monthly fixed fees for duties as Director/Chairman;
- Meeting allowance for each Board/Board Committee meeting attended; and
- Fuel allowance.

The Directors' fees and meeting allowances for Non-Independent Non-Executive Directors who are also employees of Petroliam Nasional Berhad (PETRONAS) are paid directly to PETRONAS.

The shareholders at the last AGM held on 25 April 2022 approved the Directors' fees and allowances of up to an amount of RM2,600,000 for the period from 26 April 2022 until the next AGM of the Company. The actual Directors' fees and other benefits paid to NEDs for the said period was RM1,985,676.34.

The Directors' fees and allowances for NEDs for the period from 11 May 2023 until the next AGM of the Company (Mandate Period) are estimated not to exceed 2,600,000. The calculation is based on the estimated number of scheduled Board and Board Committees' meetings and on assumption that all the NEDs will remain in office until the next AGM. This resolution is to facilitate payment of the Directors' fees and allowances for the Mandate Period.

The Board will seek shareholders' approval at the next AGM in the event the Directors' fees and allowances proposed are insufficient.

The Company will retain its position to table a single resolution on the approval of the fees of the NEDs. The breakdown of the detailed Directors' remuneration paid for FY2022 is disclosed in the Corporate Governance Report 2022, which is accessible to the public at PDB's corporate website, **www.mymesra.com.my**.

Note D

Re-appointment of Auditors

The Board Audit Committee (BAC) had carried out an assessment on the performance, suitability and independence of external auditors based on the following four key areas:

(a) Quality of engagement team and services;
(b) Adequacy of resources;
(c) Quality of communication and interaction; and
(d) Independence, objectivity and professional skepticism.

The annual assessment on the Company's External Auditors, KPMG PLT, was conducted in January 2023 whereby the BAC was satisfied with the performance and independence of the external auditors.

Based on the assessment conducted, KPMG PLT has also met the criteria prescribed by Paragraph 15.21 of the MMLR of Bursa Malaysia.

The Board at its meeting held on 22 February 2023 recommended the re-appointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2023 for approval of the shareholders under Resolution 7.

Other Information

The Company has engaged independent scrutineers to count, audit and validate the votes for each proposal presented to shareholders.

Administrative **Guide**

FOR THE 41ST ANNUAL GENERAL MEETING (AGM)
OF PETRONAS DAGANGAN BERHAD (THE COMPANY)

In line with the revised 'Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers' issued by the Securities Commission Malaysia on 7 April 2022, as the country entered into the "Transition to Endemic" phase, the Company will conduct the 41st AGM virtually. In this respect, the Company will continue to leverage on technology, to ensure that the 41st AGM supports meaningful engagement between the Board/Management and Shareholders of the Company.

The date, time and venue for the 41st AGM of the Company are as below:

Date	:	Wednesday, 10 May 2023
Time	:	10.00 a.m.
Broadcast Venue	:	Hall 8C, Level 4 (New Wing), Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

- The Company will conduct the 41st AGM on a **virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn. Bhd.'s (Tricor) TIIH Online website at https://tiih.online.

- The Broadcast Venue of the 41st AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the meeting. No shareholders/ proxy(ies) from the public will be physically present at the Broadcast Venue on the day of the meeting.

- Shareholders are to attend, participate, speak (by posing questions to the Board via real time submission of typed texts) and vote (collectively referred to as "participate") remotely at this 41st AGM via the RPV facilities provided by Tricor via its TIIH Online website at https://tiih.online. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 41st AGM.

REMOTE PARTICIPATION AND VOTING

- The RPV facilities are available on Tricor's **TIIH Online** website at https://tiih.online.

- Shareholders are to participate remotely at the 41st AGM using RPV facilities from Tricor.

- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

Administrative **Guide**

FOR THE 41ST ANNUAL GENERAL MEETING (AGM)
OF PETRONAS DAGANGAN BERHAD (THE COMPANY)

PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 41st AGM using the RPV facilities:

Procedure	Action
	BEFORE THE 41ST AGM DAY
i. Register as a user with TIIH Online	• Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services" select **"Create Account by Individual Holder"**. Refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one (1) working day and you will be notified via e-mail. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend 41st AGM remotely	• **Registration is open from 10.00 a.m. on Monday, 10 April 2023 until the day of 41st AGM on Wednesday, 10 May 2023.** Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 41st AGM to ascertain their eligibility to participate the 41st AGM using the RPV. • Login with your user ID (i.e. e-mail address) and password and select the corporate event: **"(REGISTRATION) PETRONAS DAGANGAN BERHAD 41ST AGM"** • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an **e-mail to notify** that your registration for remote participation is received and will be verified. • After verification of your registration against the Record of Depositors as at 28 April 2023, the system will send you an e-mail after 8 May 2023 to approve or reject your registration for remote participation. ***(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV)***
	ON THE 41ST AGM DAY
i. Login to TIIH Online	Login with your user ID and password for remote participation at the 41st AGM at any time from **9.00 a.m.** i.e. 1 hour before the commencement of meeting at **10.00 a.m. on Wednesday, 10 May 2023.**
ii. Participate through Live Streaming	• Select the corporate event: **(Live Stream Meeting) PETRONAS DAGANGAN BERHAD 41ST AGM** to engage in the proceedings of the 41st AGM remotely. • If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 41st AGM. If there is time constraint, the responses will be published within three working days in the Company's corporate website at www.mymesra.com.my under Investor Relations page, after the meeting.

Procedure	Action
iii. Online Remote Voting	• Voting session commences from **10.00 a.m. on Wednesday, 10 May 2023** until a time when the Chairman announces the end of the session. • Select the corporate event: **(Remote Voting) PETRONAS DAGANGAN BERHAD 41ST AGM** or if you are on the live stream meeting page, you can select **"GO TO REMOTE VOTING PAGE"** button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
iv. End of remote participation	• Upon the announcement by the Chairman on the conclusion of the 41st AGM, the Live Streaming will end.

Note to users of the RPV facilities:

i. Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.

ii. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.

iii. In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-4080 5616/011-4080 3168/011-4080 3169/011-4080 3170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY

- Only members whose names appear on the Record of Depositors as at 28 April 2023 shall be eligible to participate at the 41st AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to participate on his/her behalf.

- In view that the 41st AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the proxy form.

- If you wish to participate in the 41st AGM yourself, please do not submit any proxy form for the 41st AGM. You will not be allowed to participate in the 41st AGM together with a proxy appointed by you.

- By submitting the duly executed proxy form, the member and his/her proxy(ies) consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 41st AGM and any adjournment thereof.

Administrative **Guide**

FOR THE 41ST ANNUAL GENERAL MEETING (AGM)
OF PETRONAS DAGANGAN BERHAD (THE COMPANY)

- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 41st AGM whether in hard copy or by electronic means shall be deposited or submitted with Tricor in the following manner not later than **Monday, 8 May 2023 at 10.00 a.m.**:

  i. In hard copy form:

     a. In the case of an appointment made in hard copy form, the proxy form must be deposited with:

        Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia; or

     b. By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com

  ii. By electronic form:

     All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
	STEPS FOR INDIVIDUAL SHAREHOLDERS
Register as a user with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of form of proxy	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: **PETRONAS DAGANGAN BERHAD 41ST AGM – "SUBMISSION OF PROXY FORM"** • Read and agree to the Terms and Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(ies) appointment. • Print the proxy form for your record.

Administrative **Guide**

FOR THE 41ST ANNUAL GENERAL MEETING (AGM)
OF PETRONAS DAGANGAN BERHAD (THE COMPANY)

Procedure	Action
	STEPS FOR CORPORATION OR INSTITUTIONAL SHAREHOLDERS
Register as a User with TIIH Online	• Access TIIH Online at https://tiih.online • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects **"Create Account by Representative of Corporate Holder"** • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. *Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Tricor if you need clarifications on the user registration.*
Proceed with submission of form of proxy	• Login to TIIH Online at https://tiih.online • Select the corporate exercise name: **"PETRONAS DAGANGAN BERHAD 41ST AGM: SUBMISSION OF PROXY FORM"** • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Login to TIIH Online, select corporate exercise name: **"PETRONAS DAGANGAN BERHAD 41ST AGM: SUBMISSION OF PROXY FORM"** • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

VOTING AT MEETING

- The voting at the 41st AGM will be put to vote on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). The Company has appointed Tricor to conduct the poll voting electronically (e-voting) via Tricor e-Vote application (Tricor e-Vote App) and Boardroom Corporate Services Sdn. Bhd. as Independent Scrutineers to verify the poll results.

- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the 41st AGM at 10.00 a.m. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIIH Online.

Administrative **Guide**

FOR THE 41ST ANNUAL GENERAL MEETING (AGM)
OF PETRONAS DAGANGAN BERHAD (THE COMPANY)

RESULTS OF THE VOTING

- The resolutions proposed at the 41st AGM and the results of the voting will be announced at the 41st AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.

PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

- The Board recognises that the 41st AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 41st AGM, shareholders may in advance, before the 41st AGM, submit questions to the Board of Directors via Tricor's TIIH Online website at https://tiih.online, by selecting "e-Services" to login, post your questions and submit it electronically no later than **Monday, 8 May 2023 at 10.00 a.m.** The Board of Directors will endeavour to address the questions received at the 41st AGM.

- Alternatively, you may also send your questions for the 41st AGM to the following email address, Investor Relations: petdagIR@petronas.com.my

INTEGRATED REPORT 2022

- The Integrated Report 2022 is available on the Company's corporate website at www.mymesra.com.my and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.

- You may request for a printed copy of the Integrated Report 2022 at https://tiih.online by selecting "Request for Annual Report" under the "Investor Services".

- Kindly consider the environment before you decide to request for the printed copy of the Integrated Report 2022. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

ENQUIRY

- If you have any enquiry prior to the meeting, please call Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

PETRONAS Dagangan Berhad
Registration No.: 198201008499 (88222-D)

PROXY FORM

FOR THE 41ST ANNUAL GENERAL MEETING

No. of Ordinary Shares Held	
CDS Account Number	

I/We _____ NRIC/Passport No./Company No.: _____
(Full Name In Block Letters)

of _____ Telephone No.: _____
(Full Address)

Email address.: _____ being a member of PETRONAS Dagangan Berhad ("the Company") hereby appoint:

Full Name (in Block Letters)		**Proportion of Shareholdings**	
NRIC/Passport No.		**No. of Shares**	**%**
Address			

and/or (delete as appropriate)

Full Name (in Block Letters)		**Proportion of Shareholdings**	
NRIC/Passport No.		**No. of Shares**	**%**
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 41st Annual General Meeting (AGM) of the Company which will be held virtually through live streaming via a remote participation and voting facilities at the Broadcast Venue, Hall 8C, Level 4 (New Wing), Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on **Wednesday, 10 May 2023** at **10.00 a.m.** and at any adjournment thereof. My/our proxy is to vote as indicated below.

Resolution*	Ordinary Business	For	Against
1	Re-election of Datuk Sazali Hamzah as a Director		
2	Re-election of Mohd Yuzaidi Mohd Yusoff as a Director		
3	Re-election of Tunku Alizakri Raja Muhammad Alias as a Director		
4	Re-election of Shafie Shamsuddin as a Director		
5	Re-election of Alvin Michael Hew Thai Kheam as a Director		
6	Approval of Directors' fees and allowances payable to the Non-Executive Directors of up to an amount of RM2,600,000 with effect from 11 May 2023 until the next annual general meeting of the Company		
7	Re-appointment of KPMG PLT as Auditors of the Company		

Note:
* Please refer to the Notice of 41st AGM for full details of the proposed Resolutions.

(Please indicate with an "X" in the spaces provided whether you wish your vote to be casted for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit)

Date: _____ 2023.

_____
Signature(s)/Common Seal of Shareholder(s)

NOTES:

1. A member who is entitled to attend, participate, speak (by posing questions to the Board via real time submission of typed texts) and vote (collectively referred to as "participate") in this AGM via Remote Participation and Voting (RPV) facilities is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

2. A member of the Company who is entitled to participate at the meeting may appoint not more than two proxies to participate on his/her behalf provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities accounts.

4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

5. Where a member or the authorised nominee appoints two proxies, or where an Exempt Authorised Nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. A member who has appointed a proxy or attorney or authorised representative to participate at AGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the AGM.

7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be deposited with Tricor Investor & Issuing House Services Sdn. Bhd. not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form

   In the case of an appointment made in hard copy form, the proxy form must be deposited with:

   (a) Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia; or

   (b) By fax at 03-2783 9222 or email to is.enquiry@my.tricorglobal.com

   (ii) By electronic means

   The proxy form can be electronically lodged with Tricor via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

8. Please ensure the proxy form is completed with **ALL** required particulars, signed and dated accordingly.

9. Last date and time for lodging the proxy form is on Monday, 8 May 2023 at 10.00 a.m.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with Tricor or alternatively, the Customer Service Centre at the address stated under item 7(i)(a) above, not less than 48 hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with Tricor or alternatively, the Customer Service Centre at the address stated under item 7(i)(a) above. The certificate of appointment of authorised representative should be executed in the following manner:

   (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

   (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two authorised officers, of whom one shall be a director or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

12. By submitting the duly executed Proxy Form, the member and his/her proxy(ies) consent to the Company (and/ or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 41st AGM and any adjournment thereof.

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AFFIX
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TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3, Bangsar South

No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

Malaysia

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